the community **mutual** group ®

community mutual ltd.
annual report 2013

Community Mutual Ltd.

Annual Report 2013

directors

M.G. Dennis

B.M. Goodall

G.R. Goodman

D.R. Honner

K.E. James

J.B. O'Connor

A.J. Sheridan

G.M. Thompson

P.G. Olrich

chief executive officer

K.P. Dupé

company secretary

D.L. Munday

registered office

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solicitors

Daniels Bengtsson Pty Ltd
Level 4, 171 Clarence St
Sydney, NSW, 2000

Langes Lawyers
Level 6 / 60 York St
Sydney, NSW, 2000

bankers

Australian Settlements Ltd (ASL)
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Australian and New Zealand Banking
Group Limited (ANZ)
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National Australia Bank Limited
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auditors

PricewaterhouseCoopers
201 Sussex St
Sydney, NSW, 1171

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The Australian economy finds itself in difficult times and this is largely attributed to a looming uncertainty that continues to rein in household spending. With the official cash rate now set at record lows and with the Federal election now decided, we hope that this will provide the necessary certainty and stimulate economic growth in our regional centres.

In these challenging times, the 2012-13 financial year presented the delicate responsibility of balancing the competing interests of depositors and borrowers, while maintaining a standard of service that our members have come to expect. We believe we have continued to get that balance right, with members enjoying competitive interest rates for their savings and loans.

Common to both depositors and borrowers are the increasing needs for a contemporary service offering. We had a major focus on this in the 2012-13 financial year, with a variety of new products and services introduced, all of which seek to increase our ability to service members and to enhance their experience. We have introduced electronic statements, provided new ATM cards with payWave technology, moved to a new more accessible ATM network including our own branded ATMs, and introduced a more contemporary and competitive transaction fee structure to keep pace with the changing transaction preferences of our members. We have also taken steps to optimise our product portfolio, firstly with the relaunch of our 'New Generation Mortgage Offset' home loan product, and then via the introduction of the highly competitive 'Personal Touch' loan product. Our mobile and internet banking platforms continue to advance via the incorporation of new technological services such as calculators, budget tools and ATM locators, and we continue to maintain extensive regional branch network for those that enjoy the convenience of a face-to-face service relationship.

Importantly, these service improvements are not without cost to the business, and when combined with a low growth market have largely contributed to a reduction in surplus this year, with NPAT at $4.3 million. Our asset growth remains steady at 1.7%, rising to $1.026 billion, with return on assets at 0.42%.

While the financial performance is not as strong as previous years, we are pleased the above service improvements have been received well by our members. The annual member survey results remained at all-time highs of 92% rating 'very good' or 'excellent', with over 98% rating us good or better. This is very pleasing given the amount of change our members have experienced during the year. Perhaps of more value than the results themselves is the good constructive feedback that we received, and are now considering as part of our future business planning.

Our values have always informed our approach to our Corporate Social Responsibility (CSR), and it was again very pleasing to have these types of values recognised nationally when we won Money Magazine's Socially Responsible Mutual of the Year. Being judged as the best of the best in this area is a huge honour, and is proof that the little things we do make a big difference to our members and our communities. It is an award that our staff and members should be proud of.

"We had a major focus on this in the 2012-13 financial year, with a variety of new products and services introduced. All of which seek to increase our ability to service members and to enhance their experience."

Our social responsibility via community participation is something that not only helps us maintain our point of difference, but is also something that our staff continue to be passionate about. Our commitment to put back 5% of net profit into our region via a comprehensive sponsorship and donation program continues to deliver enormous benefit to our local communities. In the last financial year, this equated to just over $300,000 to 413 community organisations throughout the region. Perhaps the most satisfying is the continued growth of the Community Partnership Account. Its ever-increasing popularity saw this initiative put back an additional $257,000 to community groups as it generates support of new and existing members.

Importantly, our staff enjoy being an employee of CMG. Our management team continues to foster a culture where a focus on excellent member service and innovation are allowed to thrive. Over 76% of all staff are satisfied, and this remains above target and above the mutual sector average. Moving forward into 2013 and beyond, we have engaged in a strategic process that continues to acknowledge the interconnectivity of a variety of business imperatives including Staff, Members, Financial, Process and CSR. All seek to ensure that performance is measured and achieved across the organisation, and importantly, ensuring service and social dividends for members and their communities. I am pleased to say that this process has engaged everyone within our organisation; from Board and Management to front line staff. We look forward to an exciting year ahead.

To this end I would like to thank Kevin Dupé and his Executive Team, the Staff, and my fellow Board members for their contributions and guidance throughout the year. Finally, I'd like to thank our members for their continued support and loyalty in sharing in what is a truly wonderful organisation.

Sincerely,

M.G. Dennis
Chairman

From left to right: Mr Graham Goodman, Mr John O'Connor, Dr Alison Sheridan, Mr Brian Goodall, Mr Michael Dennis (Chairman), Mr Graham Olrich, Mrs Kate James, Mr Geoffrey Thompson, Mr David Honner

Mr Graham Goodman
Board Member since 1997
Graham has a diverse background in business, having experience in taxation, auditing and accounting positions within the public sector. Former member of the Peel Valley Credit Union Board. Awarded Honorary life membership of NSW Health Services Union in 2011. Graham is a member of the Audit and Risk Committee.

Mr John O'Connor
Board Member since 1974
John has extensive experience in local government engineering and management. Prior to joining the Board of New England Credit Union, John served on the Board of Peel Valley Credit Union for 30 years, with seven years as Chairman. Key responsibilities include being a member of the Corporate Governance Committee.

Dr Alison Sheridan
Board Member since 2003
Alison has been involved in delivering management education for more than 25 years. Over this time, her teaching, research and consulting activities have developed with a particular focus on regional context. She has held a number of board positions in regional organisations over the past ten years. Key responsibilities include Chair of the Corporate Governance Committtee.

Mr Brian Goodall
Board Member since 1997
Brian operates a Solicitor practice in Dubbo and Warren specialising in commercial and property matters. Brian is a member of the Audit & Risk Committee.

Mr Michael Dennis
Chairman since 2005 - Board member since 1995
Michael brings a legal and regulatory background to the Board. A qualified Solicitor, he has served on the Board for over eighteen years, the last eight as Chairman. Key responsibilities on the Board include Ex Officio Member of Corporate Governance Committee and Audit and Risk Committee.

Mr Graham Olrich
Board member since 2011
Graham brings a history of strategy, leadership, risk management and business development to the Board. He has over 37 years experience in the banking sector, 14 of these served as CEO/Managing Director of Credit Union Australia. Graham runs his own Consulting business and has occupied various Board positions over the past 15 years. Key responsibilities include Chair of the Audit & Risk Committee.

Mrs Kate James
Board Member since 2007
Kate has experience in small business and corporate governance. She has participated in a number of Agriculture and Government related consultative committees.
As a small business person and agricultural consultant she is well aware of the challenges that face small businesses, particularly in regional and rural areas. Kate is a member of the Corporate Governance Committee.

Mr Geoffrey Thompson
Board Member since 2008.
Geoff is a partner in a successful Accounting firm and has significant experience in providing specialised business advice to some of the Hunter Valley's most significant businesses. Geoffrey is a member of the Audit and Risk Committee.

Mr David Honner
Board member since 1995
David brings a wealth of Credit Union industry experience to the Board. David is a member of the Corporate Governance Committee.

From left to right: Robert Hale, Darren Schaefer, Campbell Nicoll, Kevin Dupé, Michelle Edmonds, David Munday, Bill Miller, James Harris

Robert Hale - *Chief Information Officer*

Rob joined CMG in 2010, having previously worked for organisations such as Morgan Stanley, SAI Global and the University of New England. Originally from Newcastle in the UK, Rob has qualifications in Computer Studies, Data Warehousing, Business Intelligence and Project Management. Rob brings 26 years in international IT and information management to the CIO position.

Darren Schaefer – *Chief Marketing Officer*

Darren brings an extensive Marketing experience to the Executive Management team. Prior to his role at CMG, Darren held senior marketing and advertising positions for a number of blue chip firms in Australia and the UK.

Campbell Nicoll – *Chief Risk Officer*

Having 15 years' experience in Credit Risk Management, Campbell brings a strong background to the Executive Management Team. Prior to his role at CMG, Campbell's experience within the financial sector include General Manager positions at ASB Bank (New Zealand) and Bank of South Pacific (Fiji).

Kevin Dupé - *Chief Executive Officer*

Kevin brings a strong economic background to the Credit Union. Kevin has over 20 years' experience in the Mutual sector, including 16 years at CMG. Prior to entering the Mutual sector, Kevin spent 14 years as a Director in various economic and socio-economic policy units in the Federal Government.

Michelle Edmonds -*Executive Manager Human Resources and Corporate Services*

Michelle brings a well-rounded wealth of knowledge to the Executive Management team. She has over 20 years' experience in the financial sector, 15 of these spent in various management roles within CMG.

David Munday – *Chief Governance Officer / Company Secretary*

David has over 11 years' experience in the Mutual sector, providing a broad knowledge of company secretarial, governance, risk and compliance processes and practices.

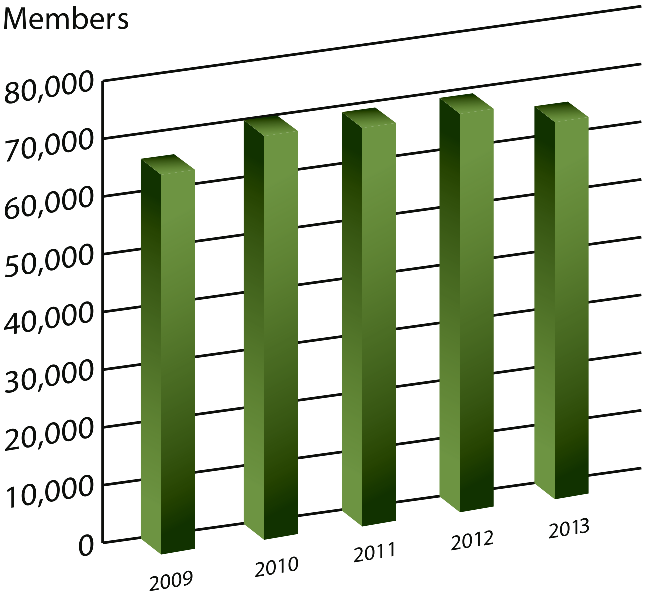
Bill Miller - *Executive Manager Member Service*

Bill brings 37 years' experience in banking and finance to the Executive Management team. Prior to joining CMG, Bill held managerial positions with Colonial State Bank and the Commonwealth Bank.

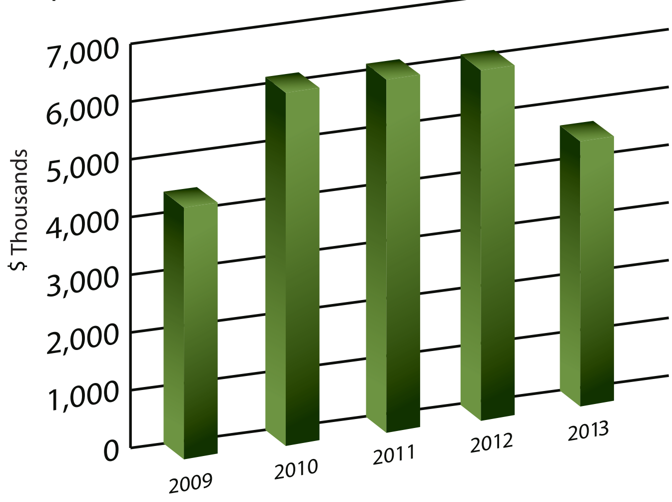
James Harris - *Chief Financial Officer*

James has 20 years financial experience in the financial services, training and hospitality industries in Australia, Europe and North America. James holds professional qualifications in accounting and finance.

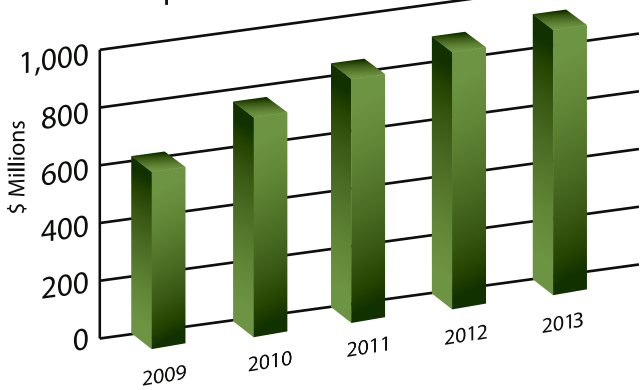
Members



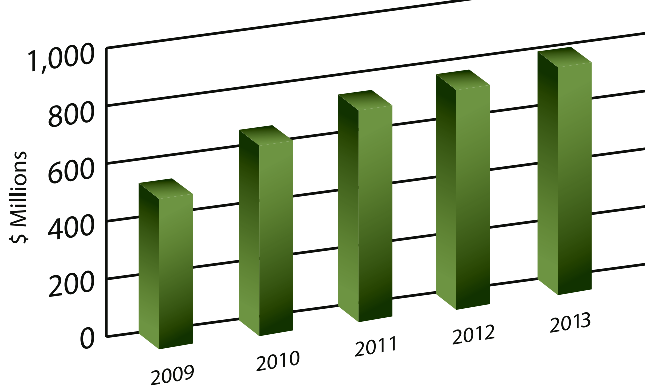
Surplus (after Tax)



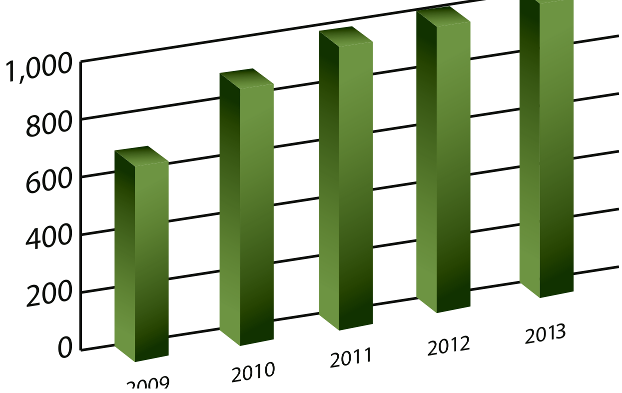
Member Deposits



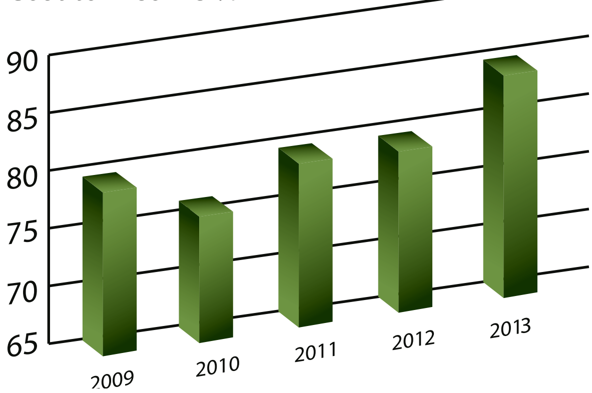
Member Loans

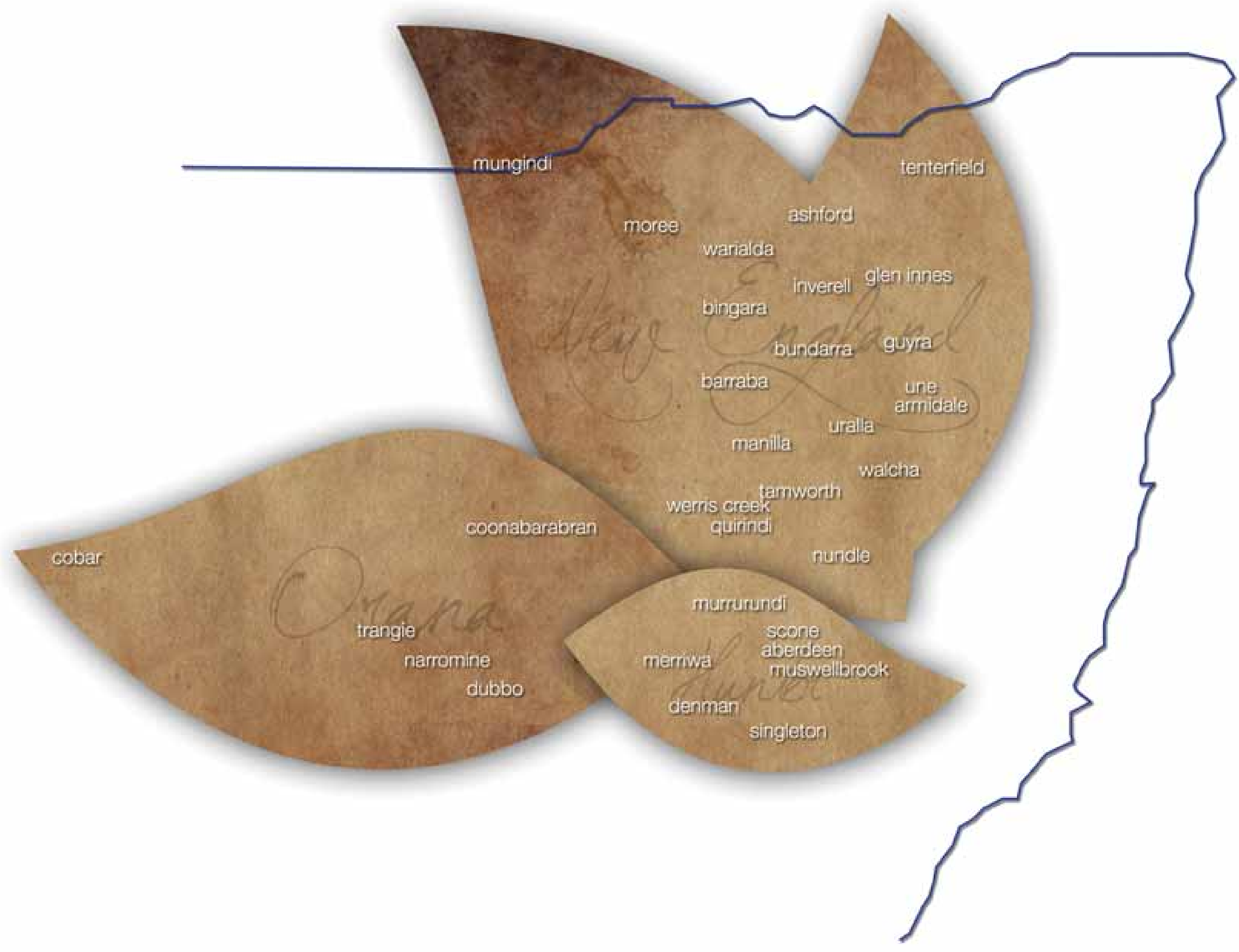


Assets



Cost to Income %





The diagram above shows our current network and just how far we have come since the first board meeting of the University of New England Staff Credit Union over forty years ago.

New England Credit Union Ltd was reborn as The Community Mutual Group in January 2010, to incorporate the mergers with Hunter Mutual (2010) and Orana Credit Union (2008).

The new name was chosen to umbrella our regional brands that operate across the New England and North West (New England Mutual), Central West and Orana (Orana Mutual) and Hunter Valley (Hunter Mutual).

Since 15 January 1970 when we opened our doors for the first time, we have expanded through a series of new branch openings and mergers to become the largest credit union in inland Australia, all the while maintaining our member focussed identity and responsibility to our communities.

Introduction

As a member-owned financial institution our members and local communities are of utmost importance. Their needs drive our organisation's purpose, which is: *to ensure the financial well-being of our members and the sustainability of our communities*.

We support smaller centres where there are no other banking facilities, we pride ourselves on our support of members experiencing financial hardship and we empower our friendly local staff to make decisions and provide the most suitable products and services for their members.

Having a wide network of physical branches means we are very involved in local concerns and priorities. A sense of community is essential to the culture of regional areas and we place great emphasis on committing to that ideal. We take our Corporate Social Responsibility (CSR) seriously, and strive to deliver genuine care to our members and communities via our wide-ranging contribution and participation in cities and towns all throughout our network.

What is Corporate Social Responsibility (CSR)?

"A continuing commitment by CMG to behave ethically and contribute to economic development, while protecting the environment and improving the quality of life of our members, staff and community"

As a direct result of our organisation-wide commitment to corporate social responsibility, CMG was honoured to receive Money magazine's 2013 Socially Responsible Mutual of the Year award. This highly prestigious award represents national recognition for our commitment and contribution to the environment, social development and sustainability.

Principles and Priorities

Our Principles and Priorities focus on five important areas. These are:

1. our members
2. our people
3. our process
4. our social responsibility
5. our performance

Our Members

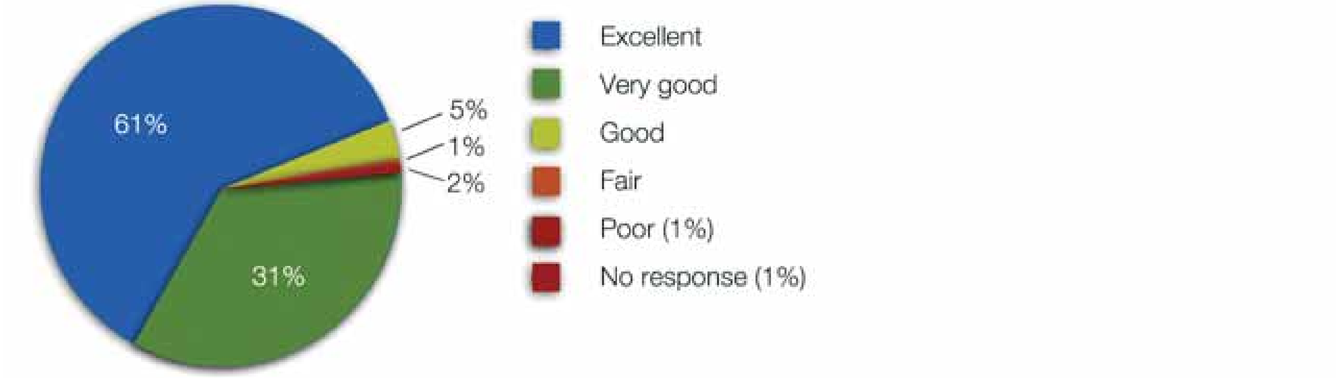
Our members are our first priority. We aim to provide a superior level of member value by continuing to offer quality service and competitive products. We encourage member participation and seek to make a genuine connection through democratic engagement with our members.

1. Goal: Achieve a high member satisfaction rating of over 90%

Result: Achieved

In our 2013 Annual Member Survey 92% of respondents again reported an 'Overall Quality of Service' as 'Very Good' or 'Excellent'. Further, 98% of members rated our service as 'Good' or better.

Overall Quality of Service



The survey also showed that 92% of members considered themselves either 'Very Satisfied' or 'Satisfied' with the service at their local branch.

Local branch satisfaction

2. Goal: Increased participation rates through engagement strategies

Result: Achieved

i. Annual Member Survey: Another strong response to this year's survey indicates that members are increasingly interested in providing feedback to our organisation. The overwhelmingly positive feedback (98%) indicates that our relationship with our members remains healthy.

ii. Focus Groups: CMG hosts Member Focus Groups to discuss key aspects of service. They are used as a forum for our members to provide valuable feedback on our products, services and community image, enabling us to identify key areas of change and improvements based on their input.

iii. Financial Health Check: The Financial Health Check Program was established to engage with members by inviting them to an appointment designed to review their financial situation. This enables us to better understand and fulfil their needs.

Hunter Mutual staff and community members at the Merriwa CPA Cheque Presentation event.

iv. Business Breakfasts: Many of our branches regularly engage members and the broader community by hosting business breakfasts. These breakfasts allow members and local business people to network with each other and hear from insightful, informative guest speakers.

v. Community Partnership Account Cheque Presentations: In 2012-13 around 600 organisations shared in over $250,000 from this unique and revolutionary savings account. Most of these recipient organisations were publicly presented with their cheques by their local Branch and Area Managers at organised functions throughout the network.

vi. Member Functions: In the lead up to the 2012 Annual General Meeting, CMG invited our members to attend Member Functions in their local regions. These events provide an opportunity for members to meet and get to know our staff, executive and Board representatives in an enjoyable social setting. Attendees are encouraged to vote through AGM proxy forms and are entertained by local guest speakers and performers.

3. Goal: Implementing Member Education Programs in each Region

Result: Achieved

i. The M.A.D. at Heart Community Challenge: This video competition asked youth across our region “What is Making A Difference in your community?” The winning entries were shown at the North West Film Festival and posted on CMG’s website and social media.

ii. ‘Banking Change Financial Literacy’ at Minimbah School, Armidale. Financial literacy sessions are delivered by Armidale Branch staff to students from kindergarten to year six.

Our People

At CMG, our values of Integrity, Respect and Fairness inform our approach to members, community involvement and importantly, workplace culture. As such, our education, recognition, remuneration and performance management of staff is designed to promote commitment to service, our communities and mutual values. We strongly promote equal employment opportunities and respect in our diverse workforce.

We aim to provide a supportive working environment and a focus on professional development to ensure that our people have the opportunity to reach their full potential. This commitment was recognised when we were named '*Large Employer of the Year'* in the New England area at the 2013 NSW Training Awards.

1. Goal: Staff Satisfaction Rating of > 75%

Result: Achieved

An overall satisfaction score of 76.13% was achieved and represented a slight increase from 75.9% in 2012. This is above the benchmark for the Mutual sector and is approaching world's best practice (80%).

Like other organisations, CMG is faced with the challenge of understanding what drives employees most. Satisfied employees not only remain with CMG, but are more productive. They are loyal and are most likely to recommend CMG's products and services whenever possible. Employees continue to assist with attracting the best talent for future recruitment.

2. Goal: Employee Attrition Rate < 15%

Result: Not achieved

Staff turnover at CMG is currently 17.45%, which is an increase from 12% last financial year. The current staff turnover is only marginally above the 2012/2013 average turnover for organisations with 250-499 employees, which was 17%.*

*Source: AHRI HR Pulse Survey August 2013

At CMG we believe that retaining quality staff and remaining the employer of choice in our regions is critical to the long term health and success of our organisation. The ability to retain and attract employees ensures member satisfaction, retention of organisational knowledge, learning and development and effective succession planning.

Giving some heart as a major sponsor of the Orana Mutual Dubbo Show

Our Social Responsibility

Building partnerships with community groups is a central part of what we do and who we are. We aim to provide enduring benefits for the communities in which we operate, above and beyond the provision of financial services. We achieve this primarily through our community investment programs, partnerships, sponsorships and donations.

1. Goal: A continued focus and investment of 5% of net profit in our regional communities through an active community support program

Result: Achieved

In the last 12 months CMG's support of local communities has provided direct assistance to over 400 community organisations, totalling more than $300,000. We provide sponsorships and donations to a range of community groups and events in a number of categories, including sporting, arts, education, employment, environmental, indigenous/cultural and health related initiatives.

2. Goal: The development and implementation of Community Engagement strategies in partnership with existing members and like organisations

Result: Achieved

i. heartofourcommunity.com.au: Earlier this year CMG launched an innovative new platform to assist with the promotion of potential projects that would benefit our communities. heartofourcommunity.com.au allows community members and groups to post an idea on the site and outline how it will benefit their town or city. From there, other users of the site can 'vote' for ideas and spread valuable word of mouth support. The aim of this site is to build momentum and community support for great ideas so that eventually they can be turned from dream into reality!

ii. Community Partnership Account (CPA): Each year CMG provides essential support to community groups as part of our Community Support Program. The CPA is a full access savings account that offers a competitive interest rate and a guarantee that we will reward its nominated community group with an annual bonus payment. Over the past year approximately 600 community groups shared in over $250,000 of funding through the CPA program.

At the grand opening of the Guyra Fitness Trail, thanks to heartofourcommunity.com.au

iii. Community Sponsorships Program: This year CMG has actively supported partner organisations such as Tamworth Adventure Playground, Clean up Australia Day, Landcare, New England Wind, the North West Film Festival, BackTrack, Tree Tenders, Ronald McDonald House, Citizen's Wildlife Corridors, Cornerstone Church Soup Kitchen, The Community Youth Centre Group and many more.

iv. Community Education: The M.A.D at Heart Community Challenge video competition saw entries from throughout our region engage with local community groups to explore the question "What is Making A Difference in your community?" The aim of the competition was to match media-savvy young digital natives with community organisations or groups to help them build up their profile. Having film footage to promote what you do is the currency of the day and the process has worked brilliantly, creating goodwill on all sides.The winning entries received prize money for the producers of the films, as well as the community organisation that featured in the film. Further, entries were shown in a gala screening at the North West Film Festival.

v. Volunteer Work: Along with financial support, we emphasise in-kind donations of human capital (ie. the time and expertise of our talented staff) for many worthwhile projects. We encourage and celebrate volunteering; each year CMG staff are afforded 2 days of paid leave to volunteer for a community event or group. Some of the many volunteer organisations that CMG are involved in are: Meals on Wheels, Chambers of Commerce, Rotary, Girl Guides, Tamworth Adventure Playground, BackTrack and numerous local sporting clubs.

vi. Fundraising: The CMG Staff Foundation, established in 2002, raises funds for various causes through appeals run by staff across the CMG network. Fundraising initiatives have included conducting raffles, events and barbeques to raise funds for local and national charities. Further, CMG staff are always willing offer their assistance to local community fundraising as required.

vii. Facilities: CMG host community meetings at our Armidale Head Office. Our range of marquees are available at no cost for community events such as fetes, camps and sporting carnivals. We offer expertise and office support to several community groups for promotions of events and community causes.

Supporting several major events, including the New England Mutual National Rugby Camp.

Our Environment

1. **Goal: Implement Sustainability Advantage Program**
   Result: Achieved

   CMG has implemented procedures and initiatives (such as commissioning an energy audit) designed to work through the requirements of the Sustainability Advantage Program. We remain on track to reach Bronze certification within the required timeframe.

2. **Goal: Reduce electricity usage by 10% throughout CMG branch and office network by utilising energy efficient practices**
   Result: Not achieved

   While CMG experienced a 1.33% increase in electricity consumption we added several new sites to our portfolio and underwent major renovations at our head office, causing an increased demand for power at alternative sites as staff were temporarily relocated. Introduction of energy efficient practices, including LED lighting and efficient branch design will ensure future power savings.

3. **Goal: Minimise the usage of paper throughout the network by at least 5% through refinement of practices**
   Result: Achieved

   Paper usage decreased by almost two and a half tonnes, or 24.65%, compared to 2011-2012. This is due to the introduction of paper efficient processes and the utilisation of soft-copy documents and forms where possible.

4. **Goal: Implementation of sustainable waste practices throughout the network including the responsible recycling of paper and electronics**
   Result: Achieved

5. **Goal: Continue transitioning to using 50% recycled paper**
   Result: Not achieved and goal revisited

   Rather than transition to recycled paper, CMG has instead transitioned to exclusively using 100% Carbon Neutral paper.

6. **Goal: Reduce paper use through offering members digital statements**
   Result: Achieved

   Our Online Statements service has been operational since September 2012 and has exceeded our targets for member conversions, saving approximately 8,000 sheets of paper per monthly statement run.

Summary:

Input	2010-11 (baseline)	2011-12	2012-13	NET SAVING %
Paper (KG)	12500	9995	7531.19	24.65
Power (kWh)	1302928	1193729	1209557	-1.33
Fuel (surface ltrs)	35040	37027	44309	-19.67
Fuel (Air KM)	250527	235554	229460.95	2.59
Approximate Solid Waste to Landfill (tonnes)	12	12	10.25	14.58
Total CO2 Output (tonnes)	1606	1479	1286	13.03

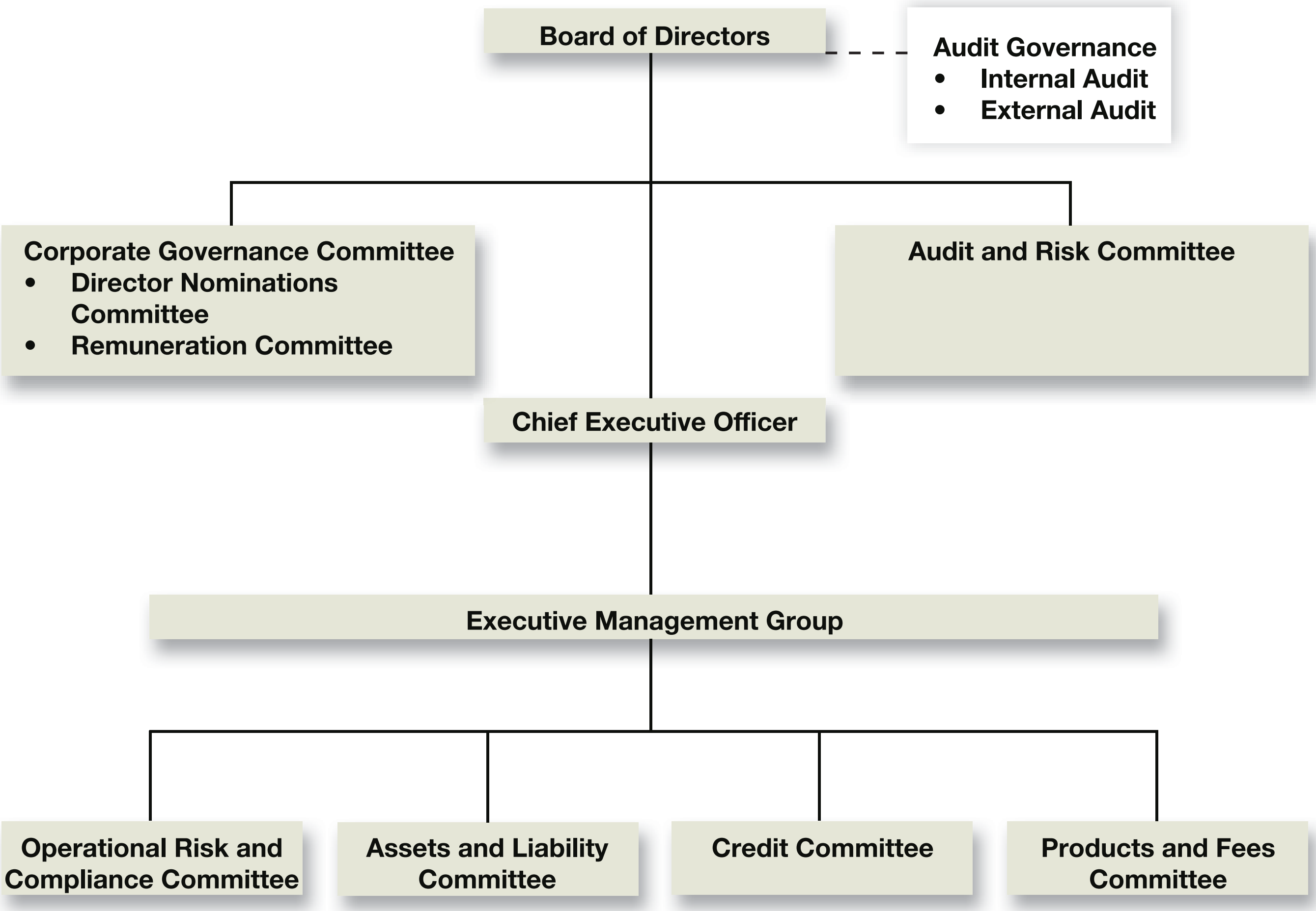
Approach to Corporate Governance

The Board of Community Mutual Ltd (trading as the Community Mutual Group – (CMG)) places great importance on its governance framework to ensure it is the trusted banking provider in our communities. This Corporate Governance Framework has been developed to support CMG's member focused strategic plan, whilst ensuring a clear structure of oversight of key controls.

At CMG, the Board and staff are responsible for upholding those values and behaviours which underpin operational activities, provide transparency and protect members' interests: Integrity, Respect, and Fairness. These values are important in embracing governance principles and ensuring behaviours are directed towards best practice operations.

The foundations of good governance by which CMG operate are set out by the Australian Prudential Regulation Authority (APRA) and the Australian Securities Investment Commission (ASIC). Other governance guidelines for public companies are also embedded to ensure a fit for purpose approach is followed.

The Board has established an appropriate structure for the oversight and management of CMG which is reflected in the following Governance Framework:



This document reflects CMG's approach to governance and its corporate governance framework as at 30 June 2013.

Foundations for Management and Oversight

The Board is the governing body of CMG and therefore, it is the responsibility of the Board to ensure that the foundations for management and oversight of CMG are established and appropriately documented and monitored.

Role of the Board

The Board's powers are outlined in the Constitution and the Board Corporate Governance Policy. The Board has adopted a structure of policies which detail its role and responsibilities, delegations, operation and performance of the Board. In summary, the role of the Board includes:

- Providing strategic direction and approving significant strategic initiatives to ensure the continued growth and success of the business;
- monitoring financial performance through the review of business results and maintaining a direct and ongoing dialogue with CMG's auditors;
- setting, monitoring and reviewing CMG's risk appetite;
- monitoring compliance with regulatory and statutory requirements and the implementation of related policies;
- establishing and monitoring CMG's values, culture, reputation and ethical standards;
- monitoring the effectiveness of the corporate governance framework; and
- appointing and reviewing the performance of the CEO.

To ensure the CMG Board is well equipped to discharge its responsibilities, CMG has established guidelines based around skills, knowledge, experience and values for the nomination and selection of Directors and for the operation of the Board. The duties of Directors are clearly articulated to ensure a clear and transparent expectation of their role.

Meetings of the Board are held regularly, with Board committees meeting as often as required to carry out their respective functions. Directors are expected to prepare for, attend and participate at Board meetings and meetings of committees.

The Chief Executive Officer, Chief Financial Officer and Company Secretary are invited to attend all Board meetings. It is the Board's practice to allow other members of Executive Management to attend Board meetings when an issue which comes under their area of responsibility is being considered or as otherwise requested by the Board.

The Board has delegated day to day management of CMG to the Chief Executive Officer. The scope of this delegated authority is clearly documented to ensure effective oversight with appropriate empowerment and accountability.

Structuring the Board to Add Value

The Board ensures that, collectively, Directors have a broad range of relevant financial industry experience and other skills, and expertise to meet CMG's strategic objectives. The composition of the Board and the election of Directors are determined in accordance with CMG's Constitution, and other statutory and regulatory requirements as apply from time to time. The Board is able to appoint two directors at their discretion, allowing the Board the flexibility to be able to source appropriate skills and expertise onto the Board from time to time.

The Corporate Governance Committee has been delegated responsibility to review and make recommendations to the Board regarding Board composition, and to assist in the Director nomination process. This committee assists the Board in evaluating potential candidates against criteria such as professional skills, experience and personal qualities. The Board requires that each of its Directors and Executive Management undertake fit and proper character assessments to ensure compliance with APRA's Prudential Standard CPS 520 Fit and Proper.

The CMG Board comprised 9 Directors throughout the 2012/13 financial year. Details of their experience and qualifications is set out in the Directors Report.

Board Committees

The Board is responsible for committee composition, structure and functions. To assist it in discharging its responsibilities and oversight of the business, the Board has established two committees, being the Audit & Risk Committee and the Corporate Governance Committee. Membership of these committees is set out as follows:

Director	Audit & Risk	Corporate Governance
Mr Michael G Dennis	Ex-officio Member	Ex-officio Member
Mr John B O'Connor		Member
Mr David R Honner		Member
Mr Brian M Goodall	Member	
Mr Graham R Goodman	Member	
Mr Geoffrey M Thompson	Member	
Mrs Kate E James		Member
Dr Alison J Sheridan		Member & Chair
Mr Peter G Olrich	Member & Chair	

Each of the Board committees operates within its own terms of reference which set out matters relevant to the composition and responsibilities of that committee, which are reviewed by the respective committee and Board every twelve months.

The Board and its two committees are structured in accordance with the following parameters:

- must be of a size that facilitates effective and efficient decision making;
- must comprise Directors with a broad range of skills and experience from a diverse range of backgrounds appropriate to CMG's business; and
- the Board Chairman and the Audit & Risk Committee Chairman must be independent Directors.

The Board delegates to the Corporate Governance Committee the role of the Director Nominations Committee and Remuneration Committee and the role of conducting fit and proper assessments for Director candidates and making recommendations to the Board.

Audit & Risk Committee

The Audit and Risk Committee's Terms of Reference are to:

- review monthly financial reports and make recommendations to the Board on significant accounting and financial policies;
- review compliance with APRA statutory reporting requirements;
- evaluate the adequacy and effectiveness of the risk management framework and review and recommend to the Board financial risk management policies around operational risk, credit risk and financial risk;
- review the effectiveness of business continuity and disaster recovery planning and consider whether they are relevant, reliable and capable of prompt implementation;
- recommend the appointment, and where necessary, the removal of the external and internal auditor;
- review the reports on the findings of the audits and ensure that issues are being managed and rectified in an appropriate and timely manner; and
- review and approve the annual audit plans and activities for the internal audit function.

The Internal Auditor and the External Auditor are both invited to attend meetings at the discretion of the committee.

The committee currently holds meetings as required.

Corporate Governance Committee

The Corporate Governance Committee's Terms of Reference are to:

- assess all persons, including existing Directors, prior to their appointment or election as a Director as to their fitness and propriety and make recommendations to the Board on candidates for appointment as Director;
- coordinate the annual Board and Director performance assessment process;
- make recommendations to the Board with regard to succession planning for the positions of Chairman, Director and Chief Executive Officer;
- evaluate the adequacy and effectiveness of the Corporate Governance Framework and review and recommend to Board the governance policies;
- make recommendations to the Board on Director and Chief Executive Officer remuneration, as well as the remuneration packages of the direct reports to the CEO;
- ensure there is an induction / orientation and education program for new Directors and to make recommendations on opportunities to improve Directors' knowledge and skills;
- evaluate and review plans on succession planning for Board positions; and
- review adherence to CMG's legal responsibilities.

The committee holds meetings as required.

Directors' Independence

APRA's Prudential Standard CPS 510 on governance mandates that Authorised Deposit Taking Institutions (ADI's) must have a majority of independent Directors at all times. All of the Directors of CMG serve in a non-executive capacity and the CMG Board has adopted specific principles in determining Directors' independence. To ensure compliance with governing prudential standards, a CMG Director cannot be regarded as independent if that Director:

- is employed, or has previously been employed in an executive capacity by the regulated institution or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the regulated institution or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the regulated institution or other group member, or an officer of or otherwise associated directly with a material supplier or customer; or
- has a material contractual relationship with the regulated institution or another group member other than as a Director.

The Board assesses independence annually in accordance with its Governance Policy, requiring each Director to disclose all information that could reasonably be considered to influence their capacity to act as an independent Director. All current Directors have been assessed as independent Directors.

Review of Performance

The Board has established an annual performance review process which is designed to assess the performance and effectiveness of the Board as a whole, its committees and individual directors. The Board, from time-to-time, engages an external consultant to carry out the Board performance review. This was last undertaken in the 2010 / 2011 financial year.

Access to Independent Information and Advice

All Directors have unrestricted access to records and information of CMG. In order to fulfil their responsibilities the Board collectively, and each Director individually, has the right to seek independent professional advice whenever it is considered necessary. Individual Directors may seek independent professional advice on any matter connected with the discharge of their responsibilities to ensure they exercise their objective, unfettered and independent judgement.

In addition, the Board and each committee, at the expense of CMG, may obtain relevant professional advice, as required, to assist in undertaking its role.

Ethical and Responsible Decision Making

The Board, Chief Executive Officer, Executive Management and all employees are responsible for adhering to, and promoting, high standards of ethical behaviour and decision making.

Code of Conduct

In carrying out its role, the Board operates in accordance with approved governance policies and in a manner reflecting CMG's values and behaviours. The Board has developed a Code of Conduct which applies to everyone at CMG. This code is reviewed annually to ensure it reflects the highest level of behaviour and practices and provides a guideline for the standards of ethical behaviour and decision making expected to be displayed by all CMG employees.

The Code of Conduct details standards and expectations around behaviour to ensure that the highest standards are maintained and CMG's reputation enhanced.

Conflict of Interest

In accordance with the Corporations Act 2001 and CMG's Constitution, each Director must ensure that no action or decision is taken that places their interest in front of the interests of CMG. Directors commit to the collective decision-making processes of the Board. Individual Directors are expected to debate issues openly and constructively and to be free to question or challenge the opinions of others.

The Board has established a clear framework for the handling of actual or potential conflicts of interest with respect to the activities or decision-making responsibilities of CMG's Directors. In order to ensure that such conflicts are properly identified and managed, all CMG Directors are required to disclose any conflict of interest (whether actual or potential).

Management Delegation

The Board has delegated authority to achieve CMG's strategic objectives to the Chief Executive Officer (CEO) who is responsible for day-to-day leadership and management of CMG's business activities and implementation of Board-approved strategies, policies, resolutions and directions.

To ensure responsible decision making the CEO has developed an approvals framework where management committees make recommendations to the CEO in relation to operational matters. Delegations from the CEO to management are clearly documented.

The Executive Team meets regularly with the CEO to provide advice on matters that are strategic or have the potential to impact CMG's business.

Whistleblower Protection

CMG has a commitment to fostering a culture of compliance, ethical behaviour and good corporate governance. CMG's whistleblower protection policy enables individuals to voice concerns or escalate serious matters on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment.

Remunerate Fairly and Responsibly

The Board, through the oversight of the Corporate Governance Committee, is responsible for remuneration practices that assist in attracting and retaining executive and other individuals who are critical to CMG's success. It is CMG's objective to provide maximum member benefit from the retention of a high quality Board and Executive Management team by remunerating fairly and responsibly by reference to prevailing market benchmarks.

In accordance with the requirements of APRA's Prudential Standard CPS 510 on governance, CMG has a framework for managing approval of remuneration for Board, the CEO, Executive Management and other individuals that are responsible for managing financial performance and risk management.

The Board regularly undertakes an independent review of Board remuneration in line with the mutual sector of financial institutions and used independent benchmarking data for the 2012/2013 financial year to ensure that remuneration practices were consistent with market practices.

Safeguard Integrity in Financial Reporting

The Board of CMG is committed to ensuring that the financial reports present a true and fair view and are constructed in accordance with applicable accounting rules and policies. The Board, through the responsibility of the Audit & Risk Committee, maintain a close focus to ensure the external auditor is independent and serves members' interests by knowing the true financial position of CMG.

Recognise and Manage Risk

The CMG Board has responsibility for setting CMG's risk appetite and overseeing risks inherent in CMG's business. The Board is responsible for approving CMG's Risk Management Framework and monitoring and reviewing the performance of CMG in accordance with the risk framework.

Through the Audit & Risk Committee, the Board is responsible for ensuring there are internal control systems. There are established policies for oversight and management of material risks. These are embedded as controls to manage CMG's material business risks. Further explanatory notes on the management of risk are included throughout the financial report.

financial **report**

Your Directors present their report on the Community Mutual Ltd ("CMG") for the financial year ended 30 June 2013.

CMG is a public company registered under the Corporations Act 2001.

Information on Directors

The name of the Directors in office at any time during the year are:

Mr Michael G Dennis - BLegs (Macquarie) - Non-Executive Chairman
Dr Alison J Sheridan - BAgEc (Hons) (Syd), PhD (UNE), GAICD - Non-Executive Director
Mr Peter G Olrich - Dip FS, Dip FS (Credit Union Directorship), FAICD, FAMI - Non-Executive Director
Mr John B O'Connor - LGE, Grad Dip Mgmt & Bus Admin - Non-Executive Director
Mr David R Honner - JP, PNA, FAMI, GAICD - Non-Executive Director
Mr Brian M Goodall - B.Ec LLB, GAICD - Non-Executive Director
Mr Graham R Goodman - BA (Economics) (UNE), FAMI - Non-Executive Director
Mrs Kate E James - BRurSci (UNE), GAICD - Non-Executive Director
Mr Geoffrey M Thompson - BFin Admin, FCA - Non-Executive Director

Information on Company Secretary

The Company Secretary is Mr David L Munday BComm (UNE), Grad Dip Applied Corporate Governance (CSA Syd), GAICD, ACIS.Mr Munday was appointed to the position of Company Secretary in 2004.

Information on Board Meetings

	Board		Corporate Governance		Audit & Risk	
	E	A	E	A	E	A
Mr Michael G Dennis	11	11	7	4	4	3
Dr Alison J Sheridan	11	11	7	7	*	*
Mr Peter G Olrich	11	10	*	*	4	4
Mr John B O'Connor	11	10	7	6	*	*
Mr David R Honner	11	10	7	6	*	*
Mr Brian M Goodall	11	9	*	*	4	3
Mr Graham R Goodman	11	9	*	*	4	3
Mrs Kate E James	11	11	7	7	*	*
Mr Geoffrey M Thompson	11	11	*	*	4	4

E = number of meetings Directors eligible to attend
A = number of meetings attended during the time the Director held office
* = not a member of the relevant committee

Directors' Benefits

No Director has received or become entitled to receive, during, or since the end of the financial year, a benefit because of a contract made by CMG with a Director, a firm of which a Director is a member, or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 40 of the financial report.

Indemnifying Directors, Officers or Auditors

Insurance premiums have been paid to insure each of the Directors and Officers of CMG, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer of CMG. In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract.

No cover has been provided for the benefit of the auditors of CMG.

Principal Activities

The principal activities of CMG during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

Review of Operations

The net profit of CMG for the year before income tax is $6,031,000 (2012: $8,615,000) representing a good result in a difficult year.

Capital Public Disclosure

The disclosure of regulatory capital as required by APS 330 is available on our website at http://www.communitymutual.com.au/prudentialinformation.html

Dividend on Tier 1 Shares

Dividends paid during the year on permanent preference shares was $4.38 per share amounting to a total dividend of $639,000 (2012: $718,000).

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of CMG during the financial year.

Significant Events After the Balance Date

There have been no significant events occurring after balance date which may affect CMG's operations or results of those operations.

Likely Developments and Expected Results

No other matter, circumstance or likely development in the operations has arisen since the end of the financial year that has significantly affected or may significantly affect:

i. the operations of CMG;
ii. the results of those operations; or
iii. the state of affairs of CMG.

in the financial years subsequent to this financial year.

Rounding

The financial report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to CMG under ASIC class order 98/100. CMG is an entity to which the class order applies.

Non-Audit Services

The following non-audit services were provided by CMG's auditor, PricewaterhouseCoopers. 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.

PricewaterhouseCoopers received or are due to receive the following amounts for the provision of non-audit services:

	$
Taxation Services	17,500
Total	**17,500**

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out following the Directors' Report.

Signed in accordance with a resolution of the Directors

M G Dennis
Director
30 September 2013

P G Olrich
Director

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Community Mutual Ltd for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Community Mutual Ltd during the period.

Joe Sheeran
Partner
PricewaterhouseCoopers

Sydney
30 September 2013

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2013

	Notes	2013 $'000	2012 $'000
Interest income	5	64,875	71,219
Interest expense	6	(30,979)	(38,097)
Net interest income		**33,896**	**33,122**
Non-interest income	7	6,269	7,245
Net operating income		**40,165**	**40,367**
Impairment loss on loans and advances	8	(968)	(694)
Employee benefits expense	8	(17,607)	(15,926)
Occupancy expense	8	(2,899)	(2,651)
Depreciation and amortisation expense	8	(1,720)	(1,735)
Information technology and communication expense	8	(4,054)	(3,400)
Other operating expenses	8	(6,886)	(7,346)
Total operating expenses		(34,134)	(31,752)
Profit before income tax		**6,031**	**8,615**
Income tax expense	9	(2,062)	(2,498)
Net profit after tax attributable to members		**3,969**	**6,117**
Other comprehensive income			
Revaluation reserve	30	289	-
Other comprehensive income for the year net of tax		**289**	**-**
Total comprehensive income for the year		**4,258**	**6,117**

The accompanying notes should be read in conjunction with these financial statements

STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	Notes	2013 $'000	Restated 2012 $'000
ASSETS			
Cash and cash equivalents	11	100,311	101,499
Due from other financial institutions	12	9,990	13,500
Trade and other receivables	13	9,271	11,147
Loans and advances to members	14	788,798	765,092
Financial Assets - available-for-sale	16	314	314
Financial Assets - held-to-maturity	16	106,578	106,904
Property, plant and equipment	17	7,280	6,150
Intangible assets	18	514	447
Deferred tax assets	19	1,384	1,671
Loss reserve loan	20	1,460	2,390
Total Assets		**1,025,900**	**1,009,114**
LIABILITIES			
Deposits	21	900,481	883,479
Trade and other payables	22	21,076	19,206
Current tax liabilities	23	1,250	1,643
Deferred tax liabilities	24	-	-
Provisions	25	2,749	2,498
Lease Liabilities	26	517	767
Subordinated debt	27	3,928	9,300
Total Liabilities		**930,001**	**916,893**
Net Assets		**95,899**	**92,221**
EQUITY			
Preference shares	28	14,491	14,455
Redeemable member shares	29	572	505
Reserves	30	1,021	732
Retained earnings	31	71,354	68,068
Contributed Equity	32	8,461	8,461
Total Equity		**95,899**	**92,221**

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2013

	Contributed Equity $'000	Preference Shares $'000	Member Shares $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2011	**8,451**	**14,418**	**440**	**734**	**62,131**	**86,174**
Prior period corrections	-	-	-	-	673	**673**
Restated Balance at 1 July 2011	**8,451**	**14,418**	**440**	**734**	**62,804**	**86,847**
Total Net profit after tax attributable to members	-	-	-	-	6,117	**6,117**
Amortisation of preference share discount	-	37	-	-	-	**37**
Over/under provision for deferred tax on revaluation reserve in prior periods	-	-	-	(2)	-	**(2)**
Transfer to capital account on redemption of shares	10	-	65	-	(65)	**10**
Transactions with preference shareholders	-	-	-	-	(788)	**(788)**
Restated Balance at 30 June 2012	**8,461**	**14,455**	**505**	**732**	**68,068**	**92,221**
Total Net profit after tax attributable to members	-	-	-	289	3,969	**4,258**
Amortisation of preference share discount	-	36	-	-	-	**36**
Transfer to capital account on redemption of shares	-	-	67	-	(67)	**-**
Net transfer (to)/from deposits	-	-	-	-	23	**23**
Transactions with preference shareholders	-	-	-	-	(639)	**(639)**
Balance at 30 June 2013	**8,461**	**14,491**	**572**	**1,021**	**71,354**	**95,899**

The accompanying notes should be read in conjunction with these financial statements

STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2013

	Note	2013 $'000	2012 $'000
CASH FLOW FROM OPERATING ACTIVITIES			
Interest received		65,350	71,219
Dividends received		37	79
Fees and commissions received		5,986	6,859
Other income		246	123
Interest paid		(31,900)	(38,085)
Payments to suppliers and employees		(28,116)	(30,700)
Income taxes paid		(2,292)	(2,787)
(Increase)/Decrease in operating assets			
Net advances from other financial institutions		-	494
Net increase in member loans		(23,706)	(22,567)
(Increase)/Decrease in operating liabilities			
Net increase in member deposits		17,202	36,985
Net cash provided by operating activities	**34(c)**	**2,807**	**21,620**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for held-to-maturity financial assets		3,838	2,102
Proceeds from sale of property, plant and equipment		34	70
Payments for property, plant and equipment		(2,111)	(570)
Purchase of intangible assets		(426)	(219)
Net cash (used in) investing activities		**1,335**	**1,383**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of finance leases		(249)	(580)
Net proceeds of subordinated debt issue		(4,442)	-
Dividends paid		(639)	(788)
Net cash (used in) financing activities		**(5,330)**	**(1,368)**
Total net increase in cash held		(1,188)	21,635
Cash at the beginning of year		101,499	79,864
Cash and cash equivalents at the end of year	**11**	**100,311**	**101,499**

The accompanying notes should be read in conjunction with these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: CORPORATE INFORMATION

The financial report of Community Mutual Ltd ("CMG") for the year ended 30 June 2013 was authorised for issuance in accordance with a resolution of the Directors on 30 September 2013.

CMG is a public for-profit company incorporated and domiciled in Australia. The members are the owners of CMG.

The registered office is at Suite 4, Technology Park, Madgwick Drive, Armidale NSW 2350.

The nature of the operations and principal activities of CMG are described in the Directors' Report.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report of Community Mutual Ltd 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 authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for land and buildings which have been measured at fair value.

The functional and reporting currency is Australian Dollars.

CMG is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(b) Statement of Compliance with IFRS

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

(c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as Mr Kevin Dupè, Chief Executive Officer of CMG.

Internal reporting is presented on the basis of a single segment.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to CMG 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

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

Loan interest is calculated on the basis of daily balance outstanding and is charged in arrears to a member's account on the last day of each month. Interest income on impaired loans is recognised using the original effective interest rate.

(ii) Fees and commission income

CMG earns fee and commission income from a diverse range of services it provides to its members. Income is brought to account on an effective interest rate basis once a right to receive consideration has been established.

(iii) Dividend income

Dividend income is recorded in non-interest income when CMG's right to receive the payment is established.

(iv) Rental income

Rental income arising from Rural Transaction Centres is accounted for on a straight-line basis over the agreement terms and is recorded in non-interest income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Leases

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability, and the difference in the respective carrying amounts is recognised in profit or loss.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to CMG, substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that CMG will obtain ownership by the end of the lease term.

Leases, in which a significant portion of risks and rewards are not transferred to CMG or lessee are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

A provision has been made for the present value of anticipated costs of future restoration of leased branch premises. The provision includes future cost estimates associated with dismantling furniture and fittings. An asset is created as a result of this provision which is included in leasehold improvements. This asset is amortised over the effective remaining life of each lease. The calculation of this provision requires assumptions which may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each branch is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for branches are recognised in the balance sheet by adjusting both the expense or asset (if applicable) and provision.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Business Combinations

The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued. Acquisition costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are, with limited exception, measured initially at fair value at the acquisition date.

The excess of the consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the entity's share of the net identifiable assets is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

(h) Contributed Equity

Contributed Equity reflects the addition to equity arising from the application of AASB3 para B47 for business combinations undertaken by CMG. The acquirer in a combination of mutual entities is required to recognise the acquiree's net assets as a direct addition to equity in its Statement of Financial Position.

(i) Impairment of loans and advances

CMG assesses at each balance date whether there is any objective evidence that a loan and advance to a member, or a group of loans and advances, is impaired. A loan and advance, or a group of loans and advances, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loan and advance or group of loans and advances that can be reliably estimated. Objective evidence of impairment may include indications that the borrower, or a group of borrowers is experiencing financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial restructure and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to 'bad debts recovered'.

Bad debts are written off when identified. Identification may include: bankruptcy, clearout or unlikelihood of recovery. If a provision for impairment has been recognised in relation to a loan, write offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write offs for bad debts are recognised as expenses in the Statement of Comprehensive Income.

(j) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in values.

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

(k) Due from other financial institutions

Receivables due from other financial institutions are primarily settlement account balances due from banks, building societies and credit unions. They are brought to account at the gross value of the outstanding balance. Interest is brought to account in the Statement of Comprehensive Income as interest income when earned.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

Trade and other receivables include amounts owed to CMG for services provided, accrued interest on loans and advances, investments, unpresented cheques and deposits not yet banked on the bank account and reimbursements of expenses incurred on behalf of a third party. Trade and other receivables includes interest accrued on investments which is received on maturity. Amounts due for services provided are normally settled in 30 days.

Trade and other receivables are initially recorded at cost including transaction costs. At reporting date, trade and other receivables are measured at amortised cost, less any allowance for impairment or uncollectability.

(m) Loans and advances

Loans and advances to members, including loans to key management personnel, are assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. Such assets are measured at amortised cost using the effective interest method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate.

(n) Renegotiated loans

Where possible, CMG seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(o) Investments and other financial assets

Investments and financial assets are categorised as either financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated each financial year end.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

(i) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when CMG has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of the difference between the initially recognised amount and the maturity amount. For investments carried at amortised cost, gains or losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(ii) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets, principally equity securities that are designated as available-for-sale. After initial recognition available-for-sale securities are measured at fair value with gains or losses being recognised as other comprehensive income until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Refer to Note 3 (d).

In the case of debt instruments classified as available-for-sale investments, impairment is assessed on the same criteria as financial assets carried at amortised cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investments and other financial assets (continued)

(iii) Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that CMG commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

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

When CMG has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of CMG's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that CMG could be required to repay.

CMG has arrangements with Integris Securitisation Services Pty Limited and Trinity Limited whereby it acts as an agent to promote loans on their behalf, for on sale to an investment trust. CMG also manages the portfolio on behalf of the trust. The amount of securitised loans under management as at 30 June 2013 is $3,397,544 (2012: $4,915,166).

(p) Property, plant and equipment

Each category of plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

(i) Property

Land and buildings are measured at fair value, based on periodic but at least triennial valuations by external independent valuers, less subsequent depreciation on buildings and less any impairment losses recognised after the date of revaluation. The fair value is reassessed prior to sale.

Any revaluation increment net of tax is credited to other comprehensive income and the asset revaluation reserve included in the equity section of the Statement of Financial Position, 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 to the extent that it offsets a previous revaluation increase for the same asset, in which case the decrease is debited directly to other comprehensive income and the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amounts of the assets and depreciation based on the asset's original costs, net of tax.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Plant and Equipment

Plant and equipment are measured on the historical cost basis less depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the asset's employment and subsequent disposal.

Any decrease in the carrying amount is recognised as an impairment expense in the Statement of Comprehensive Income in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(iii) Disposal

An item of property, plant 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 and loss in the year the asset is derecognised.

(iv) Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to the residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

● Buildings	25 years
● Furniture, Fittings & Leasehold Improvements	5 to 15 years
● Office equipment	3 to 15 years
● Motor Vehicles	6 years
● Leased plant & equipment	3 to 8 years

(q) Intangible assets

Intangible assets relate to the value of computer software. Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Amortisation is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

● Computer Software	3 years

(r) Impairment of assets

CMG assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, CMG makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount and the difference is recognised as the impairment loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of the asset is increased to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Member deposits

All member deposits are initially recognised at the fair value of the amount received. After initial recognition, deposits are subsequently measured at amortised cost using the effective interest method.

Interest is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis. Interest is recognised on an effective interest basis.

(t) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent accrued interest on deposits and liabilities for goods and services provided to CMG prior to the end of the financial year that are unpaid and arise when CMG becomes obliged to make future payments in respect of the purchase of these goods and services. Trade liabilities are normally settled within 30 days.

(u) Subordinated debt

All Subordinated debt are initially recognised at fair value, net of transaction costs incurred. Subordinated debt is subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method.

Subordinated debt costs are recognised as an expense when incurred.

(v) Provisions

Provisions are recognised when CMG has a legal or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past events. It is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

(w) Employee benefits

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date after the end of the period which the employees render related service are recognised 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 are measured at the rates paid or payable. The liability for annual leave and accumulating sick leave is recognised in the provision for annual leave.

The liability for long service leave is not expected to be settled within 12 months after the end of the period in which the employees render the related service recognised in the provision for long service leave 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 that match, as closely as possible, to the estimated future cash flows.

Contributions are made by CMG to an employee's superannuation fund and are charged to the Statement of Comprehensive Income as incurred.

(x) Goods and services tax (GST)

As a financial institution CMG is input taxed on all income except for income from commissions and some fees. An input tax supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. CMG's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013*)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect CMG's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. CMG is yet to assess its full impact. However, initial indications are that it may affect CMG's accounting for available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

* In December 2011, the IASB delayed the application date of IFRS 9 to January 2015. The AASB is expected to make equivalent amendments to AASB 9 shortly.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation - Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if the are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. AASB 10 is not expected to have any impact on CMG's financial statements.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. As CMG are not party to any joint arrangements AASB 11 is not expected to have any impact on the financial statements.

AASB 12 sets out required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. There is no impact expected on CMG.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. CMG is yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. CMG does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 3: FINANCIAL RISK MANAGEMENT

CMG's activities expose it to a variety of financial risks: interest rate risk, credit risk, liquidity risk and operational risk. CMG's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of CMG. CMG uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity in the case of interest rate risk and ageing analysis for credit risk.

CMG manages these risks on a daily basis through the operational responsibilities of Executive and Senior Management and the functioning of the Asset and Liability Committee (ALCo), the Credit Committee and the Operational Risk & Compliance Committee and under policies approved by the Board after recommendation from the Audit & Risk Committee.

CMG holds the following financial instruments:

	2013 $'000	2012 $'000
Financial Assets		
Cash and cash equivalents	100,311	101,499
Due from other financial institutions	9,990	13,500
Trade and other receivables	9,271	11,147
Loans and advances to members	788,798	765,092
Financial Assets - available-for-sale	314	314
Financial Assets - held-to-maturity	106,578	106,904
Loss reserve loan	1,460	2,390
	1,016,722	1,000,846
Financial Liabilities		
Deposits	900,481	883,479
Trade and other payables	21,076	19,206
Lease Liabilities	517	767
Subordinated debt	3,928	9,300
	926,002	912,752

(a) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The board has established limits on Value at Risk (VaR) and interest rate gaps for stipulated periods. Positions are monitored on a daily basis and hedging strategies are considered to ensure positions are maintained within the established limits.

(i) Value at Risk (VaR)

VaR is a statistical measure of the potential loss expected due to a change in market conditions arising from currently held positions, given a certain confidence level and holding period. VaR is presented as a dollar amount and is based on historically observed volatility. The holding period represents the implied liquidation period of the portfolio. It is the number of days required to either liquidate a portfolio or hedge the risk within the portfolio. The observation period is the number of days over which the previous market data (interest rates) is observed to predict the future. The 99% confidence level is the degree of confidence with which the VaR number will not be exceeded. A 99% confidence level implies that for 99 out of 100 observations, the market value based loss will not be greater than the VaR number.

As a normal distribution is used, the standard deviation of the portfolio is multiplied by 2.33 to achieve a 99% confidence level. A proxy set of interest rates must be used to estimate the changes in the yield curve. The proxy curve used by CMG is the interbank yield curve constructed from the official cash rate, BBSW and swap rates.

Since VaR is an integral part of CMG's interest rate risk management, VaR limits have been established for all non-trading operations and exposures are reviewed monthly against the limits by management.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

(a) Interest Rate Risk (continued)

	2013 $'000	2012 $'000
VaR exposure at 30 June 2013	980	722
Average monthly VaR exposure	786	748
Maximum monthly VaR exposure	980	906
Minimum monthly VaR exposure	649	302

(ii) Sensitivity

The following table demonstrates the sensitivity to a reasonable change in interest rates, with all other variables held constant, of CMG's income statement. This methodology was also applied at 30 June 2012.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net income for one year, based on floating rate non-trading financial assets and liabilities held at 30 June 2013.

	2013	2012
1% shift upwards	(1,595)	(939)
1% shift downwards	1,595	939

(iii) Prepayment Risk

Prepayment risk is the risk that CMG will incur a financial loss because its members and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages. CMG is not exposed to significant prepayment risk given that its fixed rate portfolio is 15.48% (2012: 13.97%) of its total loan portfolio.

(b) Credit Risk

Credit risk is the risk that CMG will incur a loss when its members, clients or counterparties fail to discharge their contractual obligations. CMG manages and controls credit risk by setting limits for individual counterparties, geographical and industry concentrations and monitoring these exposures.

CMG has established a credit control review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Credit limits are established by use of a comprehensive assessment process. The credit control review process allows CMG to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

(i) Maximum exposure to credit risk

Maximum exposure to credit risk before collateral held or other credit enhancements

	2013	2012
Credit risk exposures relating to on balance sheet assets:		
Cash and cash equivalents	100,311	101,499
Due from other financial institutions	9,990	13,500
Trade receivables	9,271	11,147
Loans and advances to members	790,487	766,801
Financial assets - available-for-sale	314	314
Financial assets - held-to-maturity	106,578	106,904
Loss reserve loan	1,460	2,390
Total on balance sheet	1,018,411	1,002,555
Credit risk exposures relating to off balance sheet assets:		
Guarantees	726	789
Undrawn loan commitments	43,321	41,257
Total off balance sheet	44,047	42,046
Total on and off balance sheet	1,062,458	1,044,601

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (continued)

(ii) Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the member. Guidelines are in place with regards to 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 and inventory;
- for retail lending, mortgages over residential properties.

Management monitors the market value of collateral, requests additional 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.

The terms and conditions are specific to individual loan and security types.

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

During the financial period CMG has acquired $152,650 of real estate and other assets through the enforcement of security. As at period-end, there are $110,000 assets owned by CMG. CMG uses external agents to realise the value as soon as practicable, generally at auction, to settle indebtedness. Any surplus funds are returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

(iii) Impairment assessment

The main considerations for loan impairment assessment are as follows:
- whether any payments of principal or interest are overdue; or
- there are any known difficulties in the cash flows of counterparties; or
- infringements of the original terms of the contract.

CMG addressed impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

(iv) Individually assessed allowances

CMG determines the allowances appropriate for each individually significant loan or advance on an individual basis. Objective evidence includes the timing of expected cash flows, the availability of other financial support and the realisable value of collateral. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

(v) Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances where there is no objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio being separately reviewed.

The collective assessment takes account of impairment that is likely to be present in the portfolio. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Management is responsible for calculating the length of the emergence period which can extend for as long as eighteen months. The impaired allowance is then reviewed by the Credit Committee to ensure alignment with CMG's overall policy objectives.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (continued)

(vi) Analysis of age of financial assets that are past due but not impaired

30 June 2013	1 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	More than 91 days $'000	**Total 2013 $'000**
Loans and advances to members					
Personal Loans	2,473	580	356	-	3,409
Mortgage Loans	13,139	2,759	2,242	-	18,140
Commercial Loans	1,924	529	234	-	2,687
Revolving Credit	361	11	21	-	393
Total	**17,897**	**3,879**	**2,853**	**-**	**24,629**

30 June 2012	1 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	More than 91 days $'000	**Total 2012 $'000**
Loans and advances to members					
Personal Loans	3,422	518	211	-	**4,151**
Mortgage Loans	18,259	2,031	615	-	**20,905**
Commercial Loans	2,014	1	13	-	**2,028**
Revolving Credit	223	78	44	-	**345**
Total	**23,918**	**2,628**	**883**	**-**	**27,429**

(vii) Analysis of financial assets individually determined to be impaired

	2013			2012		
	Gross Impaired Assets $'000	Individually Assessed Provisions $'000	Net Impaired Assets $'000	Gross Impaired Assets $'000	Individually Assessed Provisions $'000	Net Impaired Assets $'000
Loans and advances to members	5,200	471	4,729	5,744	530	5,214
Financial assets individually assessed as impaired	**5,200**	**471**	**4,729**	**5,744**	**530**	**5,214**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (continued)

(viii) Credit quality of financial assets

The credit quality of investments that are neither past due nor impaired can be assessed by reference to external credit ratings (if available):

	2013 $'000	2012 $'000
AAA	3,000	-
AA	28,399	53,951
A	79,641	73,595
BBB	60,187	51,040
Unrated	45,652	43,317
	216,879	221,903

The portfolio composition of loans and advances to members is as follows:

	Housing $'000	Commercial $'000	Personal $'000	**Total $'000**
Loans	605,878	85,816	68,671	**760,365**
Revolving Credit and Overdrafts	7,644	10,427	12,051	**30,122**
Total Balances	**613,522**	**96,243**	**80,722**	**790,487**
Percentage of portfolio	**77.6%**	**12.2%**	**10.2%**	**100.0%**
Maximum percentage under policy	**100.0%**	**15.0%**	**30.0%**	

Loans and Advances to members are disclosed in more detail in Note 14.

(c) Liquidity Risk

Liquidity risk is the risk that CMG will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has wholesale funding sources in addition to its core deposit base, 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.

CMG maintains a portfolio of high quality liquid assets that can be easily liquidated in the event of an unforeseen interruption to cash flow. CMG also has lines of credit that it can access to meet its liquidity needs. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to CMG. The most important of these is to maintain minimum regulatory limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions. Net liquid assets consists of cash and short term bank deposits available for immediate sale.

In order to minimise the risk of CMG's liquidity ratio falling below 12%, the Board has determined a target liquidity ratio of 13%. In the event that CMG's liquidity ratio falls below 13%, or is considered to be at risk of falling below that level, specific remedial measures are required to be taken by the Board and management.

The liquidity ratio during the year was as follows:

	2013 %	2012 %
30 June	14.88	15.18
Average during the period	14.61	14.92
Highest	16.06	16.74
Lowest	13.48	13.87

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (continued)

Maturities of financial liabilities
The table below analyses the entity's financial liabilities into relevant maturity groupings as follows:
(a) based on their contractual maturities:
(b) based on the remaining period to the expected settlement date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial Liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Maturity	Total
As at 30 June 2013	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
Deposits	444,437	257,598	195,943	15,499	-	-	**913,477**
Trade and other payables	-	21,076	-	-	-	-	**21,076**
Lease Liability	-	142	297	78	-	-	**517**
Subordinated debt	-	90	271	5,215	-	-	**5,576**
Total financial liabilities	**444,437**	**278,906**	**196,511**	**20,792**	**-**	**-**	**940,646**
Contingent liabilities	726	-	-	-	-	-	**726**
Commitments	35,618	7,703	1,441	4,390	442	-	**49,594**
Total other liabilities	**36,344**	**7,703**	**1,441**	**4,390**	**442**	**-**	**50,320**
As at 30 June 2012							
Deposits	474,350	266,525	125,325	16,774	-	-	**882,974**
Trade and other payables	-	19,206	-	-	-	-	**19,206**
Lease Liability	-	162	382	223	-	-	**767**
Subordinated debt	-	148	9,745	-	-	-	**9,893**
Total financial liabilities	**474,350**	**286,041**	**135,452**	**16,997**	**-**	**-**	**912,840**
Contingent Liabilities	789	-	-	-	-	-	**789**
Commitments	36,116	5,141	1,205	5,560	2,218	-	**50,240**
Total other liabilities	**36,905**	**5,141**	**1,205**	**5,560**	**2,218**	**-**	**51,029**

(d) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes.

As of 1 July 2009, CMG has adopted the amendment to *AASB 7 Financial Instruments: Disclosures,* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)(level 2) and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

Investments in unlisted equity investments with a carrying value of $314,114 were included in Available for Sale Investments as at 30 June 2013. Due to the unlisted nature of the investments, their fair value could not be reliably measured, they are carried at cost however there is no indication cost is not representative of fair value. These assets are catergorised as level 3 within the fair value heirachy of ASSB 7. There is no immediate intention to dispose of these investments.

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

(e) 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. CMG cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, CMG is able to manage the risks. Controls include effective segregation of duties, access to systems, authorisation and reconciliation procedures, staff training and assessment processes including the use of internal audit.

(f) Capital Management

CMG maintains an actively managed capital base to cover risks inherent in its business. The adequacy of CMG's capital is monitored using, among other measures, the rules and ratios established by the Australian Prudential Regulation Authority.

The primary objectives of CMG's capital management are to ensure that CMG complies with externally imposed capital requirements and that CMG maintains healthy capital ratios in order to support its activities.

During the past year CMG has complied in full with all its externally imposed capital requirements.

Although CMG actively monitors and manages its risk exposure in each of these areas, CMG does not calculate and determine its minimum capital needs by allocating a specific value or ‘capital charge’ to each type of risk. Rather, the Board has resolved that CMG will maintain, based on the outcomes of its annual capital planning processes, an ‘internal minimum’ prudential capital ratio (PCR) of 15%.

For capital adequacy purposes, authorised deposit-taking institutions must hold a minimum amount of Common Equity Tier 1 capital and Additional Tier 1 capital. In addition, they may include an amount of Tier 2 capital as part of their required capital holdings, up to the limits specified in the Prudential Standard.

The Prudential Standard sets out the essential characteristics that an instrument must have to qualify as Tier 1 or Tier 2 capital for inclusion in the capital base for assessing Level 1 and Level 2 capital adequacy.

Tier 1 capital comprises the highest quality capital components. Tier 2 capital includes other components that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an institution as a going concern.

For capital adequacy purposes, the capital base at Level 1 and Level 2 is defined as the sum of Common Equity Tier 1, Additional Tier 1 and Tier 2 capital after all specified deductions and adjustments, subject to the various limits that apply.

	2013 $'000	2012 $'000
Common Equity Tier 1 Capital	75,994	72,934
Additional Tier 1 Capital	10,202	9,008
Tier 2 Capital	7,460	11,263
Total Capital	**93,656**	**93,205**
Risk Weighted Assets	560,322	530,741
Risk-based Capital Ratio	**16.71%**	**17.56%**

NOTE 4: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

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

(i) Classification and valuation of investments

CMG has classified investments in unlisted securities as available-for-sale investments and movements in fair value are recognised directly in equity. The fair values of unlisted securities not traded in an active market are recorded at historical cost as it is not practical to determine a valuation that would reflect fair value.

NOTE 4: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(ii) 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.

(iii) Impairment of non-financial assets other than goodwill

CMG assesses impairment of all assets at each reporting date by evaluating conditions specific to CMG and to the particular asset that may lead to impairment. These include product performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

(iv) Long service leave provision

As discussed in Note 2 (w), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

(v) Estimation of useful lives of assets

The estimation of the useful lives of assets is based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once every year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in Note 8.

(vi) Impairment of loans and advances

CMG reviews its problem loans at each reporting date to assess whether an allowance for impairment should be recorded in the Statement of Comprehensive Income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, CMG also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as deterioration in industry, as well as identified structural weaknesses or deterioration in cash flows.

(vii) Asset revaluations

Any property 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 to the extent that it offsets a previous revaluation increase for the same asset, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

(viii) Make good provisions

A provision has been made for the present value of anticipated costs of future restoration of leased branch premises. The provision includes future cost estimates associated with dismantling furniture and fittings. The calculation of this provision requires assumptions which may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each branch is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for branches are recognised in the balance sheet by adjusting both the expense or asset (if applicable) and provision.

(ix) Annual leave provision

As discussed in Note 2 (w), the liability for annual leave is recognised and measured at the amounts expected to be settled within the 12 months of the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates in preparing the financial report are reasonable. Actual results in the future may differ from those reported.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 $'000	2012 $'000
NOTE 5:	**INTEREST INCOME**		
	Cash and cash equivalents	1,197	1,059
	Due from other financial institutions	8,225	9,797
	Loans and advances to members	55,231	60,083
	Interest income accrued on impaired financial assets	156	164
	Other interest income	66	116
	Total interest income	**64,875**	**71,219**
NOTE 6:	**INTEREST EXPENSE**		
	Deposits	30,531	37,463
	Lease Liabilities	35	39
	Subordinated debt	413	595
	Total interest expense	**30,979**	**38,097**
NOTE 7:	**NON-INTEREST INCOME**		
	Loan fees	1,006	951
	Transaction fees	3,247	3,719
	Insurance commissions	847	869
	Other commissions	886	1,022
	Bad debts recovered	72	65
	Gain on sale of property, plant & equipment	1	71
	Rental income	-	47
	Dividend income	37	79
	Insurance profit share	2	299
	Other non-interest income	171	123
	Total non-interest income	**6,269**	**7,245**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 8: OPERATING EXPENSES

	2013 $'000	2012 $'000
Bad and doubtful debts		
Change in provision for impairment of loans & advances	(20)	(174)
Bad debts written off directly	988	868
	968	**694**
Employee benefits expense		
Salaries and wages	14,148	12,372
Superannuation expense	1,175	1,076
Other employee benefits expense	2,284	2,478
	17,607	**15,926**
Office occupancy expense		
Rental expense on operating leases	1,750	1,735
Other office occupancy costs	1,149	916
	2,899	**2,651**
Depreciation and amortisation expense		
Depreciation of buildings and plant & equipment	1,312	1,048
Amortisation of finance leases and intangibles	408	687
	1,720	**1,735**
Information technology and communications expense		
Hardware and software maintenance	1,236	1,011
Communications expense	978	532
Other information technology expense	1,840	1,857
	4,054	**3,400**
Other expenses		
Marketing and promotional expenses	1,725	1,509
Board and committee expenses	399	492
Membership protection and benefits	723	774
General administrative expenses	1,748	2,571
Loan administration costs	82	169
Motor vehicle expenses	160	110
Member transaction costs	1,942	1,591
Other operating expenses	107	130
	6,886	**7,346**
Total operating expenses	**34,134**	**31,752**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 $'000	2012 $'000
NOTE 9:	**INCOME TAX**		
(a)	*Income tax expense*		
	Current tax charge	1,895	2,527
	Deferred Tax	163	(29)
	Adjustment in respect of current income tax of previous years	4	-
		2,062	**2,498**
	Deferred income tax (revenue) expense included in the income tax expense comprises:		
	Decrease (increase) in deferred tax assets	366	(180)
	(Decrease) increase in deferred tax liabilities	(203)	151
		163	(29)
(b)	*Numerical reconciliation of income tax expense to prima facie tax payable:*		
	Profit from continuing operations before income tax expense	6,031	8,615
	Prima facie tax calculated at 30% payable on the profit (2013: 30%)	1,809	2,585
	Add tax effect of:		
	Imputation credits	(11)	(24)
	Sundry items	264	(63)
	Income tax attributable to profit	**2,062**	**2,498**

NOTE 10: DIVIDENDS PAID

(a) Recognised amounts

Dividends are payable in arrears on 30 June, 30 September, 31 December and 31 March in each year that the permanent preference shares are on issue.

Dividends paid on permanent preference shares (fully franked) are as follows:

			2013 $'000	2012 $'000
30/09/2012	114.42	cents (2012 : 141.56)	167	207
31/12/2012	112.22	cents (2012 : 139.59)	164	204
31/03/2013	104.65	cents (2012 : 130.34)	153	190
30/06/2013	106.36	cents (2012 : 127.92)	155	187
Total dividends paid			**639**	**788**

The payment of dividends on permanent preference shares is at the discretion of the directors and, if paid, is on a quarterly basis at a floating rate equal to three month Australian Financial Markets Association (AFMA) BBSW reference rate plus a margin of 2.99% per annum multiplied by (1-T) where T is the prevailing Australian corporate tax rate at the time of payment of the dividend.

Dividends may only be paid out of distributable profits. Distributable profits refers to the profits after tax of CMG for the 12 month period ending 30 June 2013.

The payment of a dividend is also subject to CMG having profits available for the payment of a dividend as required by the Corporations Act and such payment not exceeding 100% of CMG's annual profit after tax in any year.

(b) Tax rate used

The tax rate at which paid dividends have been franked is 30% (2012: 30%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 $'000	2012 $'000
NOTE 10: DIVIDENDS PAID (Continued)		
(c) Balance of franking account at year-end adjusted		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30% (2012: 30%)	25,526	23,043
Franking credits that will arise from payment of income tax payable as at the end of the financial year	2,292	2,787
Franking credits that will arise from receipt of dividends recognised as receivables as at the end of the financial year	16	34
Franking debits that will arise from payment of dividends as at the end of the financial year	(274)	(338)
Franking account balance for future reporting periods	**27,560**	**25,526**

NOTE 11: CASH AND CASH EQUIVALENTS

	2013 $'000	2012 $'000
Cash on hand	6,246	6,248
Short term deposits	94,065	95,251
Total cash and cash equivalents	**100,311**	**101,499**

The entity's exposure to interest rate risk is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

NOTE 12: DUE FROM OTHER FINANCIAL INSTITUTIONS

	2013 $'000	2012 $'000
Deposits with authorised deposit-taking institutions	**9,990**	**13,500**
Maturity analysis		
Longer than 3 months and not longer than 6 months	9,990	13,500
	9,990	**13,500**

NOTE 13: TRADE AND OTHER RECEIVABLES

	2013 $'000	Restated 2012 $'000
Interest receivable on deposits (incl loss reserve loan)	953	1,428
Sundry debtors and settlement accounts	8,039	9,554
Prepayments	279	165
Total trade and other receivables	**9,271**	**11,147**

There were no receivables past due at balance date.

All trade and other receivables are collectable within 12 months.

(a) Prior period correction

During the period a misstatment in regards to the prior period sundry debtors and settlement accounts was identified to the total of $289,653. The misstatement has been adjusted to correct the comparative from $9,843,205 to $9,553,552 with the difference accounted for in retained earnings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 14: LOANS AND ADVANCES TO MEMBERS

	2013 $'000	2012 $'000
Loans and advances to members		
Personal Loans	68,671	70,893
Mortgage Loans	605,878	575,542
Commercial Loans	85,816	87,861
Revolving Credit	30,122	32,505
Total loans and advances to members	**790,487**	**766,801**
Provision for impairment		
Personal Loans	(610)	(971)
Mortgage Loans	(413)	(386)
Commercial Loans	(613)	(251)
Revolving Credit	(53)	(101)
Total provision for impairment	**(1,689)**	**(1,709)**
Net loans and advances	**788,798**	**765,092**

(a) **Impairment allowance for loans and advances to members**

	Personal Loans 2013 $'000	Mortgage Loans 2013 $'000	Commercial Loans 2013 $'000	Revolving Credit 2013 $'000	**Total $'000**
At 1 July 2012	971	386	251	101	**1,709**
Charge for the year	36	97	410	154	**697**
Recoveries	100	-	-	15	**115**
Amounts written off	(611)	(87)	(72)	(218)	**(988)**
Interest accrued on impaired loans (Note 5)	114	17	24	1	**156**
At 30 June 2013	**610**	**413**	**613**	**53**	**1,689**
Individual impairment	147	217	92	15	**471**
Collective impairment	463	196	521	38	**1,218**
	610	**413**	**613**	**53**	**1,689**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	4,322	21,238	3,702	3,014	32,276

	Personal Loans 2012 $'000	Mortgage Loans 2012 $'000	Commercial Loans 2012 $'000	Revolving Credit 2012 $'000	**Total $'000**
At 1 July 2011	1,283	192	163	243	**1,881**
Charge for the year	14	175	112	164	**465**
Recoveries	57	-	-	9	**66**
Amounts written off	(494)	(7)	(50)	(316)	**(867)**
Interest accrued on impaired loans (Note 5)	111	26	26	1	**164**
At 30 June 2012	**971**	**386**	**251**	**101**	**1,709**
Individual impairment	47	337	125	22	**531**
Collective impairment	924	49	126	79	**1,178**
	971	**386**	**251**	**101**	**1,709**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	5,547	24,530	3,229	3,629	36,935

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 14: LOANS AND ADVANCES TO MEMBERS (Continued)

		2013 $'000	2012 $'000
(b)	**Maturity Analysis**		
	Not longer than 3 months	5,088	2,719
	Longer than 3 months and not longer than 12 months	5,538	6,946
	Longer than 12 months and not longer than 5 years	79,089	81,935
	Longer than 5 years	700,772	675,201
	Total loans and advances	**790,487**	**766,801**
(c)	**Security dissection**		
	Secured by mortgage over Commercial property	56,289	57,949
	Secured by mortgage over real estate	653,476	624,803
	Partly secured by goods mortgage	65,337	64,580
	Wholly unsecured	15,385	19,469
	Total loans and advances	**790,487**	**766,801**

CMG accepts a number of methods for valuing the fair value of collateral supporting loans. Real estate is valued utilising the purchase price of arms length residential sales, market appraisals from real estate agents (a lower loan to valuation ratio is applied) and licensed panel valuers where security is non residential, of high value or remotely located. Motor vehicles are valued by reference to an independent valuation guide.

It is impractical to provide a valuation of the security held against loans due to the large number of assets to be valued to arrive at the amount. A breakdown of the loan to valuation ratio on loans secured by mortgages over real estate, on a portfolio basis is as follows:

		2013 $'000	2012 $'000
(d)	**Loan to valuation ratio**		
	Loan to valuation ratio of less than 80%	602,157	581,953
	Loan to valuation ratio of more than 80% but mortgage insured	48,291	42,214
	Loan to valuation ratio of more than 80% but not mortgage insured	59,317	58,585
	Total loans secured by mortgage over real estate and commercial property	**709,765**	**682,752**

(e) Concentration of loans

- There were no loans to individual or related groups of members which exceed 10% of member funds in aggregate.
- There is no concentration of loans to individual members employed in a particular industry.
- Loans to members are concentrated solely in Australia and principally in the Central West, North and North West of NSW.

	2013 $'000	2012 $'000
New South Wales	757,272	735,485
Victoria	2,884	1,905
Queensland	24,629	23,459
Western Australia	1,607	1,845
South Australia	105	115
Tasmania	219	282
A.C.T.	2,093	2,170
N.T.	1,678	1,540
Total	**790,487**	**766,801**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 15: IMPAIRMENT OF LOANS AND ADVANCES

		2013 $'000	2012 $'000
(a)	**Provisions for impairment**		
	Opening balance	1,709	1,881
	Impairment expense:		
	Personal Loans	(361)	(311)
	Mortgage Loans	27	194
	Commercial Loans	362	89
	Revolving Credit	(48)	(144)
	Closing balance	**1,689**	**1,709**

Key assumptions in determining the provision for impairment

Refer to Note 2(i) on impairment of loans and advances.

		2013 $'000	2012 $'000
(b)	**Impairment expense**		
	Provisions for impairment	(20)	(173)
	Bad debts written off directly:		
	Personal Loans	611	494
	Mortgage Loans	87	7
	Commercial Loans	72	50
	Revolving Credit	218	316
	Total impairment expense	**968**	**694**

The level of restructured loan balances and provision for impairment are not considered material for disclosure.

		2013 $'000	2012 $'000
(c)	**Interest and other revenue recognised and foregone**		
	Interest foregone on non-accrual and restructured loans	24	158

There was no revenue on real estate or other assets acquired via enforcement of security during the year.

NOTE 16: FINANCIAL ASSETS

		2013 $'000	2012 $'000
(a)	**Available-for-sale**		
	Shares in unlisted companies – at cost		
	Indue Ltd	312	312
	Australian Settlements Limited	2	2
	Total available-for-sale	**314**	**314**

The shareholding in Indue Ltd (Indue) and Australian Settlements Limited (ASL) is measured at cost as its fair value could not be measured reliably. These companies were created to supply services to the member credit unions and do not have an independent business focus. These shares are held to enable CMG to receive essential banking services – refer to Note 41. The shares are not able to be traded and are not redeemable, cost is deemed to be the most relevant fair value estimate.

		2013 $'000	2012 $'000
(b)	**Held-to-maturity**		
	ADI debt securities	106,578	106,904
	Other debt securities	-	-
	Total Held-to-maturity	**106,578**	**106,904**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 17: PROPERTY, PLANT AND EQUIPMENT

	2013 $'000	Restated 2012 $'000
(a) Fixed assets		
Land & buildings		
At valuation	4,024	2,557
Less accumulated depreciation	(308)	(201)
	3,716	**2,356**
Furniture, fittings & leasehold improvements		
At cost	4,181	3,918
Less accumulated depreciation	(2,362)	(1,915)
	1,819	**2,003**
Office equipment		
At cost	2,045	1,576
Less accumulated depreciation	(1,024)	(386)
	1,021	**1,190**
Motor vehicles		
At cost	20	20
Less accumulated depreciation	(20)	(20)
	-	**-**
Leased plant & equipment		
Capitalised leased assets	1,998	1,755
Less accumulated amortisation	(1,274)	(1,154)
	724	**601**
Net Fixed Assets	**7,280**	**6,150**

(b) Movements in carrying amounts

Reconciliations of the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial year are set out below.

2013	Land & Buildings $'000	Furniture, Fittings & Leasehold Improvements $'000	Office Equipment $'000	Motor Vehicles $'000	Leased Plant and Equipment $'000	**Total $'000**
Balance at the beginning of the year	2,356	2,003	1,190	-	601	**6,150**
Revaluation	412	-	-	-	-	**412**
Additions	1,055	263	469	-	265	**2,052**
Disposals	-	-	-	-	(22)	**(22)**
Depreciation expense	(107)	(447)	(638)	-	(120)	**(1,312)**
Carrying amount	**3,716**	**1,819**	**1,021**	**-**	**724**	**7,280**

Restated 2012	Land & Buildings $'000	Furniture, Fittings & Leasehold Improvements $'000	Office Equipment $'000	Motor Vehicles $'000	Leased Plant and Equipment $'000	**Total $'000**
Balance at the beginning of the year	2,679	2,320	946	9	1,110	**7,064**
Merger Acquisitions	-	-	-	-	-	**-**
Adjustments	(77)	(218)	556	(6)	(517)	**(262)**
Additions	219	176	324	-	126	**845**
Disposals	(422)	-	-	-	(27)	**(449)**
Depreciation expense	(43)	(275)	(636)	(3)	(91)	**(1,048)**
Carrying amount	**2,356**	**2,003**	**1,190**	**-**	**601**	**6,150**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 17: PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Revaluations

The revaluation was made in accordance with a policy to revalue land and buildings every three years and prior to sale. The Armidale head office property revaluation was based on an independent assessment by Knight Davidson Broun Property Advisory as at November 2012.

		2013 $'000	Restated 2012 $'000
(d)	**If land and buildings were stated at historical cost, amounts would be as follows:**		
	Cost	3,689	2,634
	Less accumulated depreciation	(308)	(201)
	Net book value	**3,381**	**2,433**
(e)	**Gross carrying amount of fully depreciated property, plant & equipment**		
	Furniture & Fittings	872	847
	Office Equipment	2,916	2,150
	Gross carrying amount	**3,788**	**2,997**

(f) Prior period correction

During the period misstatment in regards the prior period property plant and equipment accounts was identified to the total of $262,000. The misstatement has been adjusted to correct the comparative from $6,412,457 to $6,150,457 with the difference accounted for in retained earnings.

NOTE 18:		2013 $'000	Restated 2012 $'000
(a)	**Intangible assets**		
	Computer software at cost	1,662	1,235
	Less accumulated amortisation	(1,148)	(788)
	Net intangible assets	**514**	**447**

(b) Movements in carrying amounts

Reconciliations of the carrying amounts of each class of intangible asset between the beginning and end of the current financial year are set out below.

		2013 $'000	Restated 2012 $'000
	Written down value balance at the beginning of the year	447	888
	Adjustments	-	9
	Additions	426	232
	Disposals	-	-
	Amortisation expense	(359)	(682)
	Carrying amount	**514**	**447**
(c)	**Gross carrying amount of fully amortised intangible assets**		
	Software	2,099	2,652
	Gross carrying amount	**2,099**	**2,652**

(d) Prior period adjustment

During the period misstatement in regards the prior period intangibles was identified to the total of $9,000. The misstatement has been adjusted to correct the comparative from $438,443 to $447,443 with the difference accounted for in retained earnings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 19: DEFERRED TAX ASSETS

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Plant, property and equipment	317	752
Doubtful debts	506	513
Employee leave benefits	711	636
Accrued expenses	8	14
Other	122	116
	1,664	2,031
Set-off of deferred tax liabilities pursuant to set-off provisions	(280)	(360)
Net deferred tax assets	1,384	1,671
Movements:		
Opening balance at 1 July	2,031	1,983
Credited/(charged) to the income statement	(367)	180
Prior year adjustment	-	(132)
Closing balance at 30 June	1,664	2,031
Deferred tax assets to be recovered after more than 12 months	8	14
Deferred tax assets to be recovered within 12 months	1,656	2,017
	1,664	2,031

NOTE 20: LOSS RESERVE LOAN

	2013 $'000	2012 $'000
Preference share loss reserve loan	1,460	1,460
Subordinated debt loss reserve loan	-	930
Total loss reserve loan	**1,460**	**2,390**

On 21 June 2006, CMG issued 126,000 preference shares, each having an issue price of $100, to the Australian Mutual T1 Capital Funding Trust No 1 (AMCFT). On that same date, CMG issued 73,000 subordinated debt instruments, each having an issue price of $100, to Australian Mutual LT2 Capital Funding No 1 Limited (AMCFL).

Also on 21 June 2006, CMG advanced loans to each of AMCFT and AMCFL, for amounts of $1,460,000 and $930,000 respectively, with both loans having similar terms as summarised below in this Note. The principal amount of the preference share loss reserve loan is being treated, for accounting purposes, as an unpaid component of the $14.6 million preference share issue. In the event that CMG does not pay a dividend on the preference shares, CMG is not required to pay, or deliver to the holder of those shares, any amounts or benefits. However, a non-payment of a dividend by CMG may result in CMG not receiving, from the Trust, an amount of interest that it would otherwise have received on the preference share loss reserve loan.

These loans have been provided on the following terms and conditions:

- the loans are unsecured;
- interest is due and payable to CMG quarterly in arrears (by AMCFT and AMCFL respectively), on the dates and at the rate specified in the loan agreements. The rate of interest payable on both loans is specified in the contracts as 0.125% above the applicable 90 day AFMA BBSW reference rate, as determined on the first day of each quarterly interest period;
- interest may not be received on the loans (on one or more of the quarterly interest payment dates) if CMG does not pay a dividend on the preference shares or fails to satisfy its interest payment obligations on the subordinated debt instruments; and
- neither AMCFT nor AMCFL is required to make any repayments of principal on the loans until the borrowers have fully satisfied certain payment obligations to third parties, as set out in the loss reserve loan agreements.

In November 2012 the 73,000 subordinated debt instruments at an issue price of $100 were redeemed by CMG from Australian Mutual LT2 Capital Funding No 1 Limited (AMCFL). At the same time the loan advanced to AMCFL for $930,000 was repaid.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 21: DEPOSITS

	2013 $'000	Restated 2012 $'000
Member call deposits (including members' shares)	444,742	420,779
Member term deposits	455,739	462,700
Total Deposits	**900,481**	**883,479**

(a) *Maturity analysis*

	2013 $'000	Restated 2012 $'000
At call	444,742	420,779
Not longer than 3 months	251,704	266,525
Longer than 3 months and not longer than 6 months	113,013	125,325
Longer than 6 months and not longer than 12 months	72,299	54,148
Longer than 12 months	18,723	16,702
	900,481	**883,479**

(b) *Concentration of Deposits*

There are no groups that represent in excess of 10% of total liabilities.

Member deposits at balance date were received from individuals employed in Australia. There are no significant groups of members concentrated in any particular industry.

	2013 $'000	Restated 2012 $'000
New South Wales	877,240	858,022
Victoria	1,363	1,190
Queensland	13,491	16,993
Western Australia	1,829	2,047
South Australia	551	513
Tasmania	468	401
ACT	792	746
Northern Territory	552	485
Other	4,195	3,082
	900,481	**883,479**

(c) Prior period correction

During the period misstatement in regards the prior period Member call deposits (including members' shares) was identified to the total of $505,000. The misstatement has been adjusted to correct the comparative from $420,274,000 to $420,779,000 with the difference accounted for in retained earnings.

NOTE 22: TRADE AND OTHER PAYABLES

	2013 $'000	Restated 2012 $'000
Accrued interest payable	6,939	7,860
Prepaid income	107	240
Sundry creditors and accrued expenses	1,772	1,352
Clearing accounts	12,258	9,754
Total trade and other payables	**21,076**	**19,206**

(a) Prior period correction

During the current year a detailed analysis of the clearing accounts identified an opening balance that could not be supported by external confirmation. Following investigation it has been determined the balance should more reasonably have been reflected in prior periods Statement of Comprehensive Income, thus the balance has been restated to the prior year retained earnings. The balance was identified to the total of $1,612,000 with the adjustment to correct the comparative from $11,366,000 to $9,754,000.

NOTE 23: CURRENT TAX LIABILITIES

	2013 $'000	Restated 2012 $'000
Income tax payable	1,250	1,643

(a) Prior period correction

During the period, misstatement in regards to the prior period clearing accounts has resulted in a restatement of prior year retained earnings (see Note 22). The prior period income tax payable has been restated from $1,246,000 to $1,643,000 to account for the tax effect of this correction.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 24: DEFERRED TAX LIABILITIES

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Depreciation - land and buildings	(122)	(317)
Preference share costs	(32)	(43)
Other	(2)	-
	(156)	(360)
Amounts recognised directly in equity	(124)	-
	(280)	(360)
Set-off of deferred tax liabilities pursuant to set-off provisions	280	360
Net deferred tax liabilities	-	-
Movements:		
Opening balance at 1 July	360	208
Credited/(charged) to equity	124	-
Credited/(charged) to the income statement	(204)	151
Prior year adjustment	-	1
Closing balance at 30 June	280	360
Deferred tax assets to be recovered after more than 12 months	(278)	(360)
Deferred tax assets to be recovered within 12 months	(2)	-
	(280)	(360)

NOTE 25: PROVISIONS

	2013 $'000	2012 $'000
Current		
Annual leave	1,065	1,065
Long service leave	938	819
Non-current		
Make good	380	378
Long service leave	366	236
Total provisions	**2,749**	**2,498**

(a) ***Movements in provisions***

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	Make good provision
At 1 July 2012	378
Raised during the year	2
At 30 June 2013	**380**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 26: LEASE LIABILITIES

	2013 $'000	2012 $'000
Current lease liabilities	439	638
Non-current lease liabilities	78	129
Total lease liabilities	**517**	**767**

NOTE 27: SUBORDINATED DEBT

	2013 $'000	2012 $'000
Balance at the beginning of the year	9,300	9,300
Redemption / Issuance	(5,300)	-
Amortise Fair Value	(83)	-
Write back of debt raising discount	11	-
Balance at end of year	**3,928**	**9,300**

CMG issued subordinated debt instruments in 2006 with an aggregate issuance price of $9.3 million and for net proceeds (after transaction costs) of $9,039,500. Commensurate with the issuance of these subordinated debt instruments to Australian Mutual LT2 Capital Funding No 1 Limited (AMCFL), CMG also agreed to lend AMCFL an amount of $930,000 (being 10% of the aggregate issuance price of the instruments), on terms set out in a loss reserve loan agreement. Refer Note 20.

The subordinated debt instruments were issued on the following terms and conditions:
- issued in Australian dollars;
- unsecured debt instruments;
- may be redeemed by CMG subject to APRA approval;
- interest is payable quarterly in arrears at 90 day AFMA BBSW reference rate + 119 basis points for the initial five years;
- interest is calculated with a step up 50 bps thereafter;
- the instrument may be redeemed after the initial 5 years; and
- matures in 2016.

In November 2012 the subordinated debt instruments issed to Australian Mutual LT2 Capital Funding No 1 Limited (AMCFL) were redeemed in full. The loan as set in the loss loan reserve agreement was also repaid in full.

In November 2012 CMG issued subordinated debt instruments with an aggregate issuance price of $4.0 million and for net proceeds (after transaction costs) of $3,917,113.

The subordinated debt instruments were issued on the following terms and conditions:
- issued in Australian dollars;
- unsecured debt instruments;
- may be redeemed by CMG subject to APRA approval;
- interest is payable quarterly in arrears at 90 day AFMA BBSW reference rate + 593 basis points;
- the instrument may be redeemed after the initial 5 years; and
- matures in 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 28: PREFERENCE SHARES

	2013 $'000	2012 $'000
Balance at beginning of year	14,455	14,418
Write back of debt raising discount	36	37
Balance at end of year	**14,491**	**14,455**

CMG issued preference shares in 2006 year with an aggregate issuance price of $14.6 million and for net proceeds (after transaction costs) of $14,239,160. The preference shares were issued on terms consistent with the provisions of CMG's Constitution, as amended by member resolution at a Special General Meeting held on 24 February 2006. Commensurate with the issuance of the preference shares to Australian Mutual T1 Capital Funding Trust No 1 (AMCFT), CMG also agreed to lend AMCFT an amount of $1.460 million (being 10% of the aggregate issuance price of the shares), on terms set out in a loss reserve loan agreement. Refer Note 20.

These shares have been recognised as equity under the accounting standards. The effective nature of the share issuance transaction, when viewed together with the loss reserve loan advanced by CMG to AMCFT (refer Note 20), is that CMG has issued preference shares with an aggregate issuance price of $14.6 million, but with the amount of the loss reserve loan constituting an unpaid component of the share issue. In the event that CMG does not pay a dividend on the preference shares, CMG is not required to pay, or deliver to the holder of those shares, any amounts or benefits.

The preference shares were issued on the following terms and conditions:

- unsecured and undated;
- 115,000 issued shares, each with an issue price of $100;
- are non-voting in the hands of the holder;
- cannot be redeemed by the holder;
- can be redeemed by CMG after 2016 subject to APRA approval;
- dividends may be payable, subject to available profits and Board approval, at the frequency, and at the rate and amount, as set out in the terms of issue (Refer Note 10(a));
- in respect of payment of dividends, rank ahead of member shares; and
- in the event of a winding-up, rank behind member shares and are unable to participate in any distribution of surplus.

NOTE 29: REDEEMABLE MEMBER SHARES

	2013	2012
Opening balance	505	440
Transfer from retained earnings	67	65
Closing balance	**572**	**505**

Under the Corporations Act 2001 member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits. The value of the shares that have been paid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated. No dividends were paid or are payable to the relevant holders for the reporting period.

NOTE 30: RESERVES

	2013	2012
Asset revaluation reserve		
Opening balance	732	734
Net increase recognised on revaluation of assets	289	-
Over/under provision for deferred tax on revaluation reserve in prior periods	-	(2)
Balance at end of year	**1,021**	**732**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 31: RETAINED EARNINGS

		2013 $'000	Restated 2012 $'000
Opening balance		68,068	62,131
Prior period corrections	(refer note 13,17, 22 and 23)		673
Adjusted opening balance			62,804
Net profit attributable to members		3,969	6,117
Transfer to member share capital account		(67)	(65)
Net transfer (to)/from deposits		23	-
Dividends paid		(639)	(788)
Total retained earnings		**71,354**	**68,068**

NOTE 32: CONTRIBUTED EQUITY

	2013 $'000	2012 $'000
Opening balance	8,461	8,451
Contributed equity arising from business combination in the period	-	10
Balance at end of year	**8,461**	**8,461**

NOTE 33: REMUNERATION OF AUDITORS

	$	$
Remuneration of the auditor for:		
● Statutory & Regulatory Audit	206,440	211,000
● Taxation Services	17,500	19,250
Total remuneration of auditors	**223,940**	**230,250**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 $'000	2012 $'000

NOTE 34: STATEMENT OF CASH FLOWS

(a) Reconciliations of cash

For the purposes of the statement of cash flows, cash includes cash on hand and 'at call' deposits, net of overdrafts with other financial institutions. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the Balance Sheet as follows:

	2013 $'000	2012 $'000
Cash liquid assets	100,311	101,499
	100,311	**101,499**

(b) Cash flows presented on a net basis

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

- customer deposits in and withdrawals from savings, money market and other deposit accounts;
- sales and purchases of maturing certificates of deposit;
- provision of member loans and the repayment of such loans.

(c) Reconciliation of cash flow from operations with profit after income tax

	2013 $'000	2012 $'000
Profit after income tax	4,258	6,117
Non-cash flows in profit after income tax:		
Net (gain) on revaluation of property, plant and equipment	(412)	-
Amortisation	408	687
Depreciation	1,312	1,048
Provision for loan impairment movement	968	694
Changes in assets and liabilities:		
Decrease/(increase) in due from other financial institutions	-	494
(Increase) in member loans (gross)	(23,706)	(23,077)
Increase in provisions	251	-
Decrease/(increase) in receivables	475	(305)
Increase in deposits	17,202	36,985
Increase/(decrease) in income taxes payable	(393)	(392)
(Increase)/decrease in deferred tax asset	367	(48)
(Decrease)/increase in deferred tax liability	(80)	151
Increase/(decrease) in trade and other payables	769	3,373
Increase/(decrease) in other assets	1,389	(4,107)
Net cash provided by operating activities	**2,808**	**21,620**

(d) Non-cash Financing and Investing Activities

Property, plant and equipment

During the financial year CMG acquired plant and equipment with an aggregate fair value of $253,612 (2012: $570,293) by means of finance lease. These acquisitions are not reflected in the Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 35: MATURITY PROFILE OF FINANCIAL LIABILITIES

Monetary liabilities have differing maturity profiles depending on the contractual term. The following table shows the period in which different monetary liabilities held will mature and be eligible for renegotiation or withdrawal.

2013	Less than 1 month $'000	1 - 3 months $'000	3 - 12 months $'000	1 - 5 years $'000	Over 5 years $'000	No Maturity $'000	TOTAL $'000
Deposits	444,742	251,704	185,312	18,723	-	-	**900,481**
Trade and other payables	-	21,076	-	-	-	-	**21,076**
Lease Liabilities	-	142	297	78	-	-	**517**
Subordinated debt	-	-	-	-	4,000	-	**4,000**
Total Liabilities	**444,742**	**272,922**	**185,609**	**18,801**	**4,000**	**-**	**926,074**

2012	Less than 1 month $'000	1 - 3 months $'000	3 - 12 months $'000	1 - 5 years $'000	Over 5 years $'000	No Maturity $'000	TOTAL $'000
Deposits	420,779	266,525	179,473	16,702	-	-	**883,479**
Trade and other payables	-	19,206	-	-	-	-	**19,206**
Lease Liabilities		24	94	649	-	-	**767**
Subordinated debt	-	-	9,300	-	-	-	**9,300**
Total Liabilities	**420,779**	**285,755**	**188,867**	**17,351**	**-**	**-**	**912,752**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 36: REPRICING ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities have conditions which allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings). The table below shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date or maturity date.

2013	Weighted avg interest %	Within 1 month $'000	1 - 3 months $'000	3 - 12 months $'000	1 - 7 years $'000	Non interest bearing $'000	TOTAL $'000
ASSETS							
Cash and cash equivalents	3.46%	65,285	28,780	-	-	6,246	**100,311**
Due from other financial institutions	4.28%	-	-	9,990	-	-	**9,990**
Loans and advances to members	6.79%	672,841	5,991	36,971	72,995	-	**788,798**
Financial Assets - available-for-sale		-	-	-	-	314	**314**
Financial Assets - held-to-maturity	3.93%	19,974	33,787	13,352	39,465	-	**106,578**
Loss reserve loan	3.38%	-	1,460	-	-	-	**1,460**
Total Assets		**758,100**	**70,018**	**60,313**	**112,460**	**6,560**	**1,007,451**
LIABILITIES							
Deposits	3.13%	529,308	166,736	185,311	18,723	603	**900,681**
Trade and other payables		-	-	-	-	21,076	**21,076**
Lease Liabilities		-	142	297	78	-	**517**
Subordinated debt	7.29%	-	4,000	-	-	-	**4,000**
Total Liabilities		**529,308**	**170,878**	**185,608**	**18,801**	**21,679**	**926,274**

2012	Weighted avg interest %	Within 1 month $'000	1 - 3 months $'000	3 - 12 months $'000	1 - 7 years $'000	Non interest bearing $'000	TOTAL $'000
ASSETS							
Cash and cash equivalents	4.50%	45,544	49,707	-	-	6,248	**101,498**
Due from other financial institutions	5.30%	-	-	13,500	-	-	**13,500**
Loans and advances to members	7.39%	660,106	279	7,190	97,517	-	**765,092**
Financial Assets - available-for-sale		-	-	-	-	314	**314**
Financial Assets - held-to-maturity	4.78%	28,597	48,057	11,834	18,416	-	**106,904**
Loss reserve loan	4.97%	-	2,390	-	-	-	**2,390**
Total Assets		**734,247**	**100,433**	**32,524**	**115,933**	**6,562**	**989,699**
LIABILITIES							
Deposits	3.89%	488,343	198,330	179,473	16,702	631	**883,479**
Trade and other payables		-	-	-	-	20,818	**20,818**
Borrowings		-	21	82	664	-	**767**
Subordinated debt	6.38%	-	9,300	-	-	-	**9,300**
Total Liabilities		**488,343**	**207,651**	**179,555**	**17,366**	**21,449**	**914,364**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison by class of the carrying amounts and fair values of CMG's financial instruments that are carried in the financial statements. The table does not include the fair value on non-financial assets and non-financial liabilities.

	Carrying value	Fair value	Unrecognised gain / (loss)	Carrying value	Fair value	Unrecognised gain / (loss)
	2013	2013	2013	2012	2012	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash and cash equivalents	100,311	100,311	-	101,499	101,499	-
Due from other financial institutions	9,990	9,990	-	13,500	13,500	-
Loans and advances to members	788,798	788,798	-	765,092	765,092	-
Financial Assets - held-to -maturity	106,578	106,578	-	106,904	106,904	-
Loss Reserve Loan	1,460	1,460	-	2,390	2,390	-
Financial Liabilities						
Deposits	900,481	900,481	-	883,479	883,479	-
Lease Liabilities	517	517	-	767	767	-
Subordinated debt	3,928	3,928	-	9,300	9,300	-
Total unrecognised change in unrealised fair value			**-**			**-**

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

Liquid assets and receivables from other financial institutions

The carrying values of cash, cash equivalents, liquid assets, and receivables due from other financial institutions approximate their net fair value as they are short term in nature or are receivable on demand.

Financial assets - available-for-sale

Investments in unlisted equity investments with a carrying value of $314,162 were included in AFS Investments as at 30 June 2013. Due to the unlisted nature of the investments, their fair value could not be reliably measured and they are carried at cost. There is no immediate intention to dispose of these investments.

Loans and advances

The carrying value of loans, advances and other receivables is net of specific provisions for impairment.

For variable and fixed rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of the net fair value. The net fair value for fixed rate loans has not been discounted using cash flow models as CMG considers any adjustment would be immaterial.

Lease Liabilities

The carrying value of lease liabilities are included at contracted value of the lease period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 $'000	2012 $'000

NOTE 38: COMMITMENTS

To meet the financial needs of members, CMG enters into various commitments. 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 CMG.

(a) Finance lease commitments

CMG has finance leases and hire purchase contracts for various items of plant and equipment. These lease contracts expire within 5 years, with repayment payable monthly in advance. CMG has the option to purchase the plant and equipment at the expiry of the lease at an agreed residual value. There are no escalation clauses.

Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are as follows:

	Total future minimum payments 2013 $'000	Interest charges 2013 $'000	Present value 2013 $'000	Total future minimum payments 2012 $'000	Interest charges 2012 $'000	Present value 2012 $'000
Not longer than 1 year	439	57	420	638	79	610
Longer than 1 and not longer than 5 years	78	33	72	129	48	118
Minimum lease payments	**517**	**90**	**492**	**767**	**127**	**728**

(b) Operating Lease Commitments

CMG has entered into commercial leases on certain commercial properties from which branches operate. These leases have a remaining term of between one and twelve years with a renewal option included at the end of the term of the lease in some of the agreements. There are no restrictions placed upon CMG by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2013 $'000	2012 $'000
Not longer than 1 year	1,441	1,205
Longer than 1 and not longer than 5 years	4,390	5,560
Longer than 5 years	442	2,218
Total operating lease commitments	**6,273**	**8,983**

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 may 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 commitment since most commitments to extend credit are contingent upon members maintaining specific standards. CMG monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

(c) Undrawn Loan Commitments

	2013 $'000	2012 $'000
Loans approved but not funded	7,703	5,141
Undrawn lines of commitment	35,618	36,116

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 39: CONTINGENT LIABILITIES

(a) Credit Union Financial Support System

CMG is a participant in the Credit Union Financial Support System (CUFSS). The purpose of the CUFSS is to protect the interests of credit union members, increase stability in the industry and provide liquidity in excess of current borrowing limits in times of need.

An Industry Support Contract made on 1 July 1999 between Credit Union Services Corporation (Australia) Limited (CUSCAL), Credit Union Financial Support System Limited and participating credit unions required CMG to execute an equitable charge in favour of CUSCAL. The charge is a fixed and floating charge over the assets and undertakings of CMG and secures any advances that may be made to CMG under the scheme.

The balance of the debt at 30 June 2013 was $Nil (2012: $Nil).

(b) Credit Union Services Corporation (Australia) Limited (CUSCAL)

Guarantees are provided by CMG to Credit Union Services Corporation (Australia) Limited (CUSCAL) to support some members participating in the Bulk Electronic Clearing System for payrolls.

The amount guaranteed at balance date is $Nil (2012: $300,000).

(c) Financial Guarantees

Letters of guarantee commit CMG to make payments on behalf of customers in the event of a specific act, generally related to contract performance. Guarantees carry the same credit risk as loans. The guarantees committed to by CMG are secured by term deposit.

The amount guaranteed at balance date is limited to $725,515 (2012: $488,835)

NOTE 40: RELATED PARTIES DISCLOSURES

(a) Directors

The names of the directors of CMG who have held office during the financial year are:

Mr Michael G Dennis - Chairman
Mr Graham R Goodman - Director
Mrs Katherine E James - Director
Mr Geoffrey M Thompson - Director
Mr Peter G Olrich - Director
Mr Brian M Goodall - Director
Dr Alison J Sheridan - Director
Mr John B O'Connor - Director
Mr David R Honner - Director

(b) Remuneration of Key Management Personnel (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of CMG, directly or indirectly, including any Director of that entity. Key management personnel has been taken to comprise the Directors and members of the Executive Management Team responsible for the day to day financial management and operational management of CMG.

The aggregate compensation of *key management personnel* during the year comprising amounts paid or payable or provided for was as follows:

	2013 $	2012 $
● short-term employee benefits	1,700,437	1,533,617
● termination benefits	207,249	-
● superannuation contributions	127,159	109,634
Total remuneration of key personnel	**2,034,845**	**1,643,251**

Remuneration shown as short term benefits means (where applicable) wages, salaries, paid annual leave and paid sick leave, profit-sharing and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 40: RELATED PARTIES DISCLOSURES (Continued)

(c) Loans to Key Management Personnel

All loans disbursed to directors and other key management personnel were approved on the same terms and conditions, which are applicable to members for each class of loan. There are no loans that are impaired in relation to the loan balances with directors and key management personnel.

Key management personnel who are not directors receive a concessional rate of interest on their loans and facilities. These benefits, where subject to fringe benefits tax, are included in the remuneration in (b) above.

There are no benefits or concessional terms and conditions applicable to the close family members of the key management personnel. There are no loans that are impaired in relation to the loan balances with close family relatives of directors and key management personnel.

	2013 $	2012 $
(i) The aggregate value of loans to directors and other key management personnel as at balance date amounted to	2,922,548	2,320,316
(ii) The total value of revolving credit facilities to directors and other key management personnel as at balance date amounted to	178,600	128,600
(iii) Less amounts drawn down and included in total loans above	(104,439)	(88,909)
Net balance available	**74,161**	**39,691**
During the year the value of term loans disbursed to key management personnel amounted to:	1,430,304	1,365,074
The average balance of revolving credit facilties amounted to:	93,368	76,283
Total loans disbursed to key personnel	**1,523,672**	**1,441,357**
Interest and other revenue earned on loans and revolving credit facilities to key management personnel	127,588	136,959
Provision for doubtful debts for related parties	-	-

(d) Deposits from Key Management Personnel

	2013 $	2012 $
Total value of term and savings deposits from key management personnel	1,277,833	968,199
Total interest paid on deposits to key management personnel	39,583	32,441

Directors have received interest on deposits with CMG during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to members of CMG.

CMG's policy for receiving deposits from other related parties and in respect of other related party transactions, is that all transactions are approved and deposits accepted on the same terms and conditions that apply to members for each type of deposit.

(e) Other transactions of Key Management Personnel

Mr. Kevin Dupè supplied rental properties for an amount of $33,070.28 (2012: $13,550.79). The services are on the same terms and conditions as other contracted services of CMG.

There are no benefits paid or payable to the close family members of the key management personnel.

Apart from the above transactions, there are no service contracts to which key management personnel or their close family members are an interested party.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 41 : DEPENDENCY

CMG has a dependency on the following suppliers of service:

(a) Ultradata
This entity provides and maintains the core banking software utilised by CMG.

(b) Thomas Noble Russell
This entity provides Internal Audit services utilised by CMG

(c) Australian Settlements Limited (ASL)

This entity provides CMG with services to carry out Real Time Gross Settlements (RTGS), High Value Payment, ATM, Bpay, Card, Chequing, Direct Entry, EFTPOS Acquiring and Fraud Solution services, including provision of an Exchange Settlement Account.

(d) ANZ
This entity provides CMG with services in the form of agency clearing and enhanced cheque clearing settlement.

(e) Transaction Solutions Limited (TAS)
This entity provides CMG with facilities management services for production and disaster recovery across information and communication technologies.

(f) First Data Resources Australia Ltd
This entity provides CMG with transaction processing and switching services.

(g) Giesecke & Devrient Australasia Pty Ltd (G&D)
This entity provides chip and magnetic stripe cards and associated services for use by members of CMG.

(h) The Australian Postal Corporation
This entity provides agency banking services through Bank@Post to members of CMG.

NOTE 42: EVENTS AFTER BALANCE SHEET DATE
There have been no other significant events occurring after balance date which may affect either the Company's operations or results of those operations or the Company's state of affairs.

DECLARATION BY DIRECTORS

The Directors of Community Mutual Ltd declare that in the opinion of the Directors:

(a) The financial statements and notes of CMG are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of CMG as at 30 June 2013 and of its performance for the year ended on that date; and

   (ii) complying with Accounting Standards and Corporations Regulations 2001.

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

This declaration is made in accordance with a resolution of the Board of Directors.

M G Dennis
Director

P G Olrich
Director

30 September 2013

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Independent auditor's report to the members of Community Mutual Ltd

Report on the financial report

We have audited the accompanying financial report of Community Mutual Ltd (the company), which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2 (b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

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. Those 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 control. 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 complied with the independence requirements of the *Corporations Act 2001.*

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Auditor's opinion

In our opinion:

(a) the financial report of Community Mutual Ltd is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2013 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*.

(b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (b).

PricewaterhouseCoopers

PricewaterhouseCoopers

Joe Sheeran
Partner

Sydney
30 September 2013

Notes

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