Notes to the financial statements
For the year ended 30 June 2013

In the notes that follow, the abbreviations used have these meanings:

APRA – Australian Prudential Regulation Authority

Cuscal – Cuscal Limited

1. Reporting entity

mecu Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 222 High Street Kew, Victoria 3101. The consolidated financial statements of the Company for the financial year ended 30 June 2013 comprises the accounts of the Company and its subsidiaries (together referred to as the 'consolidated entity'). The Company is a for-profit entity and is primarily involved in the raising of funds as authorised by the Prudential Standards administered by APRA and the Banking Act 1959, and the application of those funds in providing financial accommodation to customers.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial statements comply with the International Financial Reporting Standards 'IFRSs' and interpretations adopted by the International Accounting Standards Board.

The Directors have applied the relief available under ASIC Class Order 10/654 "Inclusion of parent entity financial statements in financial reports" effective 29 July 2010 to continue to present full parent entity financial statements as part of the consolidated financial statements.

The consolidated financial statements were authorised for issue by the Directors on 26 September 2013.

(b) Basis of measurement

The financial statements have been presented in Australian dollars and on the amortised cost basis except property and shares, which are stated at fair value.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 6 – other income (commissions)
- Note 13 – provision for impaired loans
- Note 15 – valuation of property
- Note 21 – creditors and other liabilities
- Note 26 – contingent liabilities and forward commitments
- Note 33 – financial instruments

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the Company's financial statements, and have been applied consistently by the consolidated entity.

(a) Basis of consolidation

Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date control is transferred to the consolidated entity. For every business combination, the consolidated entity identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The acquisition date is the date on which control is transferred to the acquirer.

Measuring goodwill

The consolidated entity measures goodwill as the fair value of the consideration transferred less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Consideration includes the value of the assets transferred, liabilities incurred and equity interests.

Contingent liabilities

A contingent liability of the acquiree is recognised in a business combination only if such a liability represents a present obligation, arises from a past event and its fair value can be measured reliably.

Transaction costs

Transaction costs that the consolidated entity incurs in connection with a business combination, such as legal fees, due diligence fees and other professional consulting fees are expensed as incurred.

Acquisitions

The 2013 balances include amounts acquired from Fitzroy and Carlton Community Credit Co-operative Limited as at 15 June 2013.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at amortised cost in the Company's financial statements.

The consolidated financial statements of the consolidated entity comprise the accounts of **mecu** Limited and its subsidiary companies, Ed Credit Services Pty Ltd, ECS Unit Trust, Ed Credit Insurance Services Pty Ltd and Buloke Funding Trust No. 1.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

(b) Financial instruments

Non-derivative financial instruments

The consolidated entity initially recognises financial assets on the date at which it becomes a party to the contractual provision of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value through profit and loss, the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The consolidated entity subsequently measures the financial assets at either fair value or amortised cost.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost using the effective interest method and net of any impairment loss, if: the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest. The consolidated entity's policy on impairment is the same as that applied in its consolidated financial statements as at and for the year ended 30 June 2012 for loans, receivables and held to maturity debt and investment securities.

Financial assets measured at fair value

Financials assets other than those measured at amortised cost are measured at fair value with all changes in fair value recognised in profit or loss. The fair value of equity holdings is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

However, for investments in equity instruments that are not held for trading, the consolidated entity has elected at initial recognition to present gains and losses in other comprehensive income. Instruments measured at fair value through other comprehensive income gains and losses are never reclassified to profit or loss and no impairments are recognised in profit or loss. Dividends earned from such investments are recognised in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment.

(c) Securitisation

The Company conducts a loan securitisation program whereby mortgage loans are sold as securities to an unrelated entity, thus removing the assets from the Company's balance sheet. The contractual arrangements of the program meet the criteria for transferring assets off balance sheet. The Company bears no risk exposure in respect of these loans. The Company receives fee and commission income from securitised loans which is included in non-interest revenue. The Company no longer uses this program and the owner of the program has given notice to cease new loan securitisations. The pool of existing securitised loans is in run-off.

The Company has established a repurchase obligation trust as a contingent liquidity vehicle should there be insufficient liquidity to meet operational requirements. The Company has transferred loan contractual benefits to the trust. These loans do not satisfy the criteria for transferring assets off balance sheet as the credit risk associated with these loans remains with the Company. As such, the loans remain on the Statement of Financial Position of the Company.

(d) Property, plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Property is measured at fair value using an external independent valuation company with appropriate recognised professional qualifications and experience. The fair values are based on market values being the estimated amount for which a property could be exchanged on date of valuation between a willing buyer and willing seller in an arm's length transaction.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation

With the exception of freehold land and artworks, depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and artworks are not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

Category	Depreciation period
Freehold buildings	40 years
Leasehold improvements	the lease term
Plant and equipment	3 to 5 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(e) Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the consolidated entity's balance sheet.

(f) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of a fair value financial asset is calculated by reference to its current fair value.

Impairment of loans is not recognised until objective evidence is available that a loss event has occurred. Significant loans are individually assessed for impairment. Impairment testing of loans that are not assessed as impaired individually is performed by placing them into portfolios of loans with similar risk profiles and undertaking a collective assessment of impairment based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and fair value financial assets that are debt securities, the reversal is recognised in the income statement. Any bad debts recovered are recognised in the income statements in the period in which they were recovered.

(g) Employee benefits

Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation plans are recognised as an expense in the income statement as incurred.

Defined benefit superannuation funds

Multi employer funds where sufficient information is not available to use defined benefit accounting are accounted for as if the fund was a defined contribution fund.

Other long-term employee benefits

The consolidated entity's net obligation in respect of long-term service benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance date which have maturity dates approximating the terms of the consolidated entity's obligations.

Short-term benefits

Liabilities for employee benefits for wages, salaries, and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

(h) Provisions

A provision is recognised in the statements of financial position when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the consolidated entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the consolidated entity recognises any impairment loss on any assets associated with the contract.

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. Revenue is reported net of the amount of goods and services tax (GST). No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or where the costs incurred or to be incurred cannot be measured reliably.

Interest income

Loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account monthly. Interest income is recognised in the income statement as it accrues, using the effective yield interest method. Loan establishment costs and income are assessed for materiality and, where appropriate, capitalised applying the effective yield method and recognised as part of the asset.

Fee and commission income

Other fee and commission income is recognised when the related service is provided and the income is contractually due. The gross amount of commission income is recognised. Fee income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Dividends

Dividend income is recognised in the income statement on the date the consolidated entity's right to receive payments is established which in the case of quoted securities is ex-dividend date.

Asset sales

The net proceeds of asset sales not originally purchased for the intention of resale are included as revenue at the date a contract of sale becomes unconditional. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Government grants

Grants that compensate the consolidated entity for the cost of an asset are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

(j) Expenses

Interest expense

Interest payable on member deposits is calculated on the daily balance outstanding and is credited in arrears periodically. Interest expense is recognised in the income statement as it accrues.

Operating lease payments

Payments made under operating leases are recognised in the statements of profit or loss and other comprehensive income on a straight-line basis over the term of the lease.

(k) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statements of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statements of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or included in the item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements.

4. Financial risk management

(a) Introduction and overview

The consolidated entity has exposure to the following risk from the use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk and capital. Further quantitative disclosures are included throughout the notes to the financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Committee which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities. The consolidated entity, through training and management's standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Compliance Committee oversees how management monitors compliance with the consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the consolidated entity. The Audit and Compliance Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Compliance Committee.

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from loans and advances to customers, debt and investment securities held to maturity.

Management of credit risk

The Board of Directors has implemented the following policies to mitigate and manage credit risk:

- Credit integrity
- Credit card risk management
- Lending
- Large exposures
- Responsible investment and lending
- Collective provision methodology

The aims of the policies are to:

- control and mitigate risk of loss associated with delinquent credit facilities and deteriorating loan assets.
- establish collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements
- establish the authorisation structure for the approval and renewal of credit facilities

Impaired loans and securities

Impaired loans and securities are those for which the consolidated entity determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreements.

Past due but not impaired loans

These are loans and securities where contractual interest or principal payments are past due but the consolidated entity believes that impairment is not appropriate on the basis of security / collateral available and / or the stage of collection of amounts owed.

Allowances for impairment

The consolidated entity establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The components of this allowance are a specific loss component that relates to individually assessed exposures and a collective loss component that relates to unexpected one-off scenarios such as bankruptcies and deceased estates which are unidentified but inherent in the loan portfolio. In addition, a General Reserve for Credit Losses is carried in equity in accordance with APRA prudential requirements.

Write-off policy

The consolidated entity writes off a loan / security balance (and any related allowance for impairment losses) when it is determined that the loan / security is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Collateral

The consolidated entity holds collateral against loans and advances to the customers in the form of mortgage interest over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral is usually not held against investment securities.

Settlement risk

The consolidated entity's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

(c) Liquidity risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

The Board of Directors has implemented the following policies to mitigate and manage liquidity risk:

- Finance and accounting
- Liquidity contingency planning
- Liquidity risk management

- Large exposures policy
- Responsible investment and lending

Exposure to liquidity risk

The key measure used to manage liquidity risk is the ratio of high quality liquid assets to adjusted liabilities. For this purpose liquid assets are considered to include cash and cash equivalents and investment grade debt securities for which there is an active and liquid market. The calculation is used to ensure compliance with the minimum level of liquidity prescribed by APRA.

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates or listed equity investments held at fair value, will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

Market risk can be separated between trading and held-to-maturity portfolios. The consolidated entity's intention is to hold all financial instruments to maturity.

The Board of Directors has implemented the following policies to mitigate and manage market risk:

- Finance and accounting
- Market risk management

The consolidated entity is not exposed to foreign exchange risk.

Interest rate risk

The principal risk to which portfolios held to maturity are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. The Board has established limits on Value at Risk (VaR) and interest rate repricing gaps for stipulated periods. The Risk Committee is the monitoring body for compliance with these limits.

The management of interest rate risk is supplemented by monitoring the sensitivity of the consolidated entity's financial assets and liabilities to various standard and non-standard interest rate scenarios.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the consolidated entity's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Management of operational risk

The consolidated entity's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the consolidated entity's reputation with overall cost effectiveness.

The Board of Directors has implemented a risk management policy and risk appetite statement which establishes the overall framework for managing operational risk. Specifically, the Company's Risk Management Policy aims to:

- Contribute to profitable prudential performance by achieving an appropriate balance between realising opportunities while minimising losses.
- Maintain a comprehensive and up to date risk policy statement that addresses all material risks and sets the risk limits acceptable to the Board.
- Manage and mitigate risk which is defined as exposure to the consequences of uncertainty, or potential deviations from that which is planned or expected.
- Facilitate regular reporting to Senior Management, the Board and relevant committees.

(f) Capital management

The Company's regulator APRA sets and monitors capital requirements for the consolidated entity as a whole. In implementing capital requirements APRA requires the consolidated entity to maintain a prescribed ratio of total capital to total risk weighted assets.

Regulatory capital is analysed into two tiers:

- Tier 1 capital includes general reserves, retained earnings, asset revaluation reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital includes qualifying collective impairment allowance after applying other regulatory adjustments.

Risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures plus an allowance for operational risk as prescribed by APRA.

The consolidated entity has complied with all externally imposed capital requirements throughout the period.

There have been no material changes in the consolidated entity's management of capital during the year.

5. Business combinations

The Company acquired control of Fitzroy & Carlton Community Credit Co-operative Limited (FCCC) on 15 June 2013 via a total voluntary transfer of business. No consideration was paid in respect of these transactions.

The Company did not incur any costs relating to external legal fees and external due diligence costs.

It is not practical to disclose the amount of the transferring entity's profit or loss since the respective acquisition date, since this is indistinguishable in the Company's accounts. Had the FCCC business combination been effected as at 1 July 2012, the revenue of the consolidated entity would have been approximately $86.49 million, and net profit after tax approximately $25.36 million for year ended 30 June 2013.

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	**The Company 2013 $'000**	The Company 2012 $'000
Identifiable assets acquired and liabilities assumed				
Identifiable assets				
Cash and liquid assets	2,131	-	2,131	-
Receivables	57	-	57	-
Debt securities held to maturity	4,250	-	4,250	-
Net loans and advances	2,860	-	2,860	-
Other investments	35	-	35	-
Property, plant & equipment	24	-	24	-
Total identifiable assets acquired	**9,357**	**-**	**9,357**	**-**
Identifiable liabilities				
Customer deposits	8,223	-	8,223	-
Provisions	52	-	52	-
Other liabilities	289	-	289	-
Total identifiable liabilities	**8,564**	**-**	**8,564**	**-**
Total net identifiable assets	**793**	**-**	**793**	**-**

Notes to the financial statements
For the year ended 30 June 2013

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	**The Company 2013 $'000**	The Company 2012 $'000
6. Profit before income tax expense				
(a) Revenue				
Interest revenue:				
Deposits with other financial institutions	11,070	13,785	10,732	13,785
Investment securities	12,287	12,248	12,287	12,248
Loans and advances	130,172	145,059	130,172	145,059
	153,529	**171,092**	**153,191**	**171,092**
Interest revenue represents interest earned from financial instruments carried at amortised cost.				
(b) Other income:				
Fee income	7,124	7,364	7,061	6,948
Commissions	5,756	5,679	5,756	5,679
Bad debts recovered	176	65	176	65
Dividends	3,462	3,649	3,462	3,649
Intercompany management fees	-	-	10	10
Proceeds from sale of property, plant & equipment	148	555	118	516
Less costs	(165)	(667)	(134)	(628)
Net gain/(loss) on sale of property plant & equipment	(17)	(112)	(16)	(112)
Other	233	152	483	397
	16,734	**16,797**	**16,932**	**16,636**
(c) Expenses				
Interest expense:				
Borrowings from other financial institutions	87	1,760	87	1,760
Deposits	84,580	98,586	84,580	98,586
	84,667	**100,346**	**84,667**	**100,346**
(d) Bad and doubtful debts				
Bad debts written off	220	637	220	637
Doubtful debts expense\(writeback)	116	(705)	116	(705)
	336	**(68)**	**336**	**(68)**

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000

6. Profit before income tax expense (continued)

(e) Personnel expenses

Wages and salaries	24,880	24,206	24,880	24,206
Other associated personnel expenses	2,081	2,127	2,081	2,127
Increase\(decrease) in liability for annual leave	(91)	(125)	(91)	(125)
Increase\(decrease) in liability for long service leave	14	(483)	14	(483)
	26,884	**25,725**	**26,884**	**25,725**

(f) Other expenses

Customer product and service delivery costs	6,095	6,943	6,095	6,943
General administration costs	2,890	3,936	2,806	3,936
APRA levies	130	118	130	118
Depreciation expense				
- plant and equipment	1,607	1,470	1,185	1,126
- buildings	277	305	196	224
Amortisation expense				
- leasehold improvements	285	428	285	428
Information technology and associated costs	4,720	4,222	4,720	4,222
Occupancy and associated costs	3,321	3,380	3,622	3,675
Marketing and development	3,339	3,149	3,339	3,149
Other	919	889	917	858
	23,583	**24,840**	**23,295**	**24,679**

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000

7. Income tax expense

Recognised in the income statement

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
Income tax expense				
Provision for income tax - current year	9,953	9,050	9,995	9,050
Under\(over) provision in prior years	(11)	4	(11)	4
Origination and reversal of temporary differences	(252)	976	(250)	976
Origination attributable to comprehensive income	(294)	-	(294)	-
Income tax expense attributable to profit	**9,396**	**10,030**	**9,440**	**10,030**
Reconciliation of prima facie tax payable to the income tax expense in the accounts:				
Profit before tax	34,793	37,046	34,941	37,046
Income tax using the domestic corporate tax rate 30%	10,438	11,114	10,482	11,114
Increase/(decrease) in income tax expense due to:				
Non-deductible expenses	8	7	8	7
Under\(over) provision in prior years	(11)	4	(11)	4
Rebatable dividend	(1,039)	(1,095)	(1,039)	(1,095)
Income tax expense	**9,396**	**10,030**	**9,440**	**10,030**
Income tax recognised in other comprehensive income				
Revaluation of property, plant and equipment.	40	(683)	40	(683)
Net change in fair value of financial assets	975	(876)	975	(876)
Capital gain on sale of financial assets	94	-	94	-
Capital gain on sale of property	200	-	200	-
Income tax expense attributable to other comprehensive income	**1,309**	**(1,559)**	**1,309**	**(1,559)**
Franking credits	**88,198**	**77,718**	**88,198**	**77,718**

Franking credits held by the Company after adjusting for franking credits that will arise from the payment of income tax at the end of the financial year.

8. Cash and liquid assets

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
Cash on hand	4,405	4,196	4,405	4,196
Cash at bank	31,416	18,941	28,665	18,941
Deposit at call - current	18,292	8,000	12,070	8,000
Total cash and liquid assets	**54,113**	**31,137**	**45,140**	**31,137**

Cash and liquid assets are generally available within 1 to 2 days.

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	**The Company 2013 $'000**	The Company 2012 $'000

9. Receivables

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	**The Company 2013 $'000**	The Company 2012 $'000
Accrued income - current	3,010	3,904	(27)	4,148
Sundry debtors - current	14,529	5,770	17,633	5,770
Total receivables	**17,539**	**9,674**	**17,606**	**9,918**

10. Debt securities at amortised cost

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	**The Company 2013 $'000**	The Company 2012 $'000
Term deposits – Mutual ADIs	44,070	29,050	44,070	29,050
Term deposits – Banks	123,350	100,000	123,350	100,000
Total receivables due from other financial institutions	**167,420**	**129,050**	**167,420**	**129,050**
Maturity analysis				
Not longer than 3 months	130,520	110,050	130,520	110,050
Longer than 3 months and less than 12 months	36,900	19,000	36,900	19,000
Longer than 1 year and less than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	167,420	**129,050**	**167,420**	**129,050**

11. Investment securities at amortised cost

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	**The Company 2013 $'000**	The Company 2012 $'000
Negotiable certificates of deposit	374,673	377,287	374,673	377,287
Asset backed securities	10,000	11,540	10,000	11,540
Floating rate notes	56,223	17,238	56,223	17,238
Other	-	19	-	19
Total investment securities	**440,896**	**406,084**	**440,896**	**406,084**
Maturity analysis				
Not longer than 3 months	364,761	362,348	364,761	362,348
Longer than 3 months and less than 12 months	9,912	14,958	9,912	14,958
Longer than 1 year and less than 5 years	52,223	27,238	52,223	27,238
Longer than 5 years	14,000	1,540	14,000	1,540
	440,896	**406,084**	**440,896**	**406,084**

Notes to the financial statements
For the year ended 30 June 2013

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
12. Net loans and advances				
(a) Amounts due comprise:				
Overdrafts and revolving credit	60,647	72,267	60,647	72,267
Term loans	2,242,469	2,133,519	2,242,469	2,133,519
Directors and related parties	5,248	4,869	5,248	4,869
Total loans and advances	**2,308,364**	**2,210,655**	**2,308,364**	**2,210,655**
Less specific provision for impairment	(766)	(516)	(766)	(516)
	2,307,598	**2,210,139**	**2,307,598**	**2,210,139**
(b) Maturity analysis				
Overdrafts	60,931	72,250	60,931	72,250
Not longer than 3 months	79,054	70,811	79,054	70,811
Longer than 3 months and less than 12 months	177,755	154,514	177,755	154,514
Longer than 1 year and less than 5 years	616,835	556,962	616,835	556,962
Longer than 5 years	1,373,023	1,355,602	1,373,023	1,355,602
	2,307,598	**2,210,139**	**2,307,598**	**2,210,139**

(c) Concentration of loans

At 30 June 2013, the loans portfolio includes 1 loan which represents 10% or more of capital (2013: $50,169,942 2012: Nil)
Details of classes of loans which represent, in aggregate, 10% or more of capital are as follows:

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
Geographic areas				
- Victoria (excluding Gippsland region)	1,212,920	1,195,133	1,212,920	1,195,133
- Queensland	354,754	343,993	354,754	343,993
- Gippsland region	291,103	286,609	291,103	286,609
- New South Wales	234,005	187,926	234,005	187,926
- Australian Capital Territory	164,244	147,733	164,244	147,733
	2,257,026	**2,161,394**	**2,257,026**	**2,161,394**
- Other/or where there is no identifiable concentration	51,338	49,261	51,338	49,261
	2,308,364	**2,210,655**	**2,308,364**	**2,210,655**
(d) Employee industry groups				
- Government schools and tertiary institutions	290,775	283,732	290,775	283,732
- CSIRO	55,517	55,916	55,517	55,916
- Electricity generation and supply	87,649	71,183	87,649	71,183
- Air transport	38,920	41,504	38,920	41,504
	472,861	**452,335**	**472,861**	**452,335**
- Other/or where there is no identifiable concentration	1,835,503	1,758,320	1,835,503	1,758,320
	2,308,364	**2,210,655**	**2,308,364**	**2,210,655**

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000

13. Provision for impaired loans

(a) Provision movement

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
Balance at beginning of year	516	1,221	516	1,221
Provisions transferred	-	-	-	-
Transfer (to)/from the income statement	116	(705)	116	(705)
Transfer to provision on acquisitions	134	-	134	-
	766	**516**	**766**	**516**

(b) Non accrual loans

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
Balances with impairment	518	1,707	518	1,707
Provision for impairment	(376)	(516)	(376)	(516)
	142	**1,191**	**142**	**1,191**
Security held on non-accrual loans	**93**	**458**	**93**	**458**

(c) Restructured loans

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
Balance of restructured loans	17,604	9,114	17,604	9,114
Security held on restructured loans	17,511	8,978	17,511	8,978
(d) Past due loans without impairment	**125**	**547**	**125**	**547**

(e) Ageing analysis of past due loans without impairment

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
90 days to 181 days	65	187	65	187
182 days to 272 days	59	81	59	81
273 day to 364 days	-	264	-	264
365+ days	-	15	-	15
	124	**547**	**124**	**547**

(f) Other disclosures for impaired loans

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
- Assets acquired via enforcement of security	909	978	909	978
- Interest and other revenue earned on impaired loans	22	89	22	89
- Interest and other revenue forgone on impaired loans	28	119	28	119

(g) Key assumptions in determining the provision for impairment:

The Company has determined the likely impairment loss on loans which have not maintained loan repayments in accordance with the loan contract, or where there is objective evidence of potential impairment such as industrial restructuring, job losses, or economic circumstances. In identifying the impairment likely from these events the Company is required to estimate the potential impairment using the length of time the loan is in arrears and the historical losses arising in past years.

In addition to the specific provision, the Company has determined that there are inherent latent losses in the loan portfolio and has established a collective provision for these events. The collective provision applies a loss rate approach that uses historical loss experience to calculate incurred but not reported losses in the performing portfolio. The methodology applies different loss rates across the portfolio depending on the arrears status of a loan. The methodology is calculated at a portfolio level. This methodology is sensitive to changes in loss experience of the portfolio as well as the arrears status of the portfolio. The calculated collective provision will move in line with these changes, so that an accurate point in time prediction of the incurred but not reported loss is calculated.

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000

14. Other investments at fair value

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
Shares at fair value				
Level 1 – non-current				
Shares in MyState Financial	18,400	17,551	18,400	17,551
Level 3 – non-current				
Shares in Cuscal	9,733	8,759	9,733	8,759
Shares in Data Action Pty Ltd	1,614	1,614	1,614	1,614
Units in ECS Unit Trust	-	-	3,618	3,618
Other shares	100	200	7,694	200
	11,447	10,573	22,659	14,191
Total other investments	**29,847**	**28,124**	**41,059**	**31,742**

Movements in other investments held at fair value is adjusted through other comprehensive income.

Level 1: quoted prices (unadjusted) in active markets for identical assets

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the assets that are not based on observable market data (unobservable inputs).

15. Property, plant and equipment

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
(a) Land	**6,848**	**7,274**	**3,588**	**4,014**
(b) Buildings	8,073	7,864	6,058	5,839
Less accumulated depreciation	(420)	(620)	(419)	(539)
Carrying amount	**7,653**	**7,244**	**5,639**	**5,300**

Freehold land and buildings owned by the Company are carried at fair value in accordance with independent valuations carried out by Certified Practising or Registered Valuers. The fair values are based on market values being the estimated amount for which a property could be exchanged on date of valuation between a willing buyer and willing seller in an arm's length transaction.

During the year, the land and building at Kew was independently valued. Independent valuations for Bendigo and Morwell were carried out in 2012 while Castlemaine and Moe were valued in 2011.

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
(c) Leasehold improvements – at cost	2,867	2,773	2,867	2,773
Less accumulated depreciation	(2,332)	(2,047)	(2,332)	(2,047)
Carrying amount	**535**	**726**	**535**	**726**
(d) Plant and equipment – at cost	13,755	10,439	11,718	8,985
Less accumulated depreciation	(8,420)	(7,113)	(7,548)	(6,452)
Carrying amount	**5,335**	**3,326**	**4,170**	**2,533**
(e) Artworks – at cost	112	112	112	112
Carrying amount	**112**	**112**	**112**	**112**
Total carrying amount – property, plant and equipment	**20,483**	**18,682**	**14,044**	**12,685**

All property, plant & equipment is classified non-current as these items are not available for sale.

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
(f) Movement in property, plant and equipment balances during the year				
Land				
Carrying amount at beginning of year	7,274	7,178	4,014	3,918
Additions	174	96	174	96
Transfer to assets available for sale	(600)	-	(600)	-
Carrying amount at end of year	**6,848**	**7,274**	**3,588**	**4,014**
Buildings				
Carrying amount at beginning of year	7,244	7,292	5,300	5,267
Additions	710	2,316	710	2,316
Depreciation charge	(277)	(305)	(196)	(224)
Transfer to assets available for sale	(450)	-	(450)	-
Revaluation increment/(decrement)	426	(2,059)	275	(2,059)
Carrying amount at end of year	**7,653**	**7,244**	**5,639**	**5,300**
Leasehold improvements				
Carrying amount at beginning of year	726	1,188	726	1,188
Additions	94	12	94	12
Disposals	-	(46)	-	(46)
Depreciation charge	(285)	(428)	(285)	(428)
Carrying amount at end of year	**535**	**726**	**535**	**726**
Plant and equipment				
Carrying amount at beginning of year	3,326	4,101	2,533	3,096
Additions through acquisitions	18	-	19	-
Additions	3,763	1,316	2,937	1,145
Disposals	(165)	(621)	(134)	(582)
Depreciation charge	(1,607)	(1,470)	(1,185)	(1,126)
Carrying amount at end of year	**5,335**	**3,326**	**4,170**	**2,533**
Artworks				
Carrying amount at beginning of year	112	112	112	112
Carrying amount at end of year	**112**	**112**	**112**	**112**
Total carrying amount at end of year	**20,483**	**18,682**	**14,044**	**12,685**

Notes to the financial statements
For the year ended 30 June 2013

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	**The Company 2013 $'000**	The Company 2012 $'000
16. Other assets				
Prepayments - current	1,106	1,004	1,104	988
Total other assets	**1,106**	**1,004**	**1,104**	**988**
17. Assets available for sale				
Property, plant & equipment	1,050	-	1,050	-
Total assets available for sale	**1,050**	**-**	**1,050**	**-**

The Kensington building was sold on 21 March 2013 with settlement of the sale due on 22 July 2013.

There has been no impairment recognised for the property nor any cumulative income and expenditure recognised in other comprehensive income.

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000

18. Deferred tax assets and liabilities

Assets - non-current				
Provision for impaired loans	230	155	230	155
Plant and equipment	274	256	274	256
Trade creditors and accruals	19	17	19	17
Employee entitlements	1,446	1,454	1,446	1,454
Sundry provisions	352	142	352	142
Provision for impaired investment	-	876	-	876
	2,321	**2,900**	**2,321**	**2,900**
Liabilities - non-current				
Land and buildings	185	314	186	314
Other investments	932	-	929	-
Deferred tax liability	**1,117**	**314**	**1,115**	**314**
Net deferred tax assets	**1,204**	**2,586**	**1,206**	**2,586**

Movement in temporary differences during the year
Assets/(Liabilities)

	Provision for impaired loans $'000	Plant and equipment $'000	Trade creditors and accruals $'000	Employee entitlements $'000	Sundry provisions $'000	Other Investments $'000	Land and buildings $'000
Consolidated Entity							
Opening balance 1 July 2011	366	321	506	1,636	94	-	(1,029)
Recognised in income	(211)	(65)	(489)	(182)	48	-	-
Recognised in equity	-	-	-	-	-	876	715
Balance 30 June 2012	**155**	**256**	**17**	**1,454**	**142**	**876**	**(314)**
Opening balance 1 July 2012	155	256	17	1,454	142	876	(314)
Recognised in income	75	18	2	(8)	210	-	-
Recognised in equity	-	-	-	-	-	(1,808)	129
Balance 30 June 2013	**230**	**274**	**19**	**1,446**	**352**	**(932)**	**(185)**
The Company							
Opening balance 1 July 2011	366	321	506	1,636	94	-	(1,029)
Recognised in income	(211)	(65)	(489)	(182)	48	-	-
Recognised in equity	-	-	-	-	-	876	715
Balance 30 June 2012	**155**	**256**	**17**	**1,454**	**142**	**876**	**(314)**
Opening balance 1 July 2012	155	256	17	1,454	142	876	(314)
Recognised in income	75	18	2	(8)	210	-	-
Recognised in equity	-	-	-	-	-	(1,808)	129
Balance 30 June 2013	**230**	**274**	**19**	**1,446**	**352**	**(932)**	**(185)**

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	**The Company 2013 $'000**	The Company 2012 $'000
19. Deposits				
(a) Balance of deposits comprises:				
Withdrawable shares	589	605	589	605
Call deposits	1,253,254	1,200,719	1,253,254	1,200,719
Deposits from related entities	-	-	1,504	1,786
Term deposits	1,354,232	1,269,694	1,354,232	1,269,694
Total deposits	**2,608,075**	**2,471,018**	**2,609,579**	**2,472,804**
(b) Maturity analysis				
Withdrawable shares at call	589	605	589	605
At call	1,253,254	1,200,719	1,254,758	1,202,505
Not longer than 3 months	738,817	742,334	738,817	742,334
Longer than 3 months and less than 12 months	452,647	420,780	452,647	420,780
Longer than 1 year and less than 5 years	162,768	106,580	162,768	106,580
	2,608,075	**2,471,018**	**2,609,579**	**2,472,804**

(c) Concentrations of deposits

At 30 June 2013, there were no customers who individually or collectively had deposits which represented 10% or more of total liabilities. (Nil: 2012)

Details of classes of deposits which represent, in aggregate, 10% or more of liabilities are as follows:

Geographic areas				
- Victoria (excluding Gippsland region)	1,639,913	1,537,102	1,641,417	1,538,888
- Gippsland region	403,302	370,134	403,302	370,134
	2,043,215	**1,907,236**	**2,044,719**	**1,909,022**
- Other/or where there is no identifiable concentration	564,860	563,782	564,860	563,782
	2,608,075	**2,471,018**	**2,609,579**	**2,472,804**
Employee industry groups				
- Government schools and tertiary institutions	311,229	320,315	311,229	320,315
- Other/or where there is no identifiable concentration	2,296,846	2,150,703	2,298,350	2,152,489
	2,608,075	**2,471,018**	**2,609,579**	**2,472,804**

20. Short term borrowings/NCD's

Negotiated certificates of deposit - current	24,802	-	24,802	-
Total payables to other financial institutions	**24,802**	**-**	**24,802**	**-**

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000

21. Creditors and other liabilities

Tax payable				
Provision for income tax - current	2,764	1,832	2,811	1,832
Provisions				
Provision for employee entitlements - current	3,444	3,592	3,444	3,592
Provision for employee entitlements - non-current	1,375	1,251	1,375	1,251
Sundry provisions - current	168	50	168	50
Sundry provisions - non-current	654	206	654	206
	5,641	**5,099**	**5,641**	**5,099**
Other liabilities				
Trade creditors and accruals - current	18,481	23,936	18,479	23,931
Deferred Income - current	654	654	654	654
Deferred Income - non-current	1,234	1,888	1,234	1,888
Sundry creditors - current	36,883	20,485	35,173	20,477
	57,252	**46,963**	**55,540**	**46,950**
Total creditors and other liabilities	**65,657**	**53,894**	**63,992**	**53,881**

Trade and sundry creditors and accruals are on contractual terms and are generally payable within 1 to 3 months

(a) Movement in provisions during the year

Provision for employee entitlements				
Opening balance	4,843	5,452	4,843	5,452
Additional provisions made during the period	2,050	2,220	2,050	2,220
Amounts used during the period	(2,074)	(2,829)	(2,074)	(2,829)
Closing balance	**4,819**	**4,843**	**4,819**	**4,843**

The provision for employee benefits relates to annual and long service leave entitlements. Annual leave entitlements are expected to be taken within the next 12 months while long service leave entitlements will be progressively drawn down over the next 1 to 10 years.

22. Capital and reserves

Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of property.

Fair value reserve

The fair value reserve relates to the fair valuation of equity investments not held for trading under AASB9 Financial Instruments.

General reserve for credit losses

In accordance with APRA Prudential Regulations a General Reserve for Credit Losses is maintained. This reserve exists to provide an additional reserve against possible volatility in future cash flows as a result of unexpected loan defaults.

Redeemed capital reserve

Redeemed capital reserve represents the amount of redeemable preference shares redeemed since 1 July 1999. The Corporations Act requires redemption of shares to be made out of profits. Since the value of the shares redeemed has been paid to customers in accordance with the Constitution of the Company, the redeemed capital reserve account represents the amount of profits appropriated to the account.

Dividends

There were no dividends declared or paid during the financial year

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	**The Company 2013 $'000**	The Company 2012 $'000

23. Key management personnel disclosures

Key management personnel comprises seven non executive Directors, one chief executive and four executive managers.

(a) Transactions with key management personnel

The key management personnel compensation included in 'personnel expenses' (see note 6(e)) are as follows:

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	**The Company 2013 $'000**	The Company 2012 $'000
Short-term employee benefits	2,392	3,071	2,392	3,071
Other long-term benefits	24	59	24	59
Post-employment benefits	762	222	762	222
Termination benefits	-	107	-	107
	3,178	**3,459**	**3,178**	**3,459**

(b) Loans to key management personnel

Aggregate value of loans and credit facilities to key management personnel and spouses, or relatives of key management personnel and spouses at balance date amounted to:

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	**The Company 2013 $'000**	The Company 2012 $'000
Key management personnel	4,972	4,586	4,972	4,586
Related parties	275	283	275	283
Less provision for impairment	-	-	-	-
	5,247	**4,869**	**5,247**	**4,869**
Loans made during the financial year by the Company to key management personnel and spouses, or relatives of key management personnel and spouses:	1,720	2,447	1,720	2,447
	1,720	**2,447**	**1,720**	**2,447**

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000

23. Key management personnel disclosures (continued)

All loans disbursed were approved on the same terms and conditions which applied to customers generally for each class of loan. During the year new loans were made to the following key management personnel and related parties:

R J Allen	H M Clarke	P J Ford	D G Walsh
J W Baistow	R D Dixon	C H Newey	J P Yardley
M J Bastian	R B Dowland	P J Taylor	

Repayments against loans and interest charged to key management personnel and spouses, or relatives of key spouses amounted to:

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
Repayments	1,777	1,467	1,777	1,467
Interest charged	279	271	279	271

During the year repayments were made on all loans to key management personnel and related parties in accordance with terms and conditions. The following key management personnel and related parties made repayments on loans during the year:

R J Allen	H M Clarke	P J Ford	D G Walsh
J W Baistow	R D Dixon	C H Newey	J P Yardley
M J Bastian	R B Dowland	P J Taylor	

All transactions between key management personnel and spouses, or relatives of key management personnel and spouses and the Company were conducted in accordance with normal terms and conditions. The terms and conditions in respect of all loans to key management personnel and spouses, or relatives of Directors and spouses have not been breached.

(c) Other key management personnel transactions with the Company

There are no other transactions or contracts to which key management personnel or related entities are a related party.

24. Auditor's remuneration

Auditors of the Company are KPMG

	Consolidated Entity 2013	Consolidated Entity 2012	The Company 2013	The Company 2012
Audit services	**$**	$	**$**	$
- Audit and review of financial reports	125,100	124,500	125,100	124,500
- Other regulatory audit services	32,500	32,500	32,500	32,500
	157,600	**157,000**	**157,600**	**157,000**
Other services				
- Taxation services	11,000	7,900	11,000	7,900
- Assurance services	11,000	-	11,000	-
	22,000	**7,900**	**22,000**	**7,900**

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000

25. Commitments for expenditure

(a) Lease commitments

Operating lease commitments under existing lease arrangements for building accommodation and automatic teller machines are payable over the following periods:

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
Within 1 year	1,563	1,410	1,563	1,410
1 to 2 years	1,319	1,061	1,319	1,061
2 to 5 years	1,265	983	1,265	983
Total lease commitments	**4,147**	**3,454**	**4,147**	**3,454**

(b) Material service contract commitments

The Company has a contract with Data Action Pty Ltd to provide computer facilities management services and associated support services. The balance of fees payable under the contract are payable over the following periods:

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
Within 1 year	2,173	2,346	2,173	2,346
1 to 2 years	2,236	2,414	2,236	2,414
2 to 5 years	566	3,114	566	3,114
Total material service contract commitments	**4,975**	**7,874**	**4,975**	**7,874**

26. Contingent liabilities and forward commitments

(a) Outstanding loan commitments

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
Loans approved but not funded	53,702	53,994	53,702	53,994
Undrawn credit commitments	146,859	139,618	146,859	139,618
Loans available for redraw	260,372	231,822	260,372	231,822
Total commitments	**460,933**	**425,434**	**460,933**	**425,434**

Generally, there are no restrictions to withdrawal of funds under undrawn credit commitments, provided normal repayments are maintained. All such commitments are, however, cancellable at the discretion of the Company.

(b) Liquidity support scheme

The Company is party to CUFSS Limited. CUFSS Limited is a voluntary scheme that banks, credit unions and building societies who are affiliated with the Customer Owned Banking Association (COBA) participate in. CUFSS Limited is a company limited by guarantee, each participant's guarantee being $100.

As a Customer of CUFSS, the Company:

(i) May be required to advance funds of up to 3% (excluding permanent loans) of total assets to another Customer Authorised Deposit-taking Institution (ADI) requiring financial support;

(ii) May be required to advance permanent loans of up to 0.2% of total assets per financial year to another Customer ADI requiring financial support;

(iii) Agrees, in conjunction with other Customers, to fund the operating costs of CUFSS Limited.

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000

27. Standby arrangements

The Company has arranged the following standby credit facilities:

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
Cuscal overdraft facility	7,500	7,500	7,500	7,500
Amount drawn	-	-	-	-
Total facilities available	**7,500**	**7,500**	**7,500**	**7,500**

There are no restrictions as to the withdrawal of these funds. Borrowings are secured by an equitable mortgage charge over the assets of the Company.

28. Employee benefits

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
Salaries and wages accrued	661	641	661	641
Liability for long service leave	3,145	3,112	3,145	3,112
Liability for annual leave	1,674	1,732	1,674	1,732
Total employee benefits	**5,480**	**5,485**	**5,480**	**5,485**

(a) Superannuation

The Company sponsors superannuation funds for its employees under normal conditions of employment, and in satisfaction of the requirements of the Superannuation Guarantee Scheme. During the year, the Company contributed to various superannuation funds with the main fund being NGS Super.

(b) Contributions paid and payable to superannuation plans

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
Employer contributions to the plans	2,254	2,232	2,254	2,232

(c) Employees

On a consolidated basis the total number of full-time equivalent employees as at 30 June 2013 was 304 (2012: 296).
The total number of full-time equivalent employees at the Company as at 30 June 2013 was 304 (2012: 296).

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	**The Company 2013 $'000**	The Company 2012 $'000

29. Reconciliation of cash flows from operating activities

(a) Reconciliation of cash

For the purposes of the statements of cash flows, cash means cash on hand and cash equivalents. Cash equivalents are highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, and borrowings which are integral to the cash management function and which are not subject to a term facility. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statements of financial position as follows:

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
Cash on hand	4,405	4,196	4,405	4,196
Cash at bank - Cuscal	31,416	18,941	28,665	18,941
Deposits at call - Cuscal	18,292	8,000	12,070	8,000
	54,113	**31,137**	**45,140**	**31,137**

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the statement of cash flows:

(i) deposits, shares and withdrawals from savings and investment accounts;

(ii) loans and repayments; and

(iii) investment activities.

(c) Cash flows from operating activities

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
Profit for the year	25,397	27,016	25,501	27,016
Adjustments for:				
Depreciation	1,884	1,775	1,381	1,350
Amortisation	285	428	285	428
(Profit)/loss on disposal of non-current assets	17	112	16	112
Bad debts written off	220	637	220	637
Charge for loan impairment	116	(705)	116	(705)
Operating profit before changes in provisions	**27,919**	**29,263**	**27,519**	**28,838**
Increase/(decrease) in employee entitlements	(24)	(609)	(24)	(609)
Increase/(decrease) in sundry provision	566	(56)	566	(56)
(Increase)/decrease in accrued income	894	(337)	887	(303)
(Increase)/decrease in prepayments	(102)	(277)	(116)	(276)
Increase/(decrease) in trade creditors and accruals	(5,455)	2,757	(5,452)	2,757
Increase/(decrease) in deferred income	(654)	(654)	(654)	(654)
(Increase)/decrease in sundry debtors	(8,759)	5,131	(11,863)	5,131
(Increase)/decrease in deferred tax assets	1,381	899	1,380	899
Increase/(decrease) in provision for income tax	932	(1,876)	978	(1,876)
Net cash provided by operating activities	**16,698**	**34,241**	**13,221**	**33,851**

30. Controlled entities

Name	Country of Incorporation	% Owned	Investment at cost $	Contribution to operating profit after tax $
Ed Credit Services Pty Ltd	Australia	100	-	-
ECS Unit Trust	Australia	100	3,618	175
Ed Credit Insurance Services Pty Ltd	Australia	100	-	-
Buloke Funding Trust No. 1	Australia	100	-	310

31. Segmental reporting

The Company operates predominantly in the retail financial services industry within Australia. The operations comprise the acceptance of deposits and the making of loans.

32. Securitisation

(a) The Company has an arrangement with Integris Securitisation Services Pty Ltd whereby it acts as an agent to promote and complete loans on their behalf, for on-sale to an investment trust. The Company also manages the loans portfolio on behalf of the trust. The Company is only liable for loan repayment defaults to the extent of interest forgone by the trust, and for which the Company has mortgage insurance cover to recoup all such payments.

The Company no longer uses this program and the owner of the program has given notice to cease new loan securitisations. The pool of existing securitised loans is in run-off.

The balance of securitised loans as at 30 June 2013 was $26,814,343 (2012: $39,269,304).

(b) The Company has a repurchase obligation trust for securing the ability to obtain liquid funds from the Reserve Bank of Australia. The trust enables the Company to access liquid funds if normal operational liquidity requirements cannot be satisfied. To support the liquidity arrangment loan contractual benefits have been transferred to the trust and the Company has purchased secured notes from the trust which may then be sold to the Reserve Bank. The notes are secured by residential mortgage backed securities.The loan contractual benefits transferred to the trust have not been derecognised in the Companys financial statements as the Company retains the benefits of the trust until the liquidity facility is drawn upon. The credit risk associated with the transferred loans remains with the Company.

The value of loans which do not qualify for derecognition as at 30 June 2013 was $279,472,100 (2012: Nil)

Notes to the financial statements
For the year ended 30 June 2013

33. Financial instruments

(a) Net fair values of financial assets and liabilities

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are based on equivalent market rates at the reporting date.

	Assets					Liabilities	
	Cash & liquid assets $'000s	Debt securities $'000s	Investment securities $'000s	Loans and advances (net of provision) $'000s	Equity Investments $'000s	Deposits $'000s	Short Term Borrowings $'000s
Consolidated Entity 2013							
Net fair value	54,113	169,066	447,820	2,309,348	29,847	2,609,127	24,897
Carrying value	54,113	167,420	440,896	2,307,598	29,847	2,608,075	24,802
Variance	-	1,646	6,924	1,750	-	(1,052)	(95)
Consolidated Entity 2012							
Net fair value	31,137	130,442	409,542	2,212,527	28,124	2,471,695	-
Carrying value	31,137	129,050	406,084	2,210,139	28,124	2,471,018	-
Variance	-	1,392	3,458	2,388	-	(677)	-
The Company 2013							
Net fair value	45,140	169,066	447,820	2,309,348	41,059	2,610,630	24,897
Carrying value	45,140	167,420	440,896	2,307,598	41,059	2,609,579	24,802
Variance	-	1,646	6,924	1,750	-	(1,051)	(95)
The Company 2012							
Net fair value	31,137	130,442	409,542	2,212,527	31,742	2,473,480	-
Carrying value	31,137	129,050	406,084	2,210,139	31,742	2,472,804	-
Variance	-	1,392	3,458	2,388	-	(676)	-

33. Financial instruments (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Refer to note 12 for concentration of credit risk.

The net fair value estimates were determined by the following methodologies and assumptions:

Cash and liquid assets

The carrying values of cash and liquid assets approximate their net fair value as they are short term in nature or are receivable on demand.

Debt securities

Net fair value is a reasonable estimate of the fair value determined by reference to the current market value of the instrument and is calculated based on the expected cash flows of the underlying asset.

Investment securities

Net fair value is a reasonable estimate of the fair value determined by reference to the current market value of the instrument and is calculated based on the expected cash flows of the underlying asset.

Loans and advances

The carrying value of loans and advances is net of the provision for impairment. Interest rates on loans equate to comparable products in the marketplace. Discounted cash flows based on the loan type and its related maturity are used to calculate the net fair value of fixed rate loans.

Equity Investments

Net fair value of equity investments is based on quoted prices in active markets for identical assets. If no quoted price is available, inputs other than quoted prices, such as observable market data are used to ascertain fair value.

Deposits

The net fair value of non interest bearing, call and variable rate deposits, and fixed rate deposits maturing within three months approximates its carrying value. Discounted cash flows (based upon the deposit type and its related maturity) are used to calculate the net fair value of other term deposits.

Short term borrowings

The carrying values of short term borrowings maturing within three months approximate their net fair value as they are short term in nature.

Notes to the financial statements
For the year ended 30 June 2013

33. Financial instruments (continued)

(b) Effective interest rates and repricing analysis

In respect of income-earning assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date, the periods in which they reprice and contractual cash flows.

Financial instruments	0 - 3 months $'000s	3 - 12 months $'000s	1 - 2 years $'000s	2 - 5 years $'000s	More than 5 years $'000s	Total carrying amount as per balance sheet $'000s	Weighted average effective interest rate
Consolidated Entity 2013							
(i) Financial assets							
Deposits at call	49,708	-	-	-	-	49,708	1.00%
Debt securities	130,520	36,900	-	-	-	167,420	4.04%
Investment securities	430,984	9,912	-	-	-	440,896	3.54%
Loans and advances	2,147,848	32,113	44,142	79,626	3,869	2,307,598	5.50%
Total financial assets	**2,759,060**	**78,925**	**44,142**	**79,626**	**3,869**	**2,965,622**	
(ii) Financial liabilities							
Deposits	1,992,660	452,647	125,339	37,429	-	2,608,075	3.10%
Short term borrowings	24,802	-	-	-	-	24,802	3.46%
Total financial liabilities	**2,017,462**	**452,647**	**125,339**	**37,429**	**-**	**2,632,877**	
Financial liabilities Contractual cash flows						**Total contractual cash flows**	
Deposits	2,003,226	463,720	135,188	41,754	-	2,643,888	3.10%
Short term borrowings	24,802	-	-	-	-	24,802	3.46%
Consolidated Entity 2012							
(i) Financial assets							
Deposits at call	26,941	-	-	-	-	26,941	2.31%
Debt securities	110,050	19,000	-	-	-	129,050	5.25%
Investment securities	396,065	10,019	-	-	-	406,084	4.51%
Loans and advances	2,079,122	52,116	35,841	39,629	3,431	2,210,139	6.40%
Total financial assets	**2,612,178**	**81,135**	**35,841**	**39,629**	**3,431**	**2,772,214**	
(ii) Financial liabilities							
Deposits	1,943,658	420,780	37,620	68,960	-	2,471,018	4.03%
Short term borrowings	-	-	-	-	-	-	0.00%
Total financial liabilities	**1,943,658**	**420,780**	**37,620**	**68,960**	**-**	**2,471,018**	
Financial liabilities Contractual cash flows						**Total contractual cash flows**	
Deposits	1,957,013	432,661	40,662	79,400	-	2,509,736	4.03%
Short term borrowings	-	-	-	-	-	-	0.00%

Financial instruments	0 - 3 months $'000s	3 - 12 months $'000s	1 - 2 years $'000s	2 - 5 years $'000s	More than 5 years $'000s	Total carrying amount as per balance sheet $'000s	Weighted average effective interest rate
The Company 2013							
(i) Financial assets							
Deposits at call	40,735	-	-	-	-	40,735	1.00%
Debt securities	130,520	36,900	-	-	-	167,420	4.04%
Investment securities	430,984	9,912	-	-	-	440,896	3.54%
Loans and advances	2,147,848	32,113	44,142	79,626	3,869	2,307,598	5.50%
Total financial assets	**2,750,087**	**78,925**	**44,142**	**79,626**	**3,869**	**2,956,649**	
(ii) Financial liabilities							
Deposits	1,994,164	452,647	125,339	37,429	-	2,609,579	3.01%
Short term borrowings	24,802	-	-	-	-	24,802	3.46%
Total financial liabilities	**2,018,966**	**452,647**	**125,339**	**37,429**	**-**	**2,634,381**	
Financial liabilities Contractual cash flows						**Total contractual cash flows**	
Deposits	2,004,736	463,720	135,188	41,754	-	2,645,398	3.01%
Short term borrowings	24,802	-	-	-	-	24,802	3.46%
The Company 2012							
(i) Financial assets							
Deposits at call	26,941	-	-	-	-	26,941	2.31%
Debt securities	110,050	19,000	-	-	-	129,050	5.25%
Investment securities	396,065	10,019	-	-	-	406,084	4.51%
Loans and advances	2,079,122	52,116	35,841	39,629	3,431	2,210,139	6.40%
Total financial assets	**2,612,178**	**81,135**	**35,841**	**39,629**	**3,431**	**2,772,214**	
(ii) Financial liabilities							
Deposits	1,945,444	420,780	37,620	68,960	-	2,472,804	4.03%
Short term borrowings	-	-	-	-	-	-	0.00%
Total financial liabilities	**1,945,444**	**420,780**	**37,620**	**68,960**	**-**	**2,472,804**	
Financial liabilities Contractual cash flows						**Total contractual cash flows**	
Deposits	1,958,809	432,661	40,662	79,400	-	2,511,532	4.03%
Short term borrowings	-	-	-	-	-	-	0.00%

33. Financial instruments (continued)

(c) Interest rate risk

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

Therefore a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis

The Company is exposed to interest rate risk arising from mismatches in the repricing dates between financial assets and financial liabilities. As at 30 June 2013, it is estimated that a general decrease of one percentage point in interest rates would decrease the Company's profit before tax by approximately $5.4 million (2012: $5.2 million).

A general increase of one percentage point in interest rates would have an equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

(d) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

On-balance sheet financial instruments

The credit risk on financial assets, excluding investments, of the Company which have been recognised on the balance sheet is the carrying amount, net of any provision for impairment.

The Company minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties. The Company is not materially exposed to any individual counterparty.

34. Events after the balance sheet date

There were no events after balance day that will significantly affect the operation of the state of affairs of the Company or the consolidated entity.