celebrating

50 years

2009 *annual report*

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

1959-2009

DNISTER
Ukrainian Credit Co-operative

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1959-2009

50 celebrating years

The 50th Anniversary of Dnister Ukrainian Credit Co-operative is no mere accomplishment; rather it should be a celebration of an exceptional achievement - a half-century of service to members of the Ukrainian community. Today, in light of this celebration, we remember those who stood at the forefront of the co-operative's creation. What do we know of these people who not only envisaged a vibrant Ukrainian community in the future, but also lived for and worked hard to ensure its success on a continent far from the homeland?

In 1951, Mr Myroslaw Liszczynskyj took it upon himself to organise a financial institution, which would assist those newly arrived to Australia from post-war Europe because at the time, loans to purchase homes or blocks of land were often unobtainable. With the approval of Illy Jaworski, who at the time was head of the Catholic Bratstvo of Saints Peter and Paul, the Bratstvo Loan service 'Samopomich' was created.

In 1953, with the advent of the first legislation governing co-operatives in Australia, Samopomich began to consider undergoing the process of legally establishing a co-operative. With this goal in mind, an Initiative Committee was established with M. Liszczynskyj as head and the following others as members; O. Wenhrynowycz, V. Ptasznyk, V. Petrykevych, M. Troynar and B. Tarnawskyj. With the assistance of Bishop Ivan Prasko (at that time Father Prasko), connections were forged with the Federation of Australian Catholic Co-operatives who assisted the Committee with meeting the requirements of the legislation.

As a result, on the 23rd of August 1959 the founding meeting of what would eventually become Dnister Ukrainian Credit Co-operative was held. M. Liszczynskyj was elected as the first Chairman of the board and the first directors consisted of V. Bilynski, O. Wenhrynowycz, V. Petrykevych, M. Troynar, B. Tarnawskyj and T. Jaskewycz with V. Ptasznyk as the co-operative's first secretary and bookkeeper.

The first director's meeting was held on the 9th of September 1959. By the time of the second meeting on the 4th of October 1959, the co-operative had 53 members, the first of whom was M. Kucil. At the end of the 1959-60 financial year Dnister had 133 members, and by 1963-64 this number had grown to 590 members.

The early beginnings were not easy and there was no shortage of difficulties. There were many members eager to take out loans, but the problem was a lack of deposits due to the fact that Ukrainians did not have money at the time. There must be an acknowledgment of those who worked hard and strived to make things possible so that the co-operative could stand on its own feet and begin to work for the betterment of our people. Such people as M. Liszczynskyj, O. Wenhrynowycz, V. Ptasznyk, O. Bulka, V. Bilynski, Y. Wenhlowskyj, W. Kociumbas, J. Kutny, M. Kucil, O. Matiasz, B. Nazar, V. Petrekevych, I. Sokolovskyj, V. Stelmachiw, B. Tarnawskyj, T. Jaskewycz along with many, many others worked unreservedly for the good of the co-operative. It is also essential to recognise Bishop Ivan Prasko who continuously supported the activities of the co-operative.

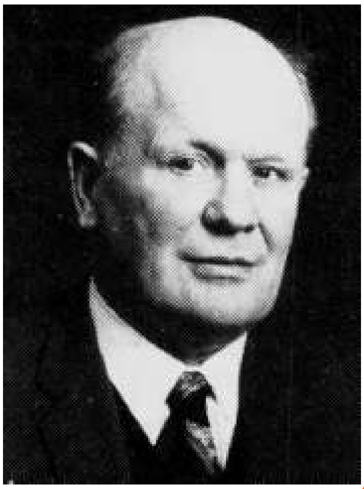
In the early days, the co-operative was run on an amateur level. The bookkeeper did the accounting at home after work and the board met at the offices and bookstore of V. Fokshan, which was in fact the official address of the co-operative for some time.

Initially, a network of agencies was organised because members were scattered all across Melbourne and often found it difficult to attend the co-operative. With this in mind, a branch in Geelong was established along with agencies in Noble Park (represented by M. Slipetskyj), Ardeer (represented by N. Powarchuk and V. Fedor) and Maribyrnong (represented by J. Kutny). In addition to this, there was an office established under the Catholic Church to give members the opportunity to conduct their banking after liturgies.

The first board meetings were held at 488 Flinders St Melbourne in the offices of V. Fokshan, in the parish hall of St Augustine's Church, and subsequent meetings were held at the Ukrainian Hall in Essendon. Eventually, the co-operative moved to a small property on Mt Alexander Rd Essendon. In 1981 Dnister purchased an old service station and by 1984 had built in its place what is currently the co-operative's head office in Essendon.

Dnister Ukrainian Credit Co-operative today boasts over 7,000 members, a head office in Essendon as well as branches in Geelong, Kalyna in Perth and Hoverla in Adelaide which employ 25 people. Since its humble beginnings and founding members, many directors, staff and community members have made overwhelming contributions to the co-operatives strong foundations.

When speaking of Dnister today, it is worth noting, that even with the passing of time, the co-operative has remained steadfast in its mission and continues to work toward providing financial advantage, prosperity and wealth…for members and the Ukrainian community in Australia. Over the past five years, Ukrainian community members have benefitted from over 1.2 million dollars of sponsorship from Dnister. Furthermore, Dnister's Assistance Fund provides financial support to newborn children, towards the cost of funerals and the making of wills. In the last financial year (2008-2009) alone, more than 38 thousand dollars was paid out to members.



Founder Myroslaw Liszczynskyj

Sponsor (Bishop) Ivan Prasko

1959

1959 - Initiative Committee of Dnister Ukrainian Credit Co-operative.
From Left O Wenhrynowycz, M Liszczynskyj, M Troynar, Y Wenhlowskyj and V Fokshan.

Founding Members of Dnister
From left seated - B Nazar, O Wenhrynowycz, W Bilynskyj, Rev M Melnyk, M Liszczynskyj, M Troynar, O Bulka, Standing - M Kucil, O Matiasz, I Sokolowskyj, J Kutny.

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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 $58,000 to all our members.

During 2008/2009, in what was a very difficult economic climate, Dnister Ukrainian Credit Co-operative achieved a profit and also provided considerable value to members and the community totaling $343,000.

Overall, this is a positive result considering the difficult times all Australian Banks, Credit Unions and Financial Institutions were confronted with as a result of the Global Financial Crisis.

In the latter part of 2008 a 4% interest rate drop over a very short period significantly impacted interest revenue.

This was further compounded by the Australian Government Deposits Guarantee which rated Credit Unions below Banks and required them to pay a higher fee in order to retain their major deposits in excess of $1million.

In Dnister Ukrainian Credit Co-operative's instance this required a guarantee payment of 1.5%, which was 0.8% higher than the banks in order to secure and retain high value deposits.

The one off costs associated with the bank guarantee payments was $50,800 during this financial year.

The Board of Directors continues to set the strategic direction and ensures that we operate in the best interest of our members.

During the year, Dnister Ukrainian Credit Co-operative continued to provide members with competitive interest rates, lower fees and charges, longer operating hours through various channels and friendlier staff.

This year the Board and staff were engaged in successfully completing integration of Hoverla into Dnister's operations and banking systems. Also the Board and staff were very actively engaged in merger discussions and due diligence investigations with Karpaty Ukrainian Credit Union Ltd.

The one off costs associated with these merger matters was $127,987 during this financial year.

Unfortunately Karpaty Ukrainian Credit Union Ltd withdrew from merger discussions and the opportunity of creating one National Ukrainian Credit Co-operative in Australia has been missed. Dnister Board strongly believes in the idea of one Ukrainian Credit Co-operative servicing and supporting members and Ukrainian community in Australia.

On behalf of the Dnister Board I confirm that in accordance with its Strategic Plan and desire to involve members of the Ukrainian Community nationwide, the Board will endeavour to pursue the commitments in our mission statement below.

"To provide financial advantage, prosperity and wealth for members and for the Ukrainian Community in Australia"

In 2009 Dnister Ukrainian Credit Co-operative is celebrating its 50 year anniversary. This is a very significant milestone and is a result of years of loyal membership, hard work and foresight by past directors and staff, all of whom we pay tribute to.

The co-operative movement started with very humble beginnings serving members of Ukrainian heritage. Today Dnister Ukrainian Credit Co-operative is the largest of Ukrainian Credit Co-operatives in Australia incorporating Credit Unions in Victoria, South Australia and Western Australia with total assets under management exceeding $116million.

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

While the financial environment will remain challenging, I am confident of Dnister Ukrainian Credit Co-operative's ability to continue to grow and provide real and substantial value to our members and community.

A sincere note of thanks to all our members for supporting Dnister and to all Board directors and staff for their hard work and diligent service.

Walentyn Mykytenko
Chairman

chairmans report

chairmans report

directors

Borys Potiuch
Deputy Chairman

Michael Kornitchuk

Andrew Matizak

Richard Horban

Greg Anolak

John Kotowskyj

Theo Alexander

Frank Fursenko JP

directors report

The Directors of Dnister Ukrainian Credit Co-operative Limited ("the Co-operative") submit their report for the year ended 30 June 2009.

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

B.E., Post Grad Dip. Eng.Mgt, Dip. Elec.Eng, Dip. Fin. Services (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 five years, including the last year 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 Chair of RYKA (Association of Ukrainian Credit Cooperatives in Australia).

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 one year, 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.

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 Chairman of Dnister Ukrainian Credit Co-operative Ltd. Mr Kornitschuk has been a Non-executive Director of the Co-operative for fifteen years, including eight as Chairman, and was a member of the Merger Committee. During the past five years he has also served as: Chairman of the Ukrainian Orthodox Church- Essendon*.

Andrew Matiszak

Life. F.A.I.B.S., M.I.E(Aust). C.P.E., Dip.C.E., B.S.C., B.I.C., S.I.C., Grad Cert Fire Safety/BCA Performance, RBP-BS/BI/AD (Non-executive Director and Audit Committee Member)

Mr Matiszak combines his work as Managing Director of a building consulting company with his role as Non-executive Director of the Co-operative. Mr Matiszak has been a Non-executive Director of the Co-operative for ten years and was a member of the Audit and Merger Committees this year, retiring from the Board in late 2008. During the past five years he has also served on the following organisations: State Treasurer Australian Institute of Building Surveyors (Vic Chapter)*, Building Practitioners Board Member, Director at Ukrainian Elderly Peoples Home, and Director at Overnewton Anglican Community College.*

Richard Horban

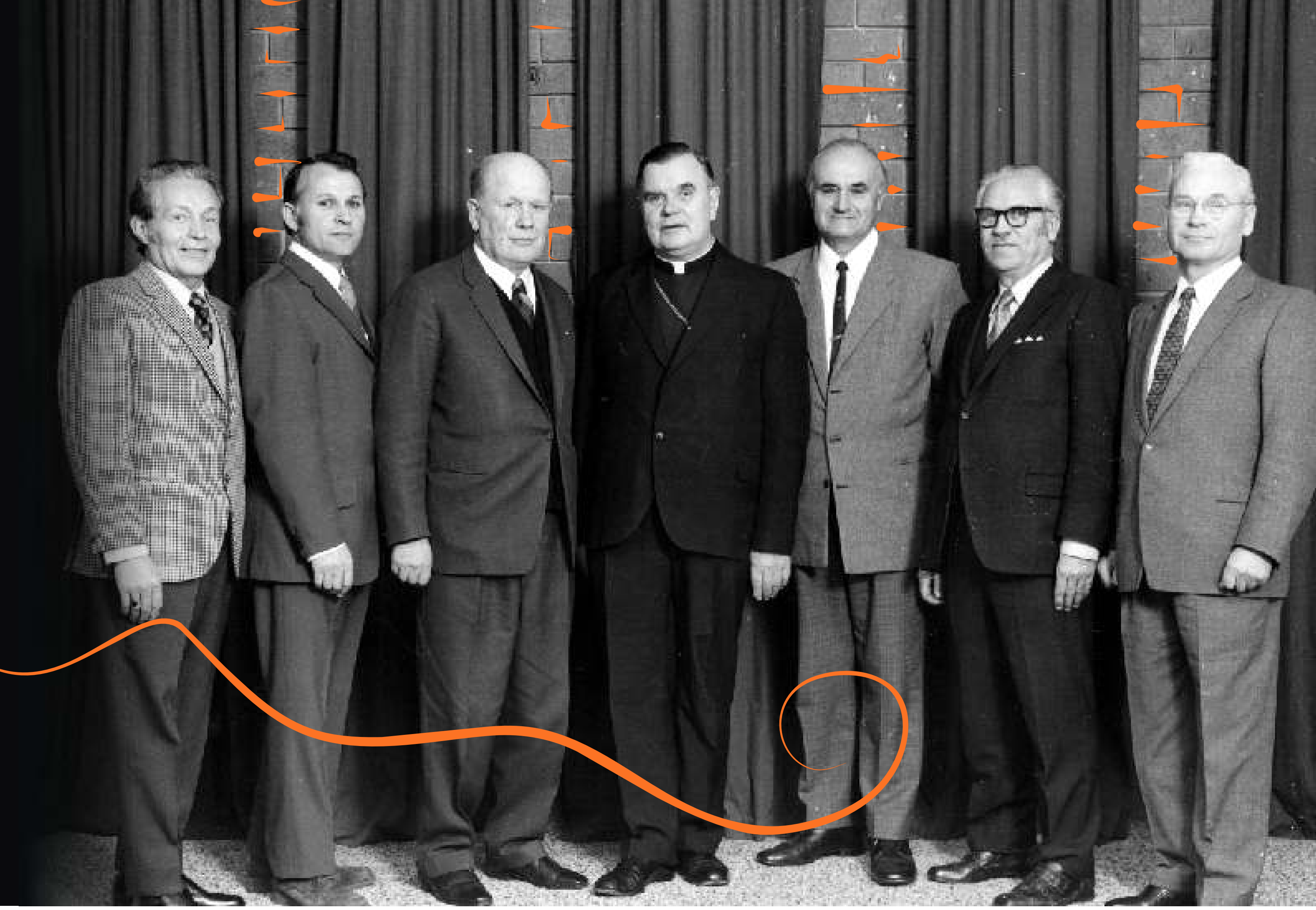
AICM (Non-executive Director and Audit Committee Chairman)

Mr Horban is semi-retired and combines his work as a Contractor in Credit Management at Carter Holt Harvey Packaging with his role as a Non-executive Director of the Co-operative for seven 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 four years and was a member of the Audit, Risk and Human Capital Committees. During the past four 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 three years, and was the Chair of the Risk Committee and a member of the Human Capital Committee.

Theo Alexander
LLB (Melb). Grad Dip Leg Prac, ZDaF (Munich), MAICM (Non-executive Director and Audit Committee Member)

Mr Alexander combines his work as a Barrister of the Supreme Court of Victoria and High Court of Australia, Lecturer in Law at Deakin University, and Chairman of the Essendon Community Legal Centre with his role as Non-executive Director of the Co-operative. Mr Alexander has been a Non-executive Director of the Co-operative for three years and was a member of the Audit, Risk and Merger Committees. Mr Alexander resigned early 2009.

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

Mr Fursenko combines his work as a Program Director at the University of SA for the last twenty years with his role as Non-executive Director of the Co-operative. Mr Fursenko has been a Non-executive Director of the Co-operative for one year, 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, six of those years as President, and President of the Ukrainian Collectibles Society (UCS) for the last fifteen years*.

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 Manager of Hoverla Branch for one 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 & Operations

The Co-operative`s net profit after income tax for the year ending 30 June 2009 is $41,000 (2008: $296,000). The net profit includes a fair value gain on the revaluation of investment property of $20,000 (2008:$255,000). The return to members was $841,000 loss (2008: $746,000 profit) this includes the devaluation of the building by $850,000 (2008: $450,000 revaluation).

The result reflects the difficult economic conditions during the financial year ended 30 June 2009.

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 (2008: $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 during the year established 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 decreased to $14,640,000 from $15,481,000, a decrease of $841,000, while Loans and Advances increased to $77,034,000 from $75,104,000, an increase of $1,930,000. Member Deposits increased to $98,633,000 from $87,874,000, an increase of $10,759,000.

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 2009.

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 (2009:$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 were:

	Directors Meetings	Committee Meetings			
		Audit	Risk Management	Corporate Governance	Merger
Total meetings held	16	6	4	3	11
Number attended					
W Mykytenko	14	-	-	3	11
M Kornitschuk	10	-	-	3	8
R Horban	12	5	-	-	-
J Kotowskyj	15	-	4	-	-
G Anolak	14	6	4	-	-
A Matiszak	6	1	-	-	2
T Alexander	8	1	-	-	4
B Potiuch	16	-	4	3	11
F Fursenko	15	3	-	3	9

As at the date of this report, the Co-operative had an Audit Committee, Risk Management Committee, Merger 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	Merger
R Horban (c) G Anolak F Fursenko T Alexander A Matiszak	J Kotowskyj (c) G Anolak B Potiuch	W Mykytenko (c) M Kornitschuk B Potiuch F Fursenko	W Mykytenko (c) M Kornitschuk B Potiuch F Fursenko T Alexander A Matiszak

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.

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

auditor independence

& NON-AUDIT SERVICES

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 2009, 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

Denis Thorn
Partner
Melbourne
22nd September 2009

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	$16,000

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

Walentyn Mykytenko
Chairman of the Board
Melbourne, 22nd September 2009

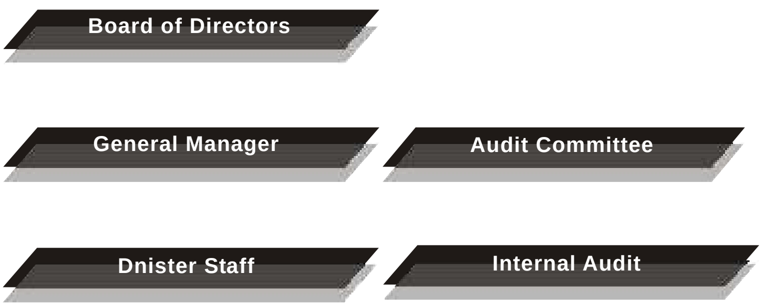
Richard Horban
Chairman of the Audit Committee

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).

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:

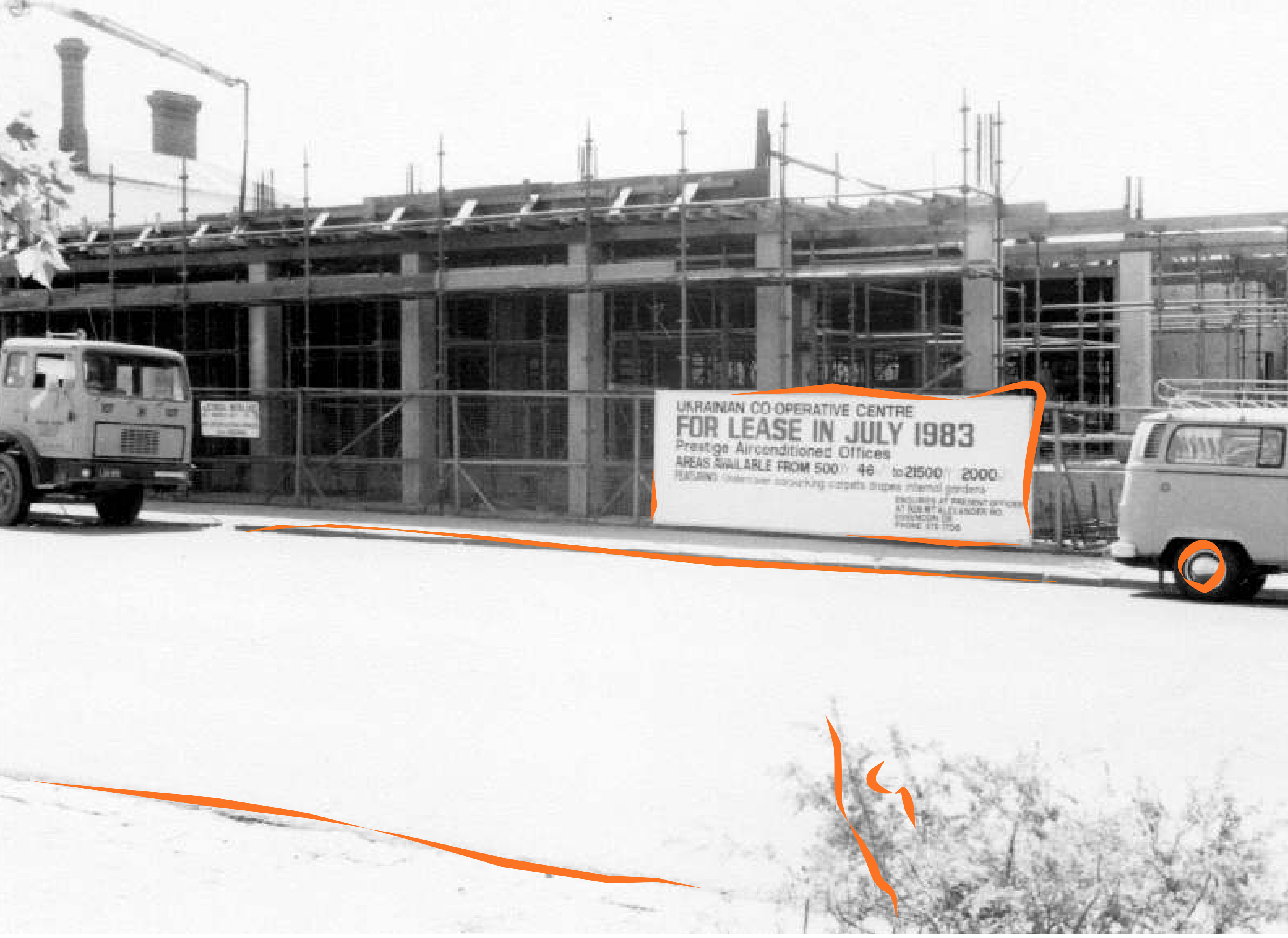
M Kornitschuk	15 years
R Horban	7 years
W Mykytenko	5 years
G Anolak	4 years
J Kotowskyj	3 years
B Potiuch	1 year
F Fursenko	1 year

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 09. The Key outcomes of this review are:

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



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	T Alexander
G Anolak	A Matiszak
F Fursenko	

Remuneration

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 Mykytenko	F Fursenko
M Kornitschuk	T Alexander
B Potiuch	A Matiszak

financial statements

Notes to the Financial Statements

directors declaration for the year ended 30 June 2009

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 2009 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.

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 2009.

On behalf of the Board

Walentyn Mykytenko
Chairman of the Board
Melbourne, 22nd September 2009

Richard Horban
Chairman of the Audit Committee

independent auditor's report

ERNST & YOUNG

Liability limited by a scheme approved under Professional Standards Legislation.

to the members of Dnister Ukrainian Credit Co-operative Limited

We have audited the accompanying financial report of Dnister Ukrainian Credit Co-operative Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of recognised income and expense and cash flow statement 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. 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.

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 director's 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 as at 30 June 2009 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

Denis Thorn
Partner
Melbourne
22nd September 2009

income statement

for the year ended 30 June 2009

	Notes	2009 $'000	2008 $'000
Interest Income			
Interest and similar income	4	7,177	6,065
Interest and similar expense	5	(4,576)	(3,786)
Net interest income		2,601	2,279
Fees and commission Income			
Fees and commission income	6	89	82
Net fees and commission income		89	82
Other operating income	7	1,014	1,063
Total operating income		3,704	3,424
Credit loss expense	8	(2)	(1)
Net operating income		3,702	3,423
Salaries and associated costs		1,582	1,257
Depreciation of property and equipment	15	147	151
Sponsorship and financial assistance		122	129
Other operating expenses	9	1,793	1,458
Total operating expenses		3,644	2,995
Profit before tax		58	428
Income tax expense	10	(17)	(132)
Net profit attributable to members		41	296

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

balance sheet

as at 30 June 2009

	Notes	2009	2008
		$'000	$'000
Assets			
Cash and balances with bank	11	1,636	3,374
Financial investments - held to maturity	12	26,457	16,247
Loans and advances to members	13	77,034	75,104
Investment properties	14	2,200	2,200
Property and equipment	15	7,820	8,843
Deferred tax assets	10	117	154
Other investments	16	163	163
Other assets	17	363	413
Total Assets		115,810	106,498
Liabilities and Equity			
Customer deposits	18	98,633	87,874
Current tax liabilities		269	263
Deferred tax liabilities		933	939
Other liabilities	19	1,043	1,694
Provisions	20	292	247
Total Liabilities		101,170	91,017
Retained earnings	21	8,209	8,094
Credit loss reserve	21	181	255
Foundation reserve	21	10	10
Business combination reserve	21	2,303	2,335
Asset revaluation reserve	21	3,937	4,787
Total Equity		14,640	15,481
Total Liabilities and Equity		115,810	106,498

The above balance sheet should be read in conjunction with the accompanying notes.

statement of recognised *income and expense* for the year ended 30 June 2009

	Retained Earnings $'000	Other Reserves (note 21) $'000	Total $'000
Total at 1 July 2008	8,094	7,387	15,481
Decrease on revaluation of property	-	(882)	(882)
Net profit attributable to members	41	-	41
Total recognised Income and Expense for the period	41	(882)	(841)
Decreases in statutory amount set aside for potential losses on loans and advances	74	(74)	-
Total at 30 June 2009	8,209	6,431	14,640

	Retained Earnings $'000	Other Reserves (note 21) $'000	Total $'000
Total at 1 July 2007	7,904	4,512	12,416
Increase on revaluation of property	-	434	434
Acquisition through merger Hoverla Ukrainian Credit Co-operative Ltd	-	2,335	2,335
Net profit attributable to members	296	-	296
Total recognised Income and Expense for the period	296	2,769	3,065
Increases in statutory amount set aside for potential losses on loans and advances	(106)	106	-
Increase in amount set aside for foundation reserve	-	-	-
Total at 30 June 2008	8,094	7,387	15,481

cash flow statement

for the year ended 30 June 2009

	Notes	2009	2008
		$'000	$'000
Operating activities			
Profit before tax		58	428
Adjustments for:			
- Changes in operating assets	22	51	(67)
- Changes in operating liabilities (including tax payable)	22	(586)	438
- Non-cash items included in profit before tax	22	174	(14)
- Income tax paid		(65)	(21)
- Net increase in loans and advances		(1,933)	(19,900)
Net cash flows from operating activities		(2,301)	(19,136)
Investing activities			
Net Negotiable Certificate Deposit investments sold		(10,211)	(5,616)
Purchases of property and equipment		47	(1,357)
Net cash flows from investing activities		(10,164)	(6,973)
Financing activities			
Net increase in customer deposits		10,759	26,425
Net increase (decrease) in equity Hoverla		(32)	2,335
Net cash flows from financing activities		10,727	28,760
Net increase (decrease) in cash and cash equivalents		(1,738)	2,650
Cash and cash equivalents at 1 July		3,374	724
Cash and cash equivalents at 30 June	22	1,636	3,374
Operational cash flows from interest and dividends			
Interest received		7,130	6,094
Interest and other costs of finance paid		4,448	3,703
Dividends received		23	26

directors
1959-2009

sponsor

(Bishop) Ivan	**Prasko**	1959-2001

directors

Myroslaw	**Liszczynskyj**	1959-1979
Orion	**Wenhrynowycz**	1959-1962; 1969-1973; 1993-2001
Wolodymyr	**Bilinsky**	1959-1960
Bohdan	**Tarnawskyj**	1959-1961; 1979-1985
Wolodymyr	**Petrykevych**	1959-1961
Michael	**Troynar**	1959-1963; 1965-1971; 1984-1987
Taras	**Jaskewycz**	1959-1960
Marian	**Kucil**	1962-1968
Yuri(George)	**Wenhlowskyj**	1960-1961
Oleh	**Bulka**	1960-1972
Bohdan	**Nazar**	1961-1963
Wadym	**Stelmachiw**	1962-1964
Wolodymyr	**Kociumbas**	1962-1964, 1965-1967
Jaroslaw	**Kutny**	1962-2000
Ivan	**Sokolowskyj**	1963-1965
Ostap	**Matiasz**	1962-1978
Eugene	**Zawalinski**	1967-1969
Stephan	**Radion**	1968-1976
Bohdan	**Chamczuk**	1970-1973
Jaroslaw	**Woloschuk**	1972-1984
Alexander	**Berezniuk**	1973-1984
Stephan	**Lysenko**	1973-1977
Myroslaw	**Boluch**	1976-1993
Michael	**Moravski**	1977-1979
Nicholas	**Powarchuk**	1978-2000
Dmytryk	**Moravski**	1979-1993
Michael	**Kohut**	1984-1995
Jarema	**Polatajko**	1985-1993
Gregory	**Pekar**	1987-1993
Andrew	**Lachowicz**	1993-1999, 2000-2002
George	**Jaworsky**	1993-2006
Stefan	**Kosylo**	1994
Michael	**Kornitschuk**	1994- current
Danylo	**Horozanskyj**	1996-2001
Andrew	**Matiszak**	1999-2008
Anna	**Muszak**	2000-2003
Peter	**Berketa**	2001-2006
Eva	**Skira**	2001-2003
Richard	**Horban**	2002- current
Michael	**Karaszkewycz**	2003-2006
Walentyn	**Mykytenko**	2004- current
Gregory	**Anolak**	2005- current
John	**Kotowskyj**	2006- current
Theo	**Alexander**	2007-2009
Borys	**Potiuch**	2008- current
Jaroslaw (Frank)	**Fursenko**	2008- current

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 the Co-operative for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of directors on the 22nd September 2009.

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 2009. The assessment of the impact of these new standards and interpretations (to the extent relevant to the Co-operative) is set out as follows:

Reference	Title	Summary	Application Date Of Standard*	Impact on financial report	Application Date *
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 Jan 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Co-operative's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Co-operative's segment disclosures.	1 Jul 2009
AASB 1039 (Revised)	Concise Reporting	AASB 1039 was revised in August 2008 to achieve consistency with AASB 8 Operating Segments. The revisions include changes to terminology and descriptions to ensure consistency with the revised AASB 101 Presentation of Financial Statements.	1 Jan 2009	These amendments are only expected to affect presentation of the Co-operative`s financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 Jul 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 Jan 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Co-operative has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Co-operative's financial report.	1 Jul 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 Jan 2009	These amendments are only expected to affect the presentation of the Co-operative`s financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Co-operative has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 Jul 2009
AASB 2008-1	Amendments to Australian Accounting Standard - Share -based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of “vesting conditions”, introducing the term “non-vesting conditions” for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 Jan 2009	The Co-operative does not currently have share-based payment arrangements that may be affected by these amendments.	1 Jul 2009

Reference	Title	Summary	Application Date Of Standard*	Impact on financial report	Application Date *
AASB 2008-2	Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 Jan 2009	These amendments are not expected to have any impact on the Co-operative's financial report as the Co-operative does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 Jul 2009
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 Jul 2009	These amendments are prospective, and will therefore not apply to the Co-operative, until such time the Co-operative enters into a business combination arrangement.	1 Jul 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) such a transaction will be accounted for as an equity transaction.	1 Jul 2009	The Co-operative does not have any subsidiaries, and as such these changes will not affect the Co-operative.	1 Jul 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending Standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 Jul 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 Jul 2009

Reference	Title	Summary	Application Date Of Standard*	Impact on financial report	Application Date *
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].	1 Jan 2009	The Co-operative has not yet assessed the impact of the amendments. This assessment will occur in the next financial year.	1 Jul 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1 Jul 2009	The Co-operative has not yet assessed the impact of the amendments. This assessment will occur in the next financial year.	1 Jul 2009
AASB 2008-11	Amendments to Australian Accounting Standard Business Combinations Among Not-for-Profit Entities [AASB 3]	The amendment requires not-for-profit entities to apply the revised AASB 3 except where there is common control.	1 Jul 2009	Refer to AASB 3 (Revised) above.	1 Jul 2009

Reference	Title	Summary	Application Date Of Standard*	Impact on financial report	Application Date *
AASB 2009-2	Amendments to Australian Accounting Standards Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: - quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and - inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These amendments arise from the issuance of Improving Disclosures about Financial Instruments (Amendments to IFRS 7) by the IASB in March 2009. The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009	These amendments will have a disclosure impact on the accounting policies in the financial report for the year ended 30 June 2010. There will be no impact on the measurement and recognition of financial instruments.	1 Jul 2009
AASB 2009-7	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 Jul 2009	These amendments are not expected to have any major impact on the Co-operative`s financial report.	1 Jul 2009

* 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.

AASB Amendment	Title
AASB Int. 15	Agreements for the Construction of Real Estate
AASB Int. 16	Hedges of a Net Investment in a Foreign Operation
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110
AASB Int. 18	Transfers of Assets from Customers
AASB 2008-7	Amendments to Australian Accounting Standards Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
AASB 2008-8	Amendments to Australian Accounting Standards Eligible Hedged Items
AASB 2008-9	Amendments to AASB 1049 for consistency with AASB 101
AASB 2009-1	Amendments to Australian Accounting Standards Borrowing Costs of Not-for-Profit Public Sector Entities [AASB 1, AASB 111 & AASB 123]
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]
Amendments to International Financial Reporting Standards	Amendments to IFRS 2

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the process of applying the Co-operative's accounting policies, management has used its judgements 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 balance sheet 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 0.3% 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 profit and loss.

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 profit or loss, 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 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 balance sheet. 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 balance sheet 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 income statement.

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 2009 was $1.77m (2008: $1.96m).

(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 customers

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 members. 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 income statement 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 Cash Flow Statement, 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 balance sheet 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 2009.

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 profit or loss 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 profit or loss.

Any revaluation decrease is recognised in profit or loss, 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 balance sheet 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. These 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.

2.5.10 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:

(i) Wages, salaries, annual leave & 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.

(Ii) 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.

2.5.11 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.

2.5.12 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 balance sheet 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 balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

(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 Balance Sheet.

Cash flows are included in the cash flow statement 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.

3. SEGMENTAL REPORTING

The Co-operative operates predominantly in the finance industry in Victoria, South Australia and Western Australia. The main operations comprise the acceptance of deposits and making loans to members.

	Notes	2009	2008
		$'000	$'000
4. INTEREST & SIMILAR INCOME			
Loans & advances to members		5,838	5,089
Deposits with other financial institutions		1,255	898
Regulatory deposits		84	78
		7,177	6,065
5. INTEREST & SIMILAR EXPENSE			
Member deposits		4,573	3,784
Other		3	2
		4,576	3,786
6. NET FEES & COMMISSION INCOME			
Brokerage fees		-	7
Other fees received		89	75
		89	82
7. OTHER OPERATING INCOME			
Dividend Income		23	26
Rental Income		796	688
Change in fair value of investment property	14	20	255
Other		175	94
		1,014	1,063
8. CREDIT LOSS EXPENSE			
Bad & doubtful debts to members		2	1
		2	1
9. OTHER OPERATING EXPENSES			
Marketing, printing and postage		121	103
Other tenancy expenses		279	287
Corporate governance, audit & compliance		268	261
Subsidised member transaction expense		221	190
Data & communications		463	345
Other		441	272
		1,793	1,458

	Notes	2009	2008
		$'000	$'000
10. INCOME TAX			
(a) Income tax expense			
The major components of income tax expense are:			
Income Statement			
Current income tax			
Current Income tax charge		(13)	68
Adjustments in respect of current income tax of previous years		-	-
Deferred income tax			
Relating to origination and reversal of temporary differences		30	64
Income tax expense reported in the income statement		17	132
(b) Amounts charged or credited directly to equity			
Deferred income tax related to items charged or credited directly to equity			
Unrealised gain on available for sale investments		-	16
Income tax expense reported in equity		-	16

(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 :

	2009	2008
Accounting profit before income tax	58	428
At the company's statutory income tax rate of 30% (2008:30%)	17	128
Income not assessable for income tax purposes	-	-
Expenditure not allowable for income tax purposes	-	1
Franking Credit Offset	(7)	(5)
Other Adjustments	7	8
Aggregate income tax expense	17	132
(d) Recognised deferred tax assets and liabilities		
Tax expense in income statement	17	132
Amounts recognised in the balance sheet:		
Deferred tax asset	117	154
Deferred tax liability	(933)	(939)
	(816)	(785)
Deferred Income tax		
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Rent Receivable	(3)	(21)
Depreciable Assets	(16)	(5)
Investment Properties	(167)	(167)
Land and Buildings	(745)	(729)
Other	(2)	(17)
Deferred tax liabilities	(933)	(939)
Deferred tax assets		
Allowance for doubtful debts	18	46
Depreciable Assets	-	-
Provisions and Accruals	99	108
Deferred tax assets	117	154

	Notes	2009	2008
		$'000	$'000
11. CASH AND BALANCES WITH BANK			
Cash on hand		255	238
Current account with Banks		981	936
Overnight deposits with Banks		400	2,200
		1,636	3,374
12. FINANCIAL INVESTMENTS HELD TO MATURITY			
Term and negotiable certificates of deposits with banks (Fully redeemable) not longer than 3 months.		16,057	11,546
Term and negotiable certificates of deposits with banks (fully redeemable) longer than 3 months and not longer than 12 months		10,400	4,701
		26,457	16,247
13. LOANS AND ADVANCES TO MEMBERS			
Overdraft and revolving credit		3,977	4,657
Term Loans		73,206	69,126
Directors and related parties		93	1,473
Gross loans and advances		77,276	75,256
Less: Allowance for impairment losses		(242)	(152)
		77,034	75,104
Loans by maturity			
Overdrafts		3,977	4,657
Not longer than 3 months		957	156
Longer than 3 months & less than 12 months		323	1,798
Longer than 12 months & less than 5 years		522	1,319
Longer than 5 years		71,255	67,174
		77,034	75,104
Loans by purpose			
Residential mortgages		55,889	54,484
Consumer lending		15,242	13,427
Corporate & small business lending		6,145	7,345
		77,276	75,256
Loans by geographic location			
Loans in Victoria		57,135	56,305
Loans in South Australia		18,048	17,463
In other states		2,093	1,488
		77,276	75,256
Loans by security type			
Secured by mortgage		74,954	68,650
Secured by other		1,581	1,346
Unsecured		741	5,260
		75,276	75,256
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		152	86
Charge for the year (note 8)		2	1
Amounts written off already provided for		(83)	-
Amounts recovered		(10)	-
Provision for doubtful debts from Hoverla acquisition		-	65
At end of year		61	152

Loans and Advances past due and impaired	2009 Past Due	2009 Impaired	2009 Collateral Held	2008 Past Due	2008 Impaired	2008 Collateral Held
	$'000	$'000	$'000	$'000	$'000	$'000
Housing Loans						
30 days and less than 60 days	253	-	1,056	878	-	1,299
60 days and less than 90 days	231	-	490	366	-	570
90 days and less than 182 days	313	-	385	303	-	800
182 days and less than 273 days	-	-	-	-	-	-
273 days and less than 365 days	-	-	-	-	-	-
365 days and over	95	-	440	73	-	-
	892	-	2,371	1,620	-	2,669
Personal and Commercial Loans						
30 days and less than 60 days	3	-	-	21	-	17
60 days and less than 90 days	22	-	28	44	-	36
90 days and less than 182 days	-	10	6	-	12	196
182 days and less than 273 days	-	14	2	-	-	-
273 days and less than 365 days	-	4	-	-	25	10
365 days and over	-	34	-	-	66	10
	25	62	36	65	103	269
Overdrafts						
Less than 14 days	131	-	-	72	-	-
14 days and less than 90 days	-	1	-	-	2	-
90 days and less than 182 days	-	-	-	-	-	-
182 days and over	-	11	-	-	1	-
	131	12	-	72	3	-
Total Loans Past Due or Impaired	1,048	74	2,407	1,757	106	2,938

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 24.2 that exceeds the value of loans and advances outstanding.

14. INVESTMENT PROPERTIES

	2009	2008
	$'000	$'000
At 1 July	2,200	1,945
Net change from fair value adjustment	20	255
	2,220	2,200

15. PROPERTY AND EQUIPMENT	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
Net carrying amount:				
At 1 July 2008	8,410	199	234	8,843
At 30 June 2009	7,524	121	175	7,820
Cost or Fair value:				
At 1 July 2007	6,600	539	1,185	8,324
Additions	1,360	45	103	1,508
Disposals	-	-	-	-
Net change from revaluation	450	-	-	450
At 30 June 2008	8,410	584	1,288	10,282
Depreciation and impairment:				
At 1 July 2007	-	274	1,014	1,288
Disposals	-	-	-	-
Depreciation charge for the year	-	111	40	151
At 30 June 2008	-	385	1,054	1,439
Net carrying amount:				
At 1 July 2007	6,600	265	171	7,036
At 30 June 2008	8,410	199	234	8,843

	2009	2008
	$'000	$'000
If land and buildings were measured using the cost model the carrying amounts would be :	3,559	3,559

	2009	2008
	$'000	$'000
16. 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.

	2009	2008
17. OTHER ASSETS		
Accrued interest receivable	327	280
Prepayments	23	37
Other receivables	13	96
	363	413

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.

	2009	2008
18. MEMBER DEPOSITS		
Current accounts	39,392	31,830
Term deposits	59,241	56,044
	98,633	87,874
Deposits by geographic location		
Deposits in Victoria	73,317	64,650
Deposits in South Australia	20,078	20,124
In other States	5,238	3,100
	98,633	87,874
19. OTHER LIABILITIES		
Interest payable on deposits	462	590
Trade creditors and sundry creditors	581	1,104
	1,043	1,694
20. PROVISIONS		
Current provisions for employee entitlements	70	92
Non-current provisions for employee entitlements	222	155
	292	247

A reconciliation of the provisions is as follows :	Annual	Long Service	Total
	$000	$000	$000
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
As at 1 July 2007	104	54	158
Payments made	(74)	-	(74)
Additional provisions	100	63	163
As at 30 June 2008	130	117	247

21. RETAINED EARNINGS AND RESERVES	Retained Earnings $'000	Credit loss Reserve $'000	Foundation Reserve $'000	Business Combination Reserve $'000	Asset Revaluation Reserve $'000
At 1 July 2008	8,094	255	10	2,335	4,787
Decrease in statutory amount set aside					
for potential losses on loans & advances	74	(74)	-	-	-
Net change from revaluation of property	-	-	-	(32)	(850)
Net profit attributable to members	41	-	-	-	-
At 30 June 2009	8,209	181	10	2,303	3,937
At 1 July 2007	7,904	149	10	-	4,353
Increases in statutory amount set aside					
for potential losses on loans & advances	(106)	106	-	-	-
Net change from revaluation of property	-	-	-	-	434
Merger of Hoverla Ukrainian Credit Co-operative	-	-	-	2,335	-
Net profit attributable to members	296	-	-	-	-
At 30 June 2008	8,094	255	10	2,335	4,787

Credit Loss reserve

The credit loss reserve is used to record the APRA required provisioning for setting aside 0.3% 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.

22. ADDITIONAL CASH FLOW INFORMATION

	2009	2008
	$'000	$'000
Cash and cash equivalents		
Cash on hand (note 11)	255	238
Current account with Bank (note 11)	981	936
Overnight deposits with Bank	400	2,200
	1,636	3,374
Change in operating assets		
Net change in interest receivable	(47)	29
Net change in debtors	83	(80)
Net change in prepayments	15	13
Net change in future income tax benefit	-	(29)
	51	(67)
Change in operating liabilities		
Net change in interest payable	(128)	(83)
Net change in creditors and accruals	(458)	521
	(586)	438
Non-cash items included in profit before tax		
Depreciation of property and equipment	147	151
Impairment losses on financial assets	2	1
Revaluation of investment property	(20)	(255)
Provisions	45	89
	174	(14)

23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	Carrying Value	Carrying Value
Assets 2009	$'000	$'000
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	326	326
Other receivables	13	13
Total 2009	105,629	105,629
Liabilities		
Financial Liabilities		
Member Deposits	98,633	98,633
Total 2009	98,633	98,633
Assets 2008		
Financial Assets		
Cash & balances with bank	3,374	3,374
Financial investments - held to maturity	16,246	16,246
Loans and advances to customers	75,104	75,104
Other investments	163	163
Accrued Interest receivable	280	280
Other receivables	96	96
Total 2008	95,263	95,263
Liabilities		
Financial Liabilities		
Member Deposits	87,874	87,874
Total 2008	87,874	87,874

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
.

24. RISK MANAGEMENT

24.1 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.

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

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

Assets Financial Assets	2008 $'000 Total	2008 $'000 High Grade	2008 $'000 Other Grade	2008 $'000 Past Due or Impaired
Loans secured by mortgage	75,104	72,745	496	1,863
Other Loans and Advances				
	Total	AAA to A-	B+ to BBB+	Other*
Cash & balances with bank	3,374	1,763	1,200	412
Financial investments - held to maturity	16,246	7,900	7,200	1,146
Other investments	163	75	-	88
Accrued Interest receivable	280	103	162	14
Other receivables	96	-	-	96
Total	20,159	9,841	8,562	1,756

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 the above table.

*Other consists of assets or liabilities which do not yet have a rating, are not rated or for which a rating is publicly available.

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.

24.3
LIQUIDITY RISK & 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 9% high quality liquid assets at any given time. The liquidity position is assessed giving due consideration to stress factors relating to both the market in general 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.

	2009 %	2008 %
30 June	24.0	19.4
Highest for period	26.6	20.8
Lowest for period	17.8	13.5

24.3a MATURITY ANALYSIS OF ASSETS AND LIABILITIES

2009	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 2008
Assets								
Financial assets	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash & balances with bank	1,636	-	-	1,636	-	-	-	1,636
Financial investments - held to maturity	-	16,057	10,400	26,457	-	-	-	26,457
Loans and advances to members	3,977	957	323	5,257	522	71,255	71,777	77,034
Undrawn commitments & unused overdrafts	3,943	-	-	3,943	-	-	-	3,943
Other investments	-	-	-	-	-	163	163	163
Other assets	71	263	23	357	6	-	6	363
Total	9,627	17,277	10,746	37,650	528	71,418	71,946	109,596
Liabilities								
Financial liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Borrowings	-	-	-	-	-	-	-	-
Member Deposits	39,393	40,542	18,311	98,246	387	-	387	98,633
Non-Financial liabilities								
Current tax liabilities	-	-	269	269	-	-	-	269
Other liabilities	-	579	462	1,041	2	-	2	1,043
Provisions	-	10	60	70	190	32	222	292
Total	39,393	41,131	19,102	99,626	579	32	611	100,237

2008	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 2008
Assets								
Financial assets	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash & balances with bank	3,374	-	-	3,374	-	-	-	3,374
Financial investments - held to maturity	-	11,546	4,701	16,247	-	-	-	16,247
Loans and advances to members	4,657	156	1,798	6,611	1,319	67,174	68,493	75,104
Undrawn commitments & unused overdrafts	4,191	-	-	4,191	-	-	-	4,191
Other investments	-	-	-	-	-	163	163	163
Other assets	15	199	184	398	15	-	15	413
Total	12,237	11,901	6,683	30,821	1,334	67,337	68,671	99,492
Liabilities								
Financial liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Borrowings	-	-	-	-	-	-	-	-
Member Deposits	31,830	31,999	23,492	87,320	553	-	553	87,874
Non-Financial liabilities								
Current tax liabilities	-	-	263	263	-	-	-	263
Other liabilities	-	1,533	158	1,691	4	-	4	1,694
Provisions	-	23	132	155	60	32	92	247
Total	31,830	33,555	24,045	89,429	617	32	649	90,078

24.3b 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 in Dnister's deposit retention history. See Table 24.3a "Maturity analysis of assets and Liabilities" for expected maturities of these liabilities.

	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 2008
2009	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities								
Financial liabilities								
Bank Overdrafts	-	-	-	-	-	-	-	-
Member Deposits	50,412	30,417	18,742	99,571	424	-	424	99,995
Trades and other payables	-	-	581	581	-	-	-	581
Total	50,412	30,417	19,323	100,152	424	-	424	100,576

	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 2008
2008								
Liabilities	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities								
Bank Overdrafts	-	-	-	-	-	-	-	-
Member Deposits	40,192	24,658	24,147	88,997	581	-	581	89,578
Trades and other payables	-	-	1,104	1,104	-	-	-	1,104
Total	40,192	24,658	25,251	90,101	581	-	581	90,682

24.3c MATURITY PROFILE OF COMMITMENTS

The tables 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.

	Within 12 months	More than 1 year	Total
2009	$'000	$'000	$'000
Liabilities			
Approved but undrawn loans	2,086	-	2,086
Undrawn line of credit	1,857	-	1,857
Total	3,943	-	3,943
2008	$'000	$'000	$'000
Liabilities			
Approved but undrawn loans	2,706	-	2,706
Undrawn line of credit	1,488	-	1,488
Total	4,194	-	4,194

24.4 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 no significant concentration of market risk.

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

	Floating Interest Rate	Fixed interest maturing in		Non-interest bearing	Total carrying amount as per balance sheet
	$'000	$'000	$'000	$'000	$'000
2008 Financial Assets	2008	1 year or less	+1 to 5 years	2008	2008
Cash & balances with bank	3,136	-	-	238	3,374
Financial Investments - held to maturity	-	16,247	-	-	16,247
Shares (Cuscal and Indue)	-	-	-	163	163
Other Receivables	-	-	-	413	413
Loans and advances to members	75,104	-	-	-	75,104
Financial Liabilities					
Member deposits	31,830	55,491	553	-	87,874

Judgement of reasonably possible movements :

		Post Tax Profit Higher / (Lower)	
2009	2008	2009	2008
		.$000	.$000
.+0.75%(75 Basis Points)	+0.00% (0 Basis Points)	66	-
.-0.00% (0 Basis Points)	-1.00% (100 Basis	-	(464)

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)	
2009	2008	2009	2008
		.$000	.$000
.+0.75%(75 Basis Points)	+0.00% (0 Basis Points)	66	-
.-0.00% (0 Basis Points)	-1.00% (100 Basis	-	(464)

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

For 2008 the likelihood was for several rate decreases for the year ahead, therefore a 1.0% decrease was used for the analysis, while the chance of a rate increase was unlikely, therefore 0.0% rate was used. As the chance of a rate decrease in the year ahead is unlikely 0% has been used. The chance of a rate increase is likely and the possibility of a 0.75% increase has been used for 2009.

The above interest rate risk sensitvity is unpresentative 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.

24.5 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.

25. 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 8%. The Board minimum capital ratio is 12%. Should capital fall to 14% 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 14%. 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 maximise member value.

Regulatory Capital

	2009	2008
	$'000	$'000
Capital base	11,062	11,711
Risk weighted assets	63,222	60,675
	%	%
Total capital ratio	17.5	19.3

26. RELATED PARTY DISCLOSURES

a) Details of key management personnel

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

T Alexander
G Anolak
F Fursenko
J Kotowskyj
A Matiszak
W Mykytenko
R Horban
B Potiuch
M Kornitschuk

b) Compensation of key management personnel of the Co-operative	2009 $'000	2008 $'000
Short-term employment benefits - salaries	232	183
Post employment - superannuation contributions	17	-
Other long - term benefits - long service leave	-	-
Termination payments	-	13
Total	249	196

c) Directors' Remuneration (included in 26b Above)

Aggregate remuneration of directors included in the figure above	42	42

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 6 month contract with a new Acting General Manager that commenced on the 25th May 2009. : Mr. Papas' 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:

	2009 $'000	2008 $'000
Loans:		
Balance owing at 30 June	-	937
New Loans Advanced	-	-
Interest and fees	-	4
Repayments	-	-
Movement from changes in key management personnel	(937)	-
Revolving Credit Facilities:		
Total value extended	261	536
Balance utilised at 30 June	93	444
Savings and term deposit services:		
Amounts deposited at 30 June	73	209

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.

27. 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 2008-09 financial year was 9% of gross income and the total amounted to $120,000 for 2009 (2008: $89,000).

28. 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 2009 of $34,000 (2008: $11,000) is deemed insignificant.

Total outstanding commitments and contingent liabilities are as follows :

	2009 $'000	2008 $'000
Contingent liabilities		
Financial guarantees	34	11
	34	11
Commitments		
Undrawn commitments to lend	2,086	2,703
Unused overdraft facilities of members	1,857	1,488
	3,943	4,191
Total	3,977	4,202

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 2009 are as follows;

	2009 $'000	2008 $'000
Within one year	684	599
After one year but not more than three	452	494
Total minimum lease payments	1,136	1,093

Legal claims

The Co-operative had no material unresolved legal claims as at 30 June 2009. (There were also none as at 30 June 2008).

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.

29. REMUNERATION OF EXTERNAL AUDITORS

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

	2009 $'000	2008 $'000
Audit of the Co-operative	52	70
Taxation Services	16	20
	68	90

30. SUBSEQUENT EVENTS

There were no subsequent events to be brought to the attention of members for the financial year ended 30 June 2009.

One of the tasks that the Initiative committee undertook was the naming and logo of the new credit society. The meeting during which the matter of the name was debated coincided with a letter that I had just received from my mother in Ukraine. It is worth mentioning the circumstances as the inspiration that the letter gave me, was later to translate into the name of the society. My mother had just arrived in Ukraine from Siberia where she had been translocated. Her Ukrainian hometown was on the banks of the river Dnister. Two things were of consequence first, the river flows through western Ukraine, second, prior to World War II, a prosperous insurance company in the area went by the name of Dnister. With these thoughts and symbolism they represented in mind, I proposed to the committee the adoption of the name Dnister which was unanimously endorsed.

After serious and rigorous research entailing the perusal of dozens of symbols and meanings, I settled on three symbols; a tower, a fan and water. Considering that these three symbols form the logo and encapsulate the basic philosophy of Dnister, something needs to be said about them.

I chose the tower because it stood for strength and stability, a necessary ingredient for the solid foundation which the society would have to display in meeting the expectations and aspirations of its members. The fan, represented prosperity, the constant hum of activity and operations that would soon come to characterize the society. The water represented two important things, first the ethnic orientation of the society and secondly the desire amongst the committee that the society grow and develop over time. Regarding the first facet of the water's symbolism, the Society's name which originates from River Dnister in West Ukraine with the bulk of members of the society tracing their roots back to that part of Ukraine. Along with this, was my thinking that just as a river is born inauspiciously as a spring, develops into a stream forming tributaries which merge into a big, swift flowing river, the society was to pattern its operation philosophy on this growing over time into a large, dynamic and vibrant society.

Over the years, Dnister has lived true to the philosophy adopted at its founding through visionary and committed work. It has grown to be the largest and strongest ethnic oriented credit society in Australia. As one of the founding members of the Society, it fills my heart with pride that the Society's commitment to meeting the needs of its members through a high degree of professionalism burns strong and bright and that the strong social ethic that other members and I envisioned at its founding remains undimmed.

Orion Wenhrynowycz

corporate directory

Established	Dnister was incorporated in Victoria under the Co-operative Act on the 21st September 1959
Registered 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	WHK Day Neilson 200 Malop Street, Geelong VIC 3220
Solicitors	DKL Lawyers, Suite 5 Ground Floor 912 Mt Alexander Road Essendon VIC 3040
	S. Tomyn & Co., 5th Floor 414 Lonsdale Street, Melbourne VIC 3000
Legal Corporate Advisors	Mahonys Lawyers, 400 Collins Street, Melbourne VIC 3000
	Fisher Jeffries Lawyers, 19 Gouger Street, Adelaide SA 5000
Bankers	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

name brand dnister logo

Today at the age of 87 years , Orion Wenhrynowycz is the remaining member of the initiative committee who is still contributing today. We thank Orion for his assistance with historical content contained in this report.

1959-2009

strength in unity