2010 annual report

Dnister Ukrainian Credit Co-operative Limited

2010 annual report

Dnister Ukrainian Credit Co-operative Limited

ABN 59 087 651 394 | AFSL 240673

Financial advantage, prosperity and wealth for Members and the Ukrainian Community in Australia.

On behalf of the Board,
I would like to thank you,
our members,
for your support and loyalty
and look forward to ensuring
you receive the best service,
competitive rates
and innovative products.

Wal Mykytenko
Chairman

Strength in Unity!

contents

chairman's report

On behalf of the Board of Directors and staff at Dnister Ukrainian Credit Co-operative, I am pleased to report a profit before tax of $933,000 to all our members.

This is a significant improvement on the 2008/9 result. Dnister has continued to grow with member equity increasing by 13.2% to $16,580,000 and assets under management increasing to $122,734,000, showing our resilience built around sound financial management.

There has been strong competition from the banks and considerable management effort has been expended in winning new business.

Dnister continues to update its systems and management practices to improve efficiency whilst complying with increasing Government regulations.

Our staff and management continue to provide members with competitive interest rates, lower fees and charges, longer operating hours through various channels and professional service.

The Board of Directors continues to be focused on strategic growth ensuring that we operate in the best interest of our members.

Dnister is now the sole Ukrainian Credit Co-operative serving the Ukrainian community Australia-wide. The Board and Management are putting considerable effort into strategic planning to take up the new opportunities. Since 2010, Dnister has extended its marketing to include New South Wales, Australian Capital Territory and Queensland.

There are also ways that you, our members, can help Dnister grow and prosper by making us your main financial services provider. By having all your products and services with Dnister means that we can continue to return more competitive interest rates back to you.

In conclusion, I am pleased to report that Dnister is prudentially sound in both capital and liquidity and is well placed given the current competition and economic climate.

While the economic outlook has improved there is still uncertainty in the financial environment. I am confident of Dnister's ability to continue to provide real and substantial value to our members and community.

I would like to thank each of our Directors for their valuable contribution during the year and to also recognise the outstanding achievements of management and staff in what has been a challenging and rewarding year.

Finally, on behalf of the Board, I would like to thank you, our members, for your support and loyalty and look forward to ensuring you receive the best service, competitive rates and innovative products.

Wal Mykytenko
Chairman

directors' report

The Directors of Dnister Ukrainian Credit Co-operative Limited ("the Co-operative") submit their report for the year ended 30 June 2010.

Dnister Ukrainian Credit Co-operative Limited is a company limited by ordinary shares and a not for profit organisation incorporated in Australia.

DIRECTORS

The names and details of the Co-operative's Directors in office during the financial year or until the date of this report are as follows: Directors were in office for this entire period unless otherwise stated.

Walentyn Mykytenko

FAMI, B.E., Post Grad Dip. Eng.Mgt, Dip. Elec.Eng, Dip. Fin. Services, AMP(MUBS) (Non-executive Chairman and Corporate Governance Committee Chairman)

Mr Mykytenko is a retired General Manager of a multi-national aviation company and is a Non-executive Director of the Co-operative. Mr Mykytenko has been a Non-executive Director of the Co-operative for six years, including the last two years as Chairman, and was the Chair of the Merger, Human Capital and Corporate Governance Committees. During the past five years he has also served as a Director at the Ukrainian Orthodox Church Essendon* and is currently Chairman of RYKA (Association of Ukrainian Credit Cooperatives in Australia).

Michael Kornitschuk

B.Sci., Dip.App.Bio

(Non-executive Director & Corporate Governance Committee member)

Mr Kornitschuk combines his work as a General Manager of a leading Australian supplier of medical goods and services with his role as Non-executive Director of the Co-operative. Mr Kornitschuk has been a Non-executive Director of the Co-operative for sixteen years, including eight as Chairman. During the past six years he has also served as: Chairman of the Ukrainian Orthodox Church-Essendon*.

Richard Horban

AICM (Non-executive Director and Audit Committee Chairman)

Mr Horban is a Credit Manager for AICM. Mr Horban has been a non-executive Director of the Co-operative for eight years. He is also Audit Committee Chairman of the Co-operative.

Greg Anolak

B. Sci, Dip.Ed (Non-executive Director and Audit and Risk Management Committee Member)

Mr Anolak is a retired Teacher. Mr Anolak has been a Non-executive Director of the Co-operative for five years and was a member of the Audit and Risk Committees. During the past five years he has also served as a Director of the Ukrainian Orthodox Church Essendon*.

John Kotowskyj

B.C.E. (civil) M.I.E. (Aust) (Non-executive Director and Risk Management Committee Chairman)

Mr Kotowskyj combines his work as Principal and owner of a Structural Engineering and Building consultancy practice with his role as non-executive Director of the Co-operative. Mr Kotowskyj has been a Non-executive Director of the Co-operative for four years, and is the Chair of the Risk Committee.

Borys Potiuch

FAMI, Cert. Mktng, Registered Conveyancer (Non-executive Deputy Chairman, Risk Management and Corporate Governance Committee Member)

Mr Potiuch combines his work as a Registered Conveyancer with his role as Non-executive Director of the Co-operative. Mr Potiuch has been a Non-executive Director of the Co-operative for two years, having joined the Board after the successful merger with Hoverla. At Hoverla, Mr Potiuch was a non-executive Director for Hoverla Ukrainian Credit Co-operative for nineteen years, including the last twelve as Chairman.

Frank Fursenko JP

B.Sc., Dip.Comp.Sc., Dip.Ed. (Non-executive Director, Audit and Corporate Governance Committee Member)

Mr Fursenko combined his work as a Program Director at the University of SA for the last twenty years before retiring during the year with his role as non-executive Director of the Co-operative. Mr Fursenko has been a Non-executive Director of the Co-operative for two years, having joined the Board after the successful merger with Hoverla. At Hoverla, Mr Fursenko was a non-executive Director of Hoverla Ukrainian Credit Co-operative for nine years. Currently serving as: Member of the Ukrainian-Australian Professional and Business Association (UAPBA) for the last thirty years, seven of those years as President, and President of the Ukrainian Collectibles Society (UCS) for the last sixteen years*.

John Lipkiewicz

E. BA, MBA, ANZIIF(AFF). (Non-executive Director and Risk Committee Member)

Mr Lipkiewicz combines his work as a General Manager at Community CPS Australia with his role as non-executive Director of the Co-operative. Mr Lipkiewicz has been a non-executive Director of the Co-operative for one year.

Marko Misko

LLB (Hons 1), B.Com. (Non-executive Director and Corporate Governance Committee Member)

Mr Misko combines his work as a Partner at Clayton Utz with his role as non-executive Director of the Co-operative. Mr Misko has been a non-executive Director of the Co-operative for one year.

COMPANY SECRETARY

Vasilios Papas

Dip Fin. Serv & FAMI

Mr Papas was appointed the company secretary of the Co-operative on 9 June 2009. He has been the General Manager for the last year, having been the General Manager at Hoverla Ukrainian Credit Co-operative for ten years prior to the merger.

*denotes current directorship

Principal Activities

The principal activities of the entity during the financial year were receiving funds on deposits, advancing loans, insurance services and the leasing of Dnister property.

Review of Results and Operations

The Co-operative`s net profit after income tax for the year ending 30 June 2010 is $504,000 (2009: $41,000). The net profit includes a fair value gain on the revaluation of investment property of $32,500 (2009:$20,000). The return to members was $1,940,000 profit (2009: $841,000 loss) this includes the revaluation of the building by $450,000 (2009: $850,000 devaluation).

The result reflect the good management of Dnister`s assets during the financial year ended 30 June 2010.

Dividends

In accordance with the constitution, no dividend is paid in respect of any shares.

Board Monitoring of Performance

Management and the Board monitor the Co-operative's overall performance from the implementation of the mission statement and strategic plan through to the performance of the company against budget.

The Board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Management monitors KPIs and reviews performance against them monthly. Directors receive KPIs for review prior to each Board meeting allowing all Directors to actively monitor the Co-operative's performance.

Liquidity and Funding

The Co-operative has a short-term overdraft facility of $350,000 (2009: $350,000) and for longer funding requirements access to a Trinity Securities Program. The Co-operative has sufficient funds to finance its operations and maintains these facilities primarily to allow the Co-operative to take advantage of favorable credit union financing opportunities.

Risk Management

The Co-operative takes a pro-active approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Co-operative's objectives are aligned with the risks and opportunities identified by the Board.

The Co-operative has a separate risk management committee to respond to issues and risks identified by the Board as a whole, and the sub-committee further examines the issues and reports back to the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of the Strategic Plan, which encompasses the Co-operative's vision, mission and goals, designed to meet members' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against budget, including the establishment and monitoring of KPIs of both a financial and non-financial nature.
- The establishment of committees to report on specific business risks.

Significant Changes in the State of Affairs

Total Equity increased to $16,580,000 from $14,640,000, an increase of $1,940,000, while Loans and Advances increased to $85,583,000 from $77,034,000, an increase of $8,549,000. Member Deposits increased to $102,000,000 from $98,633,000, an increase of $3,367,000.

Significant Events After Balance Date

There were no subsequent events to be brought to the attention of members for the financial year ended 30 June 2010.

Likely Developments and Expected Results

The operations of the Co-operative are expected to continue in line with current objectives and strategies.

Indemnity and Insurance

To the extent permitted by law and that the officer or auditor is not indemnified by Directors` and officer liability insurance (2010:$7,000 in premiums) maintained by the Co-operative, the Co-operative indemnifies every person who has been an officer or auditor of the Co-operative against any liability.

Directors' Meetings

The number of Directors meetings attended by each Director and the number of meetings Directors were eligible to attend for the financial year are tabled below:

	Directors' Meetings	Committee Meetings		
		Audit	Risk Management	Corporate Governance
Total meetings held	15	7	4	6
Number attended				
W Mykytenko	14	-	-	4
M Kornitschuk	9	-	-	4
R Horban	14	7	-	-
J Kotowskyj	13	-	4	-
G Anolak	13	7	4	-
J. Lipkiewicz	7(8)	-	1(2)	-
M. Misko	7(8)	-	-	3(3)
B Potiuch	15	-	2	6
F Fursenko	15	7	-	2(2)

( )* brackets denotes meetings eligible to attend.

Committee Membership

As at the date of this report, the Co-operative had an Audit Committee, Risk Management Committee and a Corporate Governance Committee.

Members of the Board acting on the committees of the Board during the year were:

Audit	Risk Management	Corporate Governance
R Horban (c)	J Kotowskyj (c)	W Mykytenko (c)
G Anolak	G Anolak	M Kornitschuk
F Fursenko	J Lipkiewicz	B Potiuch
		M Misko

Notes - (c) Designates the chairman of the committee

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company ASIC CO 98/100. The company is an entity to which the Class Order applies.

auditor's independence declaration

The directors received the following declaration from the auditor of Dnister Ukrainian Credit Co-operative Ltd.

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF DNISTER UKRAINIAN CREDIT CO-OPERATIVE LIMITED

In relation to our audit of the financial report of Dnister Ukrainian Credit Co-operative Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

L. K. Slater

Luke Slater
Partner
22 September 2010

non-audit services

The following non-audit services were provided by the entity`s auditor Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services	$35,000

The report is signed in accordance with a resolution of the directors of the Co-operative.

Walentyn Mykytenko
Chairman of the Board
22 September 2010

Richard Horban
Chairman of the Audit Committee

corporate governance statement

The Board of Directors of Dnister Ukrainian Credit Co-operative Limited is responsible for the corporate governance of the Co-operative. The Board guides and monitors the business and affairs of the Co-operative on behalf of the members by whom they are elected and to whom they are accountable. An important feature of the Board is to ensure compliance with the prudential and solvency requirements of the Australian Prudential Regulatory Authority (APRA) and the Australian Securities & Investment Commission (ASIC).

The key responsibilities of the Board include:

- Approving the strategic direction and related objectives and monitoring management performance in the achievement of these objectives.
- Adopting an annual budget and monitoring the financial performance of the Co-operative.
- Overseeing the establishment and maintenance of internal controls and effective monitoring systems.
- Ensuring all major business risks are identified and effectively managed.
- Ensuring the Co-operative meets its legal and statutory obligations.

The Board of Directors undertook the annual Board performance assessment for the year ended 30 June 10. The Key outcomes of this review are:

- Identification of skill enhancements
- Further training requirements for the Board members

corporate governance statement

Structure of the Board

Directors of the Co-operative are considered to be independent and free from any business or other relationship that could interfere with, or could be perceived to materially interfere with the exercise of their unfettered and independent judgement.

The term in office held by each Director at the end of the reporting period is as follows:

M Kornitschuk	16 years	B Potiuch	2 years
R Horban	8 years	F Fursenko	2 years
W Mykytenko	6 years	J Lipkiewicz	1 year
G Anolak	5 years	M Misko	1 year
J Kotowskyj	4 years		

Audit Committee

The Board has an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists in the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control to the Audit Committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The members of the Audit Committee during the year were:

R Horban
G Anolak
F Fursenko

Remuneration Committee

It is the Co-operative's objective to provide maximum stakeholder benefit through the retention of an executive team by remunerating key executives fairly and appropriately with reference to employment market conditions. To assist in achieving this objective, the Corporate Governance Committee links the nature and amount of the executive's emoluments to the company's financial and operational performance.

No Director since the end of the previous financial year, has received or become entitled to receive a benefit (other than a benefit in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the accounts) by reason of a contract made by the company with a Director or with a firm of which he is member or with a company in which he has a substantial financial interest.

The members of the Corporate Governance Committee during the year were:

W Myktytenko
M Kornitschuk
B Potiuch
M Misko

financial statements

Notes to the Financial Statements

directors declaration

for the year ended 30 June 2010

In accordance with a resolution of the Directors of Dnister Ukrainian Credit Co-operative Limited, we state that:

1. In the opinion of the directors:

(a) the financial statements and notes of the Co-operative are in accordance with the Corporation's Act 2001 including:

- giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.

2. This declaration has been made after receiving the declarations required to be made by the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2010.

On behalf of the Board

Walentyn Mykytenko
Chairman of the Board
22 September 2010

Richard Horban
Chairman of the Audit Committee

independent

We have audited the accompanying financial report of Dnister Ukrainian Credit Co-operative Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards [and International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

auditor’s report

to the members of Dnister Ukrainian Credit Co-operative Limited

ERNST & YOUNG

Liability limited by a scheme approved under Professional Standards Legislation

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Dnister Ukrainian Credit Co-operative Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the financial position of Dnister Ukrainian Credit Co-operative Limited at 30 June 2010 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001.*

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

Ernst & Young

L. K. Slater

Luke Slater
Partner
Melbourne
22 September 2010

statement of comprehensive income

for the year ended 30 June 2010

	Notes	2010	2009
Interest Income		$'000	$'000
Interest and similar income	3	6,350	7,177
Interest and similar expense	4	(3,309)	(4,576)
Net interest income		3,041	2,601
Fees and commission income	5	61	89
Net fees and commission income		61	89
Other operating income	6	1,087	1,014
Total operating income		4,189	3,704
Credit loss expense	7	(15)	(2)
Net operating income		4,174	3,702
Salaries and associated costs		1,458	1,582
Depreciation of property and equipment	14	127	147
Sponsorship and financial assistance		22	122
Other operating expenses	8	1,634	1,793
Total operating expenses		3,241	3,644
Profit before tax		933	58
Income tax expense	9	(429)	(17)
Net profit attributable to members		504	41
Other comprehensive income			
Fair value revaluation of land and buildings		450	(850)
Adjustment to deferred tax due to timing differences on revalued assets		986	-
Other		-	(32)
Other comprehensive income for the period, net of tax		1,436	(882)
Total comprehensive income for the period		1,940	(841)

The statement of comprehensive income should be read in conjunction with the accompanying notes.

statement of financial position

for the year ended 30 June 2010

	Notes	2010 $'000	2009 $'000
Assets			
Cash and balances with bank	10	2,775	1,636
Financial investments - held to maturity	11	22,998	26,457
Loans and advances to members	12	85,583	77,034
Investment properties	13	2,634	2,220
Property and equipment	14	7,912	7,820
Deferred tax assets	9	238	117
Other investments	15	163	163
Other assets	16	431	363
Total Assets		122,734	115,810
Liabilities and Equity			
Member deposits	17	102,000	98,633
Current tax liabilities		249	269
Deferred tax liabilities	9	722	933
Other liabilities	18	2,871	1,043
Provisions	19	312	292
Total Liabilities		106,154	101,170
Retained earnings	20	8,578	8,209
Credit loss reserve	20	316	181
Foundation reserve	20	10	10
Business combination reserve	20	2,303	2,303
Asset revaluation reserve	20	5,373	3,937
Total Equity		16,580	14,640
Total Liabilities and Equity		122,734	115,810

The above statement of financial position should be read in conjunction with the accompanying notes.

statement of changes in equity

as at 30 June 2010

	Retained Earnings	Other Reserves (note 20)	Total
	$'000	$'000	$'000
Total at 1 July 2009	8,209	6,431	14,640
Net profit attributable to members	504	-	504
Other comprehensive income	-	1,436	1,436
Total comprehensive income	504	1,436	1,940
Increases in statutory amount set aside for potential losses on loans & advances	(135)	135	-
Total at 30 June 2010	8,578	8,002	16,580

	Retained Earnings	Other Reserves (note 20)	Total
	$'000	$'000	$'000
Total at 1 July 2008	8,094	7,387	15,481
Net profit attributable to members	41	-	41
Other comprehensive income	-	(882)	(882)
Total comprehensive income	41	(882)	(841)
Increases in statutory amount set aside for potential losses on loans & advances	74	(74)	-
Total at 30 June 2009	8,209	6,431	14,640

The above statement of changes in equity income should be read in conjunction with the accompanying notes.

statement of cash flows

for the year ended 30 June 2010

	Notes	2010	2009
		$'000	$'000
Operating activities			
Profit before tax		933	58
Adjustments for:			
- Changes in operating assets	21	(188)	51
- Changes in operating liabilities (including tax payable)	21	1,597	(586)
- Non-cash items included in profit before tax	21	89	174
- Income tax paid / (refund)		60	(65)
- Net increase in member deposits		3,366	10,759
- Net increase in loans and advances		(8,549)	(1,933)
Net cash flows from operating activities		(2,692)	8,458
Investing activities			
Net Negotiable Certificate Deposit investments sold (purchased)		3,459	(10,211)
Purchases of property and equipment		372	47
Net cash flows from investing activities		3,831	(10,164)
Financing activities			
Net increase (decrease) in equity Hoverla		-	(32)
Net cash flows from financing activities		-	(32)
Net decrease in cash and cash equivalents		1,139	(1,738)
Cash and cash equivalents at 1 July		1,636	3,374
Cash and cash equivalents at 30 June	21	2,775	1,636
Operational cash flows from interest and dividends			
Interest received		6,301	7,130
Interest and other costs of finance paid		2,981	4,448
Dividends received		29	23

The above statement of cash flows should be read in conjunction with the accompanying notes.

notes to the financial statements

for the year ended 30 June 2010

1.CORPORATE INFORMATION

Dnister Ukrainian Credit Co-operative Limited is a company limited by ordinary shares and is a not for profit organisation incorporated in Australia.

Dnister is a member owned Co-operative specialising in serving the financial needs of Australians of Ukrainian decent, heritage or cultural affinity. The nature of the operations and principal activities of the Company are described in the Directors' Report.

The financial report of Co-operative for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of directors on the 22nd September 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authorative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for investment properties and land and buildings, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

2.2 STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) issued by the International Financial Reporting Board (IASB).

2.3 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

There are certain Australian Accounting Standards that have recently been issued or amended but are not yet effective or have not been adopted by the Co-operative for the annual reporting period ending 30 June 2010. The assessment of the impact of these new standards and interpretations (to the extent relevant by the Co-operative) is set out as follows:

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ending 30 June 2010

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for group *
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following: The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined. The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity; - has primary responsibility for providing the goods or service; - has inventory risk; - has discretion in establishing prices; - bears the credit risk.	1 Jan 2010	These amendments are only expected to affect the presentation of the Co-operative's financial report and will have no direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 Jul 2010

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for group *
AASB 2009-5 (Con't)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendment to AASB136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.			
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1039 and Interpretations 10 & 12]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes; - two categories for financial assets being amortised cost or fair value - removal of the requirement to separated embedded derivatives in financial assets. - strict requirements to determine which financial assets can be classifed as amortised cost or fair value, Financial assets can only be classifed as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows. - an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition - reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes - changes to the accounting and additional disclosures for equity instruments classifed as fair value through other comprehensive income.	1 Jan 2013	These amendments are only expected to affect the presentation of the Co-operative's financial report and will have no direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 Jul 2013

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for group *
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2,4,16,1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself)	1 Jan 2011	These amendments are only expected to affect the presentation of the Co-operative's financial report and will have no direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 Jul 2011

*designates the beginning of the applicable annual reporting period unless otherwise stated

The following amendments are not applicable to the Co-operative and therefore have no impact

Reference	Title
AASB 2009-8	Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2]
AASB 2009-9	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards.*
AASB 2009-10	Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132]
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]
AASB 2009-14	Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Co-operative's accounting policies, management has used its judgments and made estimates in determining amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

RECOVERY OF DEFERRED TAX ASSETS

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

The Co-operative assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

There are three ways that impairment losses on loans and advances are accounted for. They are as follows:

- Prescribed Provisions, which are prescribed collectively according to category of loan and weighted according to days in arrears, and is an APRA requirement.
- Credit Loss Reserve provides for impairment based on 0.500% of the risk weighted adjusted total loans portfolio, and is an APRA requirement.
- Specific Provisions are determined by Management together with the Board of Directors where they consider it prudent to put extra provisions aside for a specific loan on an individual basis.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognised in statement of comprehensive income.

The Co-operative assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and the group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in statement of comprehensive income, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

PROPERTY

Some of the Co-operative's property is leased out on a commercial basis. Those buildings that are fully leased are now classified as investment properties. The main 'banking building' is still classified as owner-occupied because a significant section of the property is used by the Co-operative for its banking activities. These judgments are consistent with AASB140 Investment Property classification.

TAXATION

The Co-operative's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volume, operating costs, restoration costs, Capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

2.5.1 FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

(I) DATE OF RECOGNITION

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date. i.e. the date that the Co-operative commits to purchase or sell the asset.

(II) INITIAL RECOGNITION OF FINANCIAL INSTRUMENTS

The classification of financial instruments depends on the purpose for which the financial instruments were acquired and their characteristics.

(III) HELD TO MATURITY INVESTMENTS

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Co-operative has the positive intention and ability to hold to maturity.

Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost.
The cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount.

(IV) LOANS AND ADVANCES TO CUSTOMERS

Assets, such as loans and advances, are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and advances are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

Loan interest is calculated on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month. All housing loans are secured by registered mortgages. The remaining loans are assessed on an individual basis.

2.5.2 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

(I) FINANCIAL ASSETS

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Co-operative has transferred its rights to receive cash flows from the asset or has assumed the obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and
- either (a) the Co-operative has transferred substantially all the risks and rewards of the asset, or (b) the Co-operative has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(II) SECURITISATION

As part of its operations the Co-operative securitises financial assets, through an arrangement with Trinity Securities Program where it acts as an agent to complete loans on their behalf for on-sale to an investment trust. The Co-operative also manages the securitised loans portfolio on behalf of the trust. The Co-operative is only liable for loan repayments default to the extent of interest foregone by the trust, and for which the Co-operative has mortgage insurance to recoup all such payments.
The balance of securitised loans at the end of 2010 was $1.37m (2009: $1.77m).

(III) FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

2.5.3 IMPAIRMENT OF FINANCIAL ASSETS

(I) LOANS AND ADVANCES TO MEMBERS

Loans and advances are measured at amortised cost after assessing required provisions for impairment.

Loans are considered bad and written off when all avenues of legal and other action to recover the debt have been exhausted.

All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described as follows:

- Past due or impaired loans are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful and hence provisions for impairment are recognised.
- Restructured Loans arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms and revised terms are not comparable to new facilities.
- Loans with revised terms are included in past due or impaired loans.
- Assets acquired through the enforcement of security are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.
- Past Due Loans are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected.

2.5.4 RECOGNITION OF INCOME AND EXPENSES

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Co-operative and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(I) INTEREST AND SIMILAR INCOME

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(II) FEE AND COMMISSION INCOME

The Co-operative earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time are accrued over that period

Fees earned for the provision of services over that period.

Spread Fees earned for servicing and administrating securitised loans.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction or with a third party are recognised on the completion of the underlying transaction.

(III) DIVIDEND INCOME

Revenue is recognised when the Co-operative's right to receive the payment is established.

(IV) RENTAL INCOME

Rental income arising from investment and other properties is accounted for on a straight line basis over the lease terms on ongoing leases and is recorded in the statement of comprehensive income in 'other operating income'.

2.5.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet compromise cash at bank and in hand and short-term deposits with an original maturity of twelve months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above and net outstanding bank overdrafts.

2.5.6 INVESTMENT PROPERTIES

The Co-operative hold certain properties as investments to earn rental income, for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date. Gains or losses arising from changes in the fair values of investment properties are included in 'other operating income' in the year in which they arise.

The Co-operative engaged Herron Todd White Pty Ltd, an accredited independent valuer, to determine the fair value of its freehold land and buildings. Fair value is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Co-operative, and to market based yields for comparable properties. The effective date of the revaluation was 30th June 2010.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in statement of comprehensive income in the year of retirement.

2.5.7 PROPERTY AND EQUIPMENT

(I) COST
Equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.
Land and Buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of revaluation.

(II) IMPAIRMENT
The carrying values of equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying amount may be impaired.

(III) REVALUATIONS
Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller on an arm's length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in statement of comprehensive income.

Any revaluation decrease is recognised in statement of comprehensive income, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

An annual transfer from the asset revaluation reserve relating to retained earnings is made for the difference between depreciation based on the revalued carrying amounts of the assets and depreciation based on the assets' original costs.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the statement of financial position date.

(IV) DERECOGNITION AND DISPOSAL

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(V) DEPRECIATION

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

- Land - not depreciated
- Buildings - not depreciated
- Furniture and equipment - 6.7 years
- Computer software 3 years
- Computer hardware 4 years

2.5.8 RECEIVABLES

Receivables are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the receivables are derecognised or impaired. Theses are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

2.5.9 PAYABLES

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Co-operative prior to the end of the financial year that are unpaid and arise when the Co-operative becomes obliged to make future payments in respect of these goods and services. The payables are not secured and are generally paid within 30 days of recognition.

(I) PROVISIONS

Provisions are recognised when the Co-operative has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Such provisions include:

(II) WAGES, SALARIES, ANNUAL LEAVE AND SICK LEAVE

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(III) LONG SERVICE LEAVE

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

2.5.10 CUSTOMER DEPOSITS AND SHORT-TERM BORROWINGS

(I) MEMBER DEPOSITS

Member deposits are classified under the categories of: at call and fixed term. The rate of interest offered on member deposits is dependent on the amount, the period invested/availability of funds and the nature of the deposit facility used. Member deposits are available for withdrawal subject to the advertised constraints of the facility.

For example, at call accounts can be accessed at any time, whereas no withdrawals can be made from a standard fixed term deposit without penalties.

(II) BORROWING COSTS

Borrowing costs are recognised as an expense when incurred.

(III) SHAREHOLDING

Members must purchase shares to the value of $10 in the Co-operative to open their account. Once a member has purchased shares they may open multiple accounts. When a member cancels or resigns their membership they are entitled to be refunded their initial $10 investment. No interest or dividends are payable on the shares issued because they are withdrawn on the closure of membership. They are therefore recorded as a liability in the financial accounts as part of deposits at call, rather than as equity.

2.5.11 TAXES

(I) CURRENT TAX

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

(II) DEFERRED TAX

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from an asset or liability transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in statement of comprehensive income.

(III) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred from the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost acquisition of the asset or part of the expense item as applicable.

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

- The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

notes to the financial statements

for the year ended 30 June 2010

	Notes	2010 $'000	2009 $'000
3. INTEREST & SIMILAR INCOME			
Loans & advances to members		5,171	5,838
Deposits with other financial institutions		1,108	1,255
Regulatory deposits		71	84
		6,350	7,177
4. INTEREST & SIMILAR EXPENSE			
Member deposits		3,306	4,573
Other		3	3
		3,309	4,576
5. NET FEES & COMMISSION INCOME			
Brokerage fees		-	-
Other fees received		61	89
		61	89
6. OTHER OPERATING INCOME			
Dividend Income		29	23
Rental Income		814	796
Change in fair value of investment property	13	33	20
Other		211	175
		1,087	1,014
7. CREDIT LOSS EXPENSE			
Bad & doubtful debts to Members		15	2
		15	2
8. OTHER OPERATING EXPENSES			
Marketing, printing and postage		91	121
Other tenancy expenses		314	279
Corporate governance, audit & compliance		267	268
Subsidised member transaction expenses		166	221
Data & communications		502	463
Other		294	441
		1,634	1,793

notes to the financial statements

for the year ended 30 June 2010

9. INCOME TAX

	Notes	2010 $'000	2009 $'000
(a) Income tax expense			
The major components of income tax expense are:			
Income Statement			
Current income tax			
Current Income tax charge		249	(13)
Adjustments in respect of current income tax of previous years		-	-
Deferred income tax			
Relating to origination and reversal of temporary differences		15	30
Recognition of carry forward tax losses previously recognised		19	-
Adjustment to income tax expense for recognition of deferred tax		146	-
Income tax expense reported in the income statement		429	17
(b) Amounts charged or credited directly to equity			
Deferred income tax related to items charged or credited directly to equity			
Unrealised movement on land and buildings		(986)	-
Income tax expense reported in equity		(986)	-
(c) Reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate			
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows :			
Accounting profit before income tax		933	58
At the company's statutory income tax rate of 30% (2009:30%)		279	17
Income not assessable for income tax purposes		-	-
Recognition of deferred tax		146	-
Franking credit offset		3	(7)
Other adjustments		1	7
Aggregate income tax expense		429	17

	Notes	2010 $'000	2009 $'000
(d) Recognised deferred tax assets and liabilities			
Tax expense in income statement		429	17
Amounts recognised in the balance sheet:			
Deferred tax asset		238	117
Deferred tax liability		(722)	(933)
		(484)	(816)
Deferred Income tax			
Deferred income tax at 30 June relates to the following:			
Deferred tax liabilities			
Rent Receivable		(4)	(3)
Depreciable Assets		(11)	(16)
Investment Properties		(705)	(167)
Land and Buildings		-	(745)
Other		(2)	(2)
Deferred tax liabilities		(722)	(933)
Deferred tax assets			
Allowance for doubtful debts		17	18
Depreciable assets		-	-
Land and buildings		119	-
Provisions and accruals		102	99
Deferred tax assets		238	117

notes to the financial statements

for the year ended 30 June 2010

	Notes	2010 $'000	2009 $'000
10. CASH AND BALANCES WITH BANK			
Cash on hand		259	255
Current account with banks		1,866	981
Overnight deposits with banks		650	400
		2,775	1,636
11. FINANCIAL INVESTMENTS HELD TO MATURITY			
Term and negotiable certificates of deposits with banks (fully redeemable) not longer than 3 months.		10,198	16,057
Term and negotiable certificates of deposits with banks (fully redeemable) longer than 3 months and not longer than 12 months		12,800	10,400
		22,998	26,457
12. LOANS AND ADVANCES TO MEMBERS			
Overdraft and revolving credit		3,933	3,977
Term loans		81,662	73,025
Directors and related parties		44	93
Gross loans and advances		85,639	77,095
Less: Allowance for impairment losses		(56)	(61)
		85,583	77,034
Loans by maturity			
Overdrafts		3,933	3,977
Not longer than 3 months		113	957
Longer than 3 months & less than 12 months		604	323
Longer than 12 months & less than 5 years		1,553	522
Longer than 5 years		79,436	71,255
		85,639	77,034

	Notes	2010 $'000	2009 $'000
Loans by purpose			
Residential mortgages		65,012	55,708
Consumer lending		14,405	15,242
Corporate & small business lending		6,222	6,145
		85,639	77,095
Loans by geographic location			
Loans in Victoria		62,458	56,954
Loans in South Australia		21,154	18,048
In other states		2,027	2,093
		85,639	77,095
Loans by security type			
Secured by mortgage		83,264	74,773
Secured by other		1,671	1,581
Unsecured		704	741
		85,639	77,095
Impairment allowance for loans and advances to members			
A reconciliation of the allowance for impairment losses for loans and advances is as follows :			
At start of year		61	152
Charge for the year (note 7)		15	2
Amounts written off already provided for		(16)	(83)
Amounts recovered		(4)	(10)
At end of year		56	61

notes to the financial statements

for the year ended 30 June 2010

Loans and Advances past due And impaired	2010 Past Due $'000	2010 Impaired $'000	2010 Collateral Held $'000	2009 Past Due $'000	2009 Impaired $'000	2009 Collateral Held $'000
Housing Loans						
30 days and less than 60 days	-	-	-	253	-	1,056
60 days and less than 90 days	-	-	-	231	-	490
90 days and less than 182 days	208	-	228	313	-	385
182 days and less than 273 days	-	-	-	-	-	-
273 days and less than 365 days	436	-	650	-	-	-
365 days and over	-	-	-	95	-	440
	644	-	878	892	-	2,371
Personal and Commercial Loans						
30 days and less than 60 days	-	-	-	3	-	-
60 days and less than 90 days	-	-	-	22	-	28
90 days and less than 182 days	-	27	-	-	10	6
182 days and less than 273 days	-	-	-	-	14	2
273 days and less than 365 days	-	-	-	-	4	-
365 days and over	-	28	180	-	34	-
	-	55	180	25	62	36
Overdrafts						
Less than 14 days	188	-	-	131	-	-
14 days and less than 90 days	-	3	-	-	1	-
90 days and less than 182 days	-	2	-	-	-	-
182 days and over	-	-	-	-	11	-
	188	5	-	131	12	-
Total Loans Past Due or Impaired	832	60	1,058	1,048	74	2,407

The Loans and advances are determined to be past due or impaired by the amount of days that they are overdue. Per APRA provisioning a housing loan is determined to be past due at 30 days or greater. Personal and commercial loans are determined to be past due between 30 days and less than 90 days, and impaired after 90 days. Overdrafts are past due at one day to less than 14 days overdue and impaired if greater than 14 days overdue.

The loans and advances past due or impaired are secured by collateral, as described in note 23.2 that exceeds the value of loans and advances outstanding

13. INVESTMENT PROPERTIES

	2010 $'000	2009 $'000
At 1 July	2,220	2,200
Land and buildings reassessed as investment properties	381	-
Net change from fair value adjustment	33	20
	2,634	2,220

notes to the financial statements

for the year ended 30 June 2010

14. PROPERTY AND EQUIPMENT

	Land & Buildings	Computer Hardware & Software	Other Furniture & Equipment	Total
	$'000	$'000	$'000	$'000
Cost or Fair value:				
At 1 July 2009	7,524	592	1,290	9,406
Additions	37	69	44	150
Disposals	-	(20)	-	(20)
Land & buildings transferred to investment properties	(381)	-	-	(381)
Net change from revaluation	450	-	-	450
At 30 June 2010	7,630	641	1,334	9,605
Accumulated depreciation				
At 1 July 2009	-	471	1,115	1,586
Disposals	-	(20)	-	(20)
Depreciation charge for the year	-	60	67	127
At 30 June 2010	-	511	1,182	1,693
At 30 June 2010				
Cost or fair value	7,630	641	1,334	9,660
Accumulated depreciation	-	511	1,182	1,748
Net carrying amount	7,630	130	152	7,912

	Land & Buildings	Computer Hardware & Software	Other Furniture & Equipment	Total
	$'000	$'000	$'000	$'000
Cost or Fair value:				
At 1 July 2008	8,410	584	1,288	10,282
Additions	-	23	2	25
Disposals	(4)	(15)	-	(19)
Net change from revaluation	(882)	-	-	(882)
At 30 June 2009	7,524	592	1,290	9,406
Depreciation and impairment:				
At 1 July 2008	-	385	1,054	1,439
Disposals	-	-	-	-
Depreciation charge for the year	-	86	61	147
At 30 June 2009	-	471	1,115	1,586
At 30 June 2009				
Cost or fair value	7,524	592	1,290	9,406
Accumulated depreciation	-	471	1,115	1,586
Net carrying amount	7,524	121	175	7,820

	2010	2009
	$'000	$'000
If land and buildings were measured using the cost model the carrying amounts would be:	3,559	3,559

notes to the financial statements

for the year ended 30 June 2010

	2010 $'000	2009 $'000
15. OTHER INVESTMENTS		
Cuscal shares	76	76
Indue class 'a' shares	56	56
Indue Limited SDD	31	31
	163	163

The Indue and Cuscal shares above are held as part of the requirements of the service contracts we have with Indue and Cuscal, who facilitate some of our banking services. The shares are stated at cost, are not tradeable and when the contract ceases would be returned to Cuscal or Indue, and the cost price repaid to the Co-operative in return.

	2010 $'000	2009 $'000
16. OTHER ASSETS		
Accrued interest receivable	376	327
Prepayments	41	23
Other receivables	14	13
	431	363

Fair Value and Credit Risk

The maximum exposure to credit risk is the fair value of the receivables. Collateral is not held as security, nor is it policy to transfer (on-sell) receivables to special purpose entities.

	2010 $'000	2009 $'000
17. MEMBER DEPOSITS		
Current accounts	37,553	39,392
Term deposits	64,447	59,241
	102,000	98,633
Deposits by geographic location		
Deposits in Victoria	72,414	73,317
Deposits in South Australia	20,890	20,078
In other States	8,696	5,238
	102,000	98,633

	2010 $'000	2009 $'000
18. OTHER LIABILITIES		
Interest payable on deposits	790	462
Trade creditors and sundry creditors	2,081	581
	2,871	1,043
19. PROVISIONS		
Current provisions for employee entitlements		
Long service Leave	108	88
Annual Leave	141	134
	249	222
Non-current provisions for employee entitlements		
Long service Leave	63	70
	63	70

A reconciliation of the provisions is as follows :	Annual	Long Service	Total
	$000	$000	$000
As at 1 July 2009	133	159	292
Payments made	(78)	(13)	(91)
Additional provisions	86	25	111
As at 30 June 2010	141	171	312
As at 1 July 2008	130	117	247
Payments made	(90)	-	(90)
Additional provisions	93	42	135
As at 30 June 2009	133	159	292

20. RETAINED EARNINGS AND RESERVES

	Retained Earnings $'000	Credit loss Reserve $'000	Foundation Reserve $'000	Business Combination Reserve $'000	Asset Revaluation Reserve $'000	Total Reserves $'000
At 1 July 2009	8,209	181	10	2,303	3,937	6,431
Increase in statutory amount set aside for potential losses on loans & advances	-	135	-	-	-	135
Net change from revaluation of property	(135)	-	-	-	450	450
Adjustment to deferred tax due to timing differences on revalued assets	-	-	-	-	986	986
Net profit attributable to members	504	-	-	-	-	-
At 30 June 2010	8,578	316	10	2,303	5,373	8,002
At 1 July 2008	8,094	255	10	2,335	4,787	7,387
Decrease in statutory amount set aside for potential losses on loans & advances	74	(74)	-	-	-	(74)
Net change from revaluation of property	-	-	-	(32)	(850)	(882)
Net profit attributable to members	41	-	-	-	-	-
At 30 June 2009	8,209	181	10	2,303	3,937	6,431

Credit Loss reserve
The credit loss reserve is used to record the APRA required provisioning for setting aside 0.625% of the risk weighted assets as provision for possible bad debt write off. It represents an appropriation of retained earnings as further capital held against credit losses.

Foundation reserve
The foundation reserve is used to record the retained earnings set aside for the anticpated foundation fund to be setup for the benefit of the Ukrainian community.

Business combination reserve
The business combination reserve is used to record increments and decrements in equity as a result of mergers with other businesses.

Asset revaluation reserve
The asset revaluation reserve is used to record increments and decrements in the fair value of land and buildings to the extent that they offset one another.

21. ADDITIONAL CASH FLOW INFORMATION

	Notes	2010 $'000	2009 $'000
Cash and cash equivalents			
Cash on hand (note 10)		259	255
Current account with bank (note 10)		1,866	981
Overnight deposits with bank		650	400
		2,775	1,636
Change in operating assets			
Net change in interest receivable	16	(49)	(47)
Net change in debtors	16	-	83
Net change in prepayments	16	(18)	15
Net change in future income tax benefit	9	(121)	-
		(188)	51
Change in operating liabilities			
Net change in interest payable	18	328	(128)
Net change in creditors and accruals	18	1,500	(458)
Net change in future tax payable	9	(231)	-
		1,597	(586)
Non-cash items included in profit before tax			
Depreciation of property and equipment		127	147
Impairment losses on financial assets		15	2
Revaluation of investment property		(33)	(20)
Provisions		(20)	45
		89	174

notes to the financial statements

for the year ended 30 June 2010

22. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Assets 2010	Carrying Value $'000	Fair Value $'000
Financial assets		
Cash & balances with bank	2,775	2,775
Financial investments - held to maturity	22,998	22,998
Loans and advances to customers	85,583	85,583
Other investments	163	163
Accrued Interest receivable	376	376
Other receivables	14	14
Total 2009	111,909	111,909
Liabilities		
Financial Liabilities		
Member Deposits	102,000	102,000
Total 2009	102,000	102,000
Assets 2009		
Financial Assets		
Cash & balances with bank	1,636	1,636
Financial investments - held to maturity	26,457	26,457
Loans and advances to customers	77,034	77,034
Other investments	163	163
Accrued Interest receivable	327	327
Other receivables	13	13
Total 2009	105,630	105,630
Liabilities		
Financial Liabilities		
Member Deposits	98,633	98,633
Total 2009	98,633	98,633

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.

DEPOSITS WITH FINANCIAL INSTITUTIONS

The carrying values of deposits with financial institutions approximate their net fair value as they are short term in nature or are receivable on demand.

LOANS AND ADVANCES

The carrying values of loans and advances is net of the total provision for doubtful debts. Interest rates on loans both fixed and variable equate to comparable products in the market place. The carrying amount is therefore considered to be a reasonable estimate of fair value.

MEMBER DEPOSITS

The net fair value of at call and fixed rate deposits represents the carrying amount plus the total of interest accrued on effective interest rate at balance date. Fixed term deposits with a maturity greater than 12 months are immaterial and have not been discounted.

OTHER INVESTMENTS

The carrying amount of other investments is at cost as these shares are bought and sold at the same amount they are held as part of our service contract with Cuscal and Indue, and are not available for sale.

ACCRUED INTEREST RECEIVABLE

The net fair value of accrued interest receivables represents the carrying amount. This represents the interest that has accrued to date on deposits with financial institutions.

OTHER RECEIVABLES

The net fair value of other receivables represents the carrying amount. This mainly represented rent owed to the Co-operative from the investment properties.

23. RISK MANAGEMENT

23.1 INTRODUCTION

Risk is inherent in the Co-operative's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Co-operative's continuing profitability and each individual within the Co-operative is accountable for the risk exposure relating to his or her responsibilities. The Co-operative is exposed to credit risk, liquidity risk and market risk. It is also subject to operating risks.

RISK MANAGEMENT STRUCTURE

The Board of directors is ultimately responsible for identifying and controlling risks; however there is an Audit and Risk Management Committee. This Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

INTERNAL AUDIT

Risk management processes throughout the Co-operative are audited annually by the internal audit function, that examines both the adequacy of procedures and the Co-operative's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

23.2 CREDIT RISK

Credit risk is the risk that the Co-operative will incur a loss because a counterparty failed to discharge their obligations. The Co-operative manages and controls risk by setting limits on the amount it is willing to accept for individuals and loan categories, and by monitoring exposures to such limits.

With respect to credit risk arising from financial assets of the Co-operative, the Co-operative's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Balance Sheet. Future movements in fair value would increase or reduce that exposure.

Credit ratings are those published by Standards and Poors'.

The guidelines for Negotiable Certificates of Deposits are set by APRA. APRA has approved a maximum of 70% of the capital base on large assets exposure to Suncorp, Bank of Queensland and Bendigo and Adelaide Bank. In addition, exposure to Cuscal is set at 500% of capital base for ADI with total assets under $200 million. Exposures to other banks, credit unions and building societies are limited to the standard 50% of capital base.

The following tables show the credit quality by class of asset:

Assets Financial Assets	2010 $'000 Total	2010 $'000 High Grade	2010 $'000 Other Grade	2010 $'000 Past Due or Impaired
Loans secured by mortgage	85,583	84,125	565	893
Other Loans and Advances				
	Total	AAA to A-	B+ to BBB+	Other*
Cash & balances with bank	2,775	372	650	1,753
Financial investments - held to maturity	22,998	5,350	16,000	1,648
Other investments	163	76	-	87
Accrued Interest receivable	376	340	20	16
Other receivables	14	-	-	14
Total	26,326	6,138	16,670	3,518

Assets Financial Assets	2009 $'000 Total	2009 $'000 High Grade	2009 $'000 Other Grade	2009 $'000 Past Due or Impaired
Loans secured by mortgage	77,034	75,651	261	1,122
Other Loans and Advances				
	Total	AAA to A-	B+ to BBB+	Other*
Cash & balances with bank	1,636	405	400	831
Financial investments - held to maturity	26,457	11,050	13,850	1,557
Other investments	163	76	-	87
Accrued Interest receivable	327	110	210	7
Other receivables	13	-	-	13
Total	28,596	11,641	14,460	2,495

The Loans and advances are determined to be past due or impaired by the amount of days that they are overdue. Per APRA provisioning a housing loan is determined to be past due at 30 days or greater. Personal and commercial loans are determined to be past due between 30 days and less than 90 days, and impaired after 90 days. Overdrafts are past due at one day to less than 14 days overdue and impaired if greater than 14 days overdue.

Financial assets that are neither past due or impaired are classified between those assets that are high grade and not high grade (other grade). To define what is a high grade financial asset, Dnister has referred to the prudential standards issued by the Australian Prudential Regulation Authority (APRA) in particular APS 112 which categorises the risk likelihood of default. APS 112 applies risk-weight percentages to indicate the quality of assets. A risk-weight of 50% or less indicates higher quality assets and this has been applied to define high grade assets for table provided.

*Other consists of assets or liabilities which have not been rated or are of a non-rated nature.

All interest bearing securities were issued by Australian entities.

COLLATERAL AND OTHER CREDIT ENHANCEMENTS

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- for commercial lending, charges over real estate properties, inventory and trade receivables.
- for mortgage lending, mortgages over residential properties.

Management monitors the market value of collateral, requests collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Co-operative's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Co-operative does not occupy repossessed properties for business use.

IMPAIRMENT ASSESSMENT

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of members, credit rating downgrades, or infringement of the original terms of the contract.

LOANS PAYABLE

During the current and prior year there were no defaults and breaches on any of the loans.

23.3 LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is the risk that the Co-operative will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources. In addition to its core deposit base, the Co-operative manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Co-operative has a $350,000 overdraft facility which allows for the day to day fluctuations in our settlement account with Indue. The overdraft allows the settlement account to be overdrawn for one or two business days in the event that the withdrawals are greater than the settlement account balance. The Co-operative will then deposit within one or two business days the required funds to return the account to credit.

The Co-operative maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Co-operative is required by the Australian Prudential Regulatory Authority to hold a minimum of 12% high quality liquid assets at any given time.

The liquidity position is assessed giving due consideration to stress factors relating to both the market ingeneral and specifically to the Co-operative. Net liquid assets consists of cash, short term bank deposits or negotiable certificate of deposits available for immediate sale. The ratio during the year was as follows.

	2010 %	2009 %
30 June	20.4	24.0
Highest for period	25.8	26.6
Lowest for period	18.6	17.8

23.3a MATURITY PROFILE OF FINANCIAL LIABILITIES

The tables below summarises the maturity profile of Dnister's financial liabilities at balance date based on contractual undiscounted repayment obligations. Dnister does not expect the majority of members to request repayment on the earliest date that Dnister could be required to pay and the tables do not reflect the expected cash flows indicated by Dnister's deposit retention history.

	Less than 30 days	Less than 3 months	3-12 months	Subtotal less than 12 months	1-5 years	Over 5 years	Subtotal over 12 months	Total
2010								
Liabilities								
Financial Liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Bank Overdrafts	-	-	-	-	-	-	-	-
Member Deposits	46,426	30,904	24,419	101,749	251	-	251	102,000
Trade and other payables	1,920	-	951	2,871	-	-	-	2,871
Total	48,346	30,904	25,370	104,620	251	-	251	104,871
2009								
Liabilities								
Financial Liabilities								
Bank Overdrafts	-	-	-	-	-	-	-	-
Member Deposits	39,393	40,542	18,311	98,246	387	-	387	98,633
Trade and other payables	555	-	488	1,043	-	-	-	1,043
Total	39,948	40,542	18,799	99,289	387	-	387	99,676

23.3b MATURITY PROFILE OF COMMITMENTS

The table below shows the contractual expiry of the maturity of Dnister's credit commitments and lease expenditure commitments. Dnister expects that not all of the commitments will be drawn before the expiry of the commitments.

	Less than 30 days	Less than 3 months	Total
2010 Liabilities	$'000	$'000	$'000
Approved but undrawn loans	5,678	-	5,678
Undrawn line of credit	2,228	-	2,228
Total	7,906	-	7,906
2009 Liabilities	$'000	$'000	$'000
Approved but undrawn loans	2,086	-	2,086
Undrawn line of credit	1,857	-	1,857
Total	3,943	-	3,943

23.4 MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates. The Board has set limits on the level of market risk that may be accepted. Co-operative has significant interest rate risk, but not excessive given the nature of our business. Co-operative only deals in Australian dollars and therefore is not exposed to currency risk. Co-operative does not hold any investments which are subject to equity movement and therefore is not exposed to equity risk.

notes to the financial statements

for the year ended 30 June 2010

Interest Rate Risk	Floating Interest Rate	Fixed interest maturing in		Non-interest bearing	Total carrying amount as per balance sheet
	$'000	$'000	$'000	$'000	$'000
2010 Financial Assets	2010	1 year or less	+1 to 5 years	2010	2010
Cash & balances with bank	2,516	-	-	259	2,775
Financial Investments - held to maturity	-	22,998	-	-	22,998
Shares (Cuscal and Indue)	-	-	-	163	163
Other Receivables	-	-	-	431	431
Loans and advances to members	83,314	716	1,553	-	85,583
Financial Liabilities					
Member deposits	37,553	64,196	251	-	102,000

Interest Rate Risk	Floating Interest Rate	Fixed interest maturing in		Non-interest bearing	Total carrying amount as per balance sheet
	$'000	$'000	$'000	$'000	$'000
2009 Financial Assets	2009	1 year or less	+1 to 5 years	2009	2009
Cash & balances with bank	1,381	-	-	255	1,636
Financial Investments - held to maturity	-	26,457	-	-	26,457
Shares (Cuscal and Indue)	-	-	-	163	163
Other Receivables	-	-	-	363	363
Loans and advances to members	71,255	5,257	522	-	77,034
Financial Liabilities					
Member deposits	39,393	58,853	387	-	98,633

Judgement of reasonably possible movements :

		Post Tax Profit Higher / (Lower)	
2010	2009	2010 $'000	2009 $'000
.+0.75%(75 Basis Points)	+0.75% (75 Basis Points)	105	66
.-0.50% (50 Basis Points)	-0.00% (0 Basis Points)	(70)	-

The movements in profit are due to higher/lower net interest earned as a result of maturity variances between loans and deposits.

Judgement of reasonably possible movements :

		Equity Higher / (Lower)	
2010	2009	2010 $'000	2009 $'000
.+0.75%(75 Basis Points)	+0.75% (75 Basis Points)	105	66
.-0.50% (50 Basis Points)	-0.00% (0 Basis Points)	(70)	-

The movements in equity are due to the net interest earned after tax as a result of maturity variances between loans and deposits.

For 2009 the likelihood was for several rate increases for the year ahead, therefore a 0.75% increase was used for the analysis, while the chance of a rate decrease was unlikely, therefore 0.0% rate was used. The chance of a rate decrease in the year ahead is possible 0.50% has been used. The chance of a rate increase is likely and the possibility of a 0.75% increase has been used for 2010.

The above interest rate risk sensitvity is unrepresentative of the risks inherent in the financial assets and financial liabilities due to the year-end exposure during the year, as the sensitivity analysis does not reflect the maturing of fixed interest financial assets and financial liabilities within the next 12 months.

23.5 OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss. The Co-operative cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Co-operative is able to manage risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment of processes, including the use of internal audit.

24. CAPITAL

The Co-operative maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Co-operative's capital is monitored using, among other measures, the rules and ratios established by the Australian Prudential Regulatory Authority (APRA). The minimum capital ratio as required by APRA is 13%. The Board minimum capital ratio is 15%. Should capital fall to 17% a 3 year forecast is done to ensure that the capital is monitored closely and starts to trend upwards. The Capital Ratio is reported to the Board at the monthly Board Meetings and more frequently during periods of volatility or when the the capital ratio falls below 17%. During the past the year, the Co-operative has complied in full with all its internally and externally imposed capital requirements.

The capital ratio is derived by dividing the capital base by the risk weighted assets. The Co-operative adheres to the regulations set down by APRA in regard to which capital items can or cannot be included and also the different risk weightings put on the various assets. These risk weightings are set by APRA and are based on the risk associated with each different asset class.

CAPITAL MANAGEMENT

The primary objectives of the Co-operative's capital management are to ensure the Co-operative complies with internally and externally imposed capital requirements and that the Co-operative maintains strong credit and healthy capital ratios in order to support its business and maximize member value.

REGULATORY CAPITAL

	2010	2009
	$'000	$'000
Capital Base	12,417	11,062
Risk Weighted Assets	64,182	63,222
	%	%
Total Capital Ratio	19.3	17.5

25. RELATED PARTY DISCLOSURES

a) Details of key management personnel

The following persons were directors of the Co-operative during the financial year:

J. Lipkiewicz	J. Kotowskyj	M. Kornitschuk
G. Anolak	M. Misko	B. Potiuch
F. Fursenko	W. Mykytenko	R. Horban

b) Compensation of key management personnel of the Co-operative	2010 $'000	2009 $'000
Short-term employment benefits - salaries	166	232
Post employment - superannuation contributions	12	17
Other long - term benefits - long service leave	-	-
Termination payments	-	-
Total	178	249

c) Directors' Remuneration (included in 25b Above)

	2010	2009
Aggregate remuneration of directors included in the figure above	31	42

notes to the financial statements

for the year ended 30 June 2010

d) Transactions with key management personnel of the Co-operative

The Co-operative enters into transaction, arrangements and agreements involving directors and the General Manager in the ordinary course of business.
The Co-operative entered into a 12 month contract with the General Manager that commenced on the 31 December 2009. Under the terms of the contract:

Mr. Papas`s contract will be reviewed at the conclusion of the term.
The Co-operative may terminate the contract at any time without notice if serious misconduct has occurred.
The following table provides the aggregate value of loans to the general manager, directors, spouses and related entities:

	2010 $'000	2009 $'000
Loans:		
Balance owing at 30 June	-	-
New Loans Advanced	-	-
Interest and fees	-	-
Repayments	-	-
Movement from changes in key management personnel	-	(937)
Revolving Credit Facilities:		
Total value extended	250	261
Balance utilised at 30 June	44	93
Savings and term deposit services:		
Amounts deposited at 30 June	54	73

All loans disbursed are approved on the same terms and conditions applied to members generally for each class of their loan. All other transactions between the key management personnel and Co-operative were conducted on normal commercial terms and there has been no breach of these terms.

26. SUPERANNUATION COMMITMENTS

The Co-operative contributes to a number of superannuation plans chosen individually by its employees. Members' benefits are fully vested with that member and will be paid out upon termination of employment as preserved or non-preserved benefits spending on the contribution basis. The obligation for the Co-operative is limited to that under the Superannuation Guarantee legislation which for the 2009-10 financial year was 9% of gross income and the total amounted to $127,000 for 2010 (2009: $120,000).

27. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of Members, the Co-operative does enter into irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do contain credit risk and are therefore part of the overall risk of the Co-operative. The maximum amount of credit exposure risk for guarantees for 2010 of $116,000 (2009: $34,000) is deemed insignificant.

Total outstanding commitments and contingent liabilities are as follows:

	2010 $'000	2009 $'000
Contingent liabilities		
Financial guarantees	116	34
	116	34
Commitments		
Undrawn commitments to lend	5,678	2,086
Unused overdraft facilities of members	2,228	1,857
	7,906	3,943
Total	8,022	3,977

notes to the financial statements

for the year ended 30 June 2010

Contingent liabilities

Letters of credit and guarantees commit the Co-operative to make payments on behalf of Members in the event of a specific act. Guarantees and standby letters of credit carry the same risk as loans.

Undrawn commitments to lend

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards.

Operating lease commitments receivable - Co-operative as lessor

Leases in which the Co-operative retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the lease asset and recognised as an expense over the lease term on the same basis as rental income.

The Co-operative has entered into commercial property leases on its investment portfolio, consisting of the Co-operative's surplus office buildings.

These non-cancellable leases have remaining terms of between 1 and 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis.

Future minimum rentals receivable under non-cancellable operating leases as at 30 Jun 2010 are as follows;

	2010 $'000	2009 $'000
Within one year	472	684
After one year but not more than three years	204	452
Total minimum lease payments	676	1,136

Legal claims

The Co-operative had no material unresolved legal claims as at 30 June 2010. (There were also none as at 30 June 2009).

Economic dependency

The Co-operative has service contracts with, and is economically dependent upon the following suppliers:

(a) Indue

This entity supplies the Co-operative with services in the form of settlement with bankers for ATM transactions, member cheques and the provision for direct entry services and the production of debit cards for use by members.

(b) First Data International

This company operates the computer switch used to process transactions from the use of Co-operative's debit cards through approved ATM and EFTPOS networks.

(c) DataAction

This company provides and maintains application software currently utilised by the Co-operative. DataAction is a major supplier of software to credit unions throughout Australia.

(d) The System Works

This company provides the Co-operative's internet banking platform. They complete backups and control monitoring procedures.

28. REMUNERATION OF EXTERNAL AUDITORS

During the years the auditors of the Co-operative earned the following remuneration :

	2010	2009
Audit of the Co-operative	$55,000	$52,000
Taxation Services	$33,632	$16,000
	$88,632	$68,000

29. SUBSEQUENT EVENTS

There were no subsequent events to be brought to the attention of members for the financial year ended 30 June 2010.

corporate directory

Established	Dnister was incorporated in Victoria under the Co-operative Act on the 21st September 1959
Registered Office	Head Office 912 Mt Alexander Road, Essendon VIC 3040 Tel (03) 9375 1222 Fax (03) 9370 5361
Branches	Hoverla, 62 Orsmond St, Hindmarsh SA 5007 Tel (08) 8346 6174 Fax (08) 8346 2262
	Geelong, 3/29-35 Milton Street, Bell Park VIC 3215 Tel (03) 5278 5950 Fax (03) 5277 9108
	Kalyna, 20 Ferguson Street, Maylands WA 6051 Tel/Fax (03) 9271 5984
External Auditors	Ernst & Young, 8 Exhibition Street, Melbourne VIC 3000
Internal Auditors	BDO 30th Floor, 525 Collins Street, Melbourne VIC 3000
Solicitors	DKL Lawyers, Suite 5 Ground Floor 912 Mt Alexander Road Essendon VIC 3040
Legal Corporate Advisors	S. Tomyn & Co., 5th Floor 414 Lonsdale Street, Melbourne VIC 3000
	Mahonys Lawyers, 400 Collins Street, Melbourne VIC 3000
Bankers	Fisher Jeffries Lawyers, 19 Gouger Street, Adelaide SA 5000
	Credit Union Settlement Services Limited, 6 Moorak Street Taringa QLD 4068
	Westpac Banking Corporation, 260 Queen Street, Brisbane QLD 4000
Insurers	CUNA Mutual Group. Level 9 345 George Street, Sydney NSW 2000

"ДНІСТЕР"
UKR CREDIT
CO-OP LTD
"DNISTER"