2014 Annual Report

People . Planet . Performance

the community mutual group ®

Community Mutual Ltd.

Annual Report 2014

directors

M.G. Dennis

B.M. Goodall

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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PricewaterhouseCoopers
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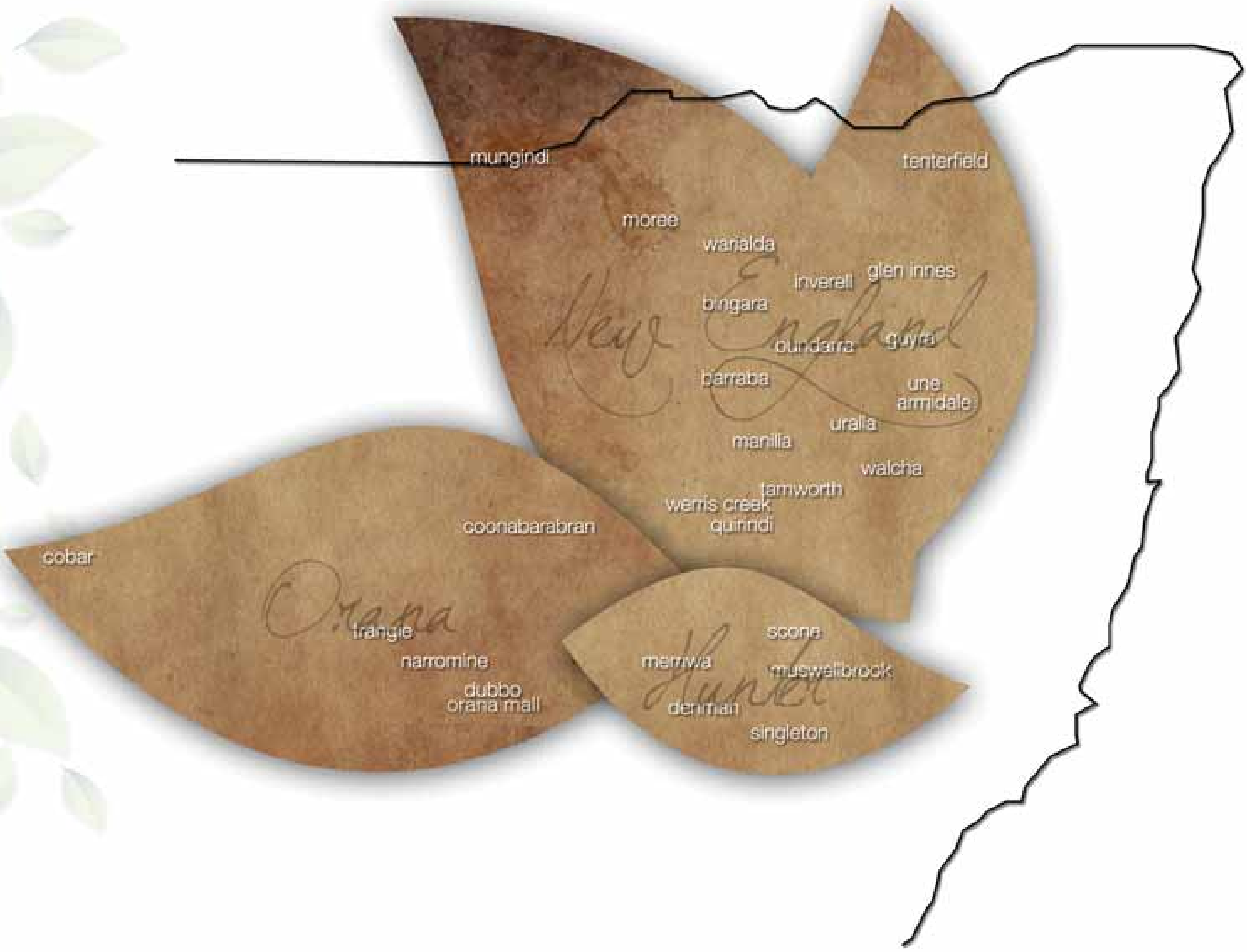
Sydney, NSW, 1171

Table of contents

The cmg branch network

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.



Chairman's report

There was an expectation that consumer confidence would return in 2013-14 under a newly elected federal government. However, the perception of a heavy handed federal budget, high Australian dollar and the mining boom abatement continue to impact consumer sentiment, leaving the economy flat for the time being.

In this somewhat subdued context, it's very satisfying to advise that the performance of Community Mutual Ltd. (CMG) in 2013-14 has been outstanding. During this time our cost to income reduced from 85 per cent down to 80 per cent, while our Return On Assets (ROA) rose to 0.57 per cent compared to 0.42 per cent in 2012-13. I am pleased to report that this movement in ROA has resulted in CMG being one of the best performing mutuals in the country. CMG has achieved 8 months of consecutive balance sheet growth and has managed to achieve strong profitability in a difficult economic environment.

Pleasingly, members continue to appreciate our high levels of service, giving us a 97 per cent satisfaction rating, with 92 per cent rating the overall quality of service as 'very good' or 'excellent'. We set about renewing our offerings to members by launching three new branch offices at Muswellbrook, Singleton and the Orana Mall in Dubbo. The product portfolio continued to evolve and was also bolstered by the introduction of a competitive packaged home loan – the Partnership Advantage. This product represents a more contemporary offering for medium to large borrowers and brings the best of what CMG has to offer into one complete package. It is proving to be a great success with many members benefiting from the tiered interest rate offering, low set up costs, offset facility and discounted insurances.

For a second time we have been recognised as Australia's Socially Responsible Mutual of the Year 2014 by *Money* Magazine. This is a great endorsement for our organisation which actively seeks to become recognised as a leader in corporate social responsibility. To this end, we managed to achieve our 2013 strategic goal of attaining 'Bronze' accreditation in the NSW Government's Sustainability Advantage Program. We are continuing to strive for 'Silver' accreditation by 2015. It is also pleasing to see that CMG's Community Partnership Account program has grown by a further 34 per cent with $370,000 distributed to community organisations across our network last year. In addition, we gave $320,000 through sponsorships and donations and a further $50,000 of seed funding for local infrastructure projects via our online 'inspiration platform' heartofourcommunity.com.au. To date, many inspired community ideas on this site have been made into a reality after receiving support from CMG, including; playgrounds, hall restorations, outdoor fitness trails, pet shelters and even Australia's first GPS Sound Trail.

> *"I am pleased to report that this movement in ROA has resulted in CMG being one of the best performing mutuals in the country."*

Our contribution to community helps nourish a culture within CMG that is rewarding for all staff. This feeling of reward is important to maintain as we seek to increase employee engagement and create a high performance culture moving forward. In doing so, we have invested heavily in new software that will measure employee engagement, and I am pleased to share that our initial results of 63 per cent for staff engagement is well ahead of the industry average and we intend to build on this good base.

As I will be standing down as Chairman at this year's Annual General Meeting in November, I would like to take this opportunity to reflect on my last 19 years with the CMG Board, with the last 10 as Chairman. During this time I have seen this organisation grow from a small but successful operation with less than $60 million in assets, to the present time with over $1 billion in assets and over 63,000 members. I thank members and staff for their support and believe it is now time for me to hand over to a new chair, who I am sure, will continue to support and promote the strong values of CMG, its staff and its members, ensuring its continuing growth and prosperity. My thanks extend to Kevin Dupé and his Executive Management Team, as well as my fellow Board members for their contribution to another fantastic year.

Sincerely,

M.G. Dennis
Chairman

Board of directors

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 R 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 B 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 J 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 M 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 and Risk Committee.

* Mr David R Honner and Mr Graham R Goodman retired from the Board following the Annual General Meeting held on 27 November 2013.

Mr Michael G 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 nineteen years, the last nine as Chairman. Key responsibilities on the Board include Ex Officio member of the Corporate Governance Committee and the Audit and Risk Committee.

Mr Peter G 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 (CUA). Graham runs his own consulting business and has occupied various Board positions over the past 16 years. Key responsibilities include Chair of the Audit and Risk Committee.

Mrs Katherine E James
Board Member since 2008

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 both the Corporate Governance Committee and the Audit and Risk Committee.

Mr Geoffrey M 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 R 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.

Executive management

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 27 years in international IT and information management to the CIO position.

Darren Schaefer – Chief Marketing Officer

Darren brings 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 16 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 includes 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 17 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 – Chief Operating Officer

Michelle brings a well-rounded wealth of knowledge to the Executive Management team. She has over 20 years' experience in the financial sector, 16 of these spent in various management roles within CMG.

David Munday – Chief Governance Officer / Company Secretary

David has over 12 years' experience in the Mutual sector, providing a broad knowledge of company secretarial, governance, risk and compliance processes and practices.

Bill Miller - Chief Member Service Officer

Bill brings 38 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 over 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.

Introduction

Community Mutual is a customer owned banking institution. We exist to ensure the financial well-being of our members and the sustainability of their communities. So it's no surprise that it is both of these needs that drive our business goals. That's why we have adopted a more balanced approach when measuring our business performance. Not only do we maintain a close eye on the financial metrics, we also take into account our relationships and performance with our people (staff and members), our environment, and the communities in which we operate. We do this by championing a strategic process that recognises financial growth as only one measure of success. In recognition that there are newer and greater challenges, we have a more holistic approach to strategy that acknowledges the connectivity of business imperatives, and is one that seeks to create value across a variety of strategic metrics using a balanced scorecard. Under this scorecard, milestone objectives have been set for the following: Member; People; Financial; Process and Corporate Social Responsibility (CSR). All seek to ensure performance is achieved across the organisation, and service and social dividends are delivered for members and their communities.

With the business now geared around the attainment of these performance goals, we actively seek to create a shared value for all connected with our institution. It's our values based banking approach, and for the purposes of communication, our milestones are described under the 'triple bottom line' performance categories of: People, Planet and Performance.

people........................

planet..............................

performance...............

people

Delivering more value to members whilst building a values based performance culture.

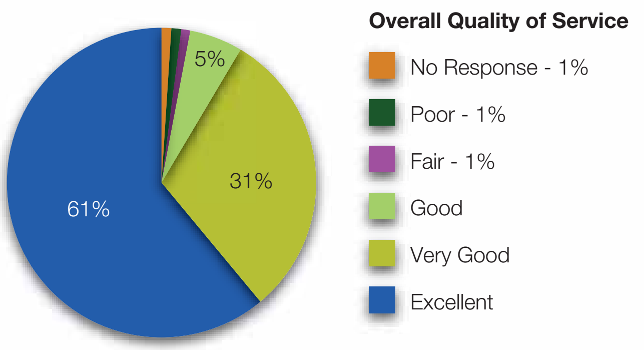
People goals

Member Goal: To deliver more value to members — Result: Achieved

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 by fostering better banking relationships that save them time, effort and money.

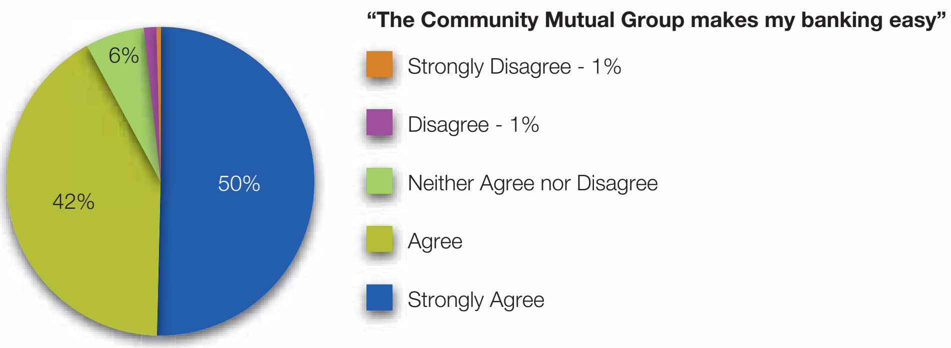
Maintain member satisfaction > 90%

- In the 2013-14 annual member survey, 92% of respondents rated CMG's overall quality of service as 'Very Good' or 'Excellent', with 97% of respondents rating 'Good' or better.



Reduce member effort – Establish baseline with the objective to reduce year on year

- Member effort is a new metric designed to provide feedback about the experience a member has had interacting with CMG. A recurrent (and random) 'member effort' survey question has been automated in Internet Banking and included on the annual member survey. A baseline metric has been now established from over 5,000 responses in 2013-14, and CMG will look to improve on this each year.



Competitive product portfolio

- The introduction of a new packaged home loan product - the 'Partnership Advantage' brings together the best of what CMG has to offer, including: discounts on application fees, discounts on insurance, discounts on credit cards, competitive tiered interest rates and a free appointment with a Financial Planner.

- The existing 'Enviro Loan' has been optimised to feature a more competitive rate and has had its eligibility extended to cover energy saving appliances as well as energy efficient home improvements.

Contemporise Branch Network

- Branch relocations have taken place in Muswellbrook and Singleton, with a second branch now located in Dubbo's Orana Mall. These new look branches provide an enhanced customer experience as they seek to better cater for customer needs via a variety of self-service options. They also seek to facilitate better relationships by being designed with inclusions such as: coffee machines, couches and the elimination of jump screens for a better interaction between staff and customer.

Orana Mutual members Issac Minney and family receive support from CMG staff to assist with young Issac's rare disability.

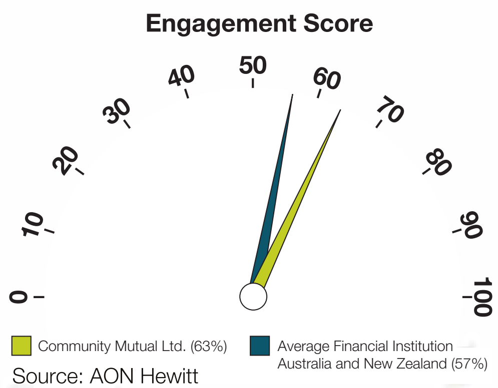
Staff Goal: Build a culture to support organisational strategy — Result: In Progress

At CMG we are working towards high employee engagement, a compelling employer brand, effective leadership and a high performance culture that ultimately translates into a more productive workforce. Importantly, it's critical that this culture aligns to our values of Integrity, Respect and Fairness. We believe that a high performance culture exists when everyone in our organisation shares the same vision. They trust each other and value each other's contribution. We believe it is important to attract and retain talented staff to support our culture and proudly represent the communities we work in.

Employee Engagement = 63%

- This year CMG conducted its first Employee Engagement Survey. The engagement survey measured the level of employee engagement but more importantly, through a detailed statistical analysis, it identified and prioritised factors that drive engagement. Pleasingly the engagement score was 63%, and while there is still room for improvement, it ranks above average for many related Australian and New Zealand financial institutions (57%).

Additionally, the engagement survey also revealed that given the opportunity, 77% of staff would say great things about working at CMG, with 78% not hesitating to recommend our organisation to a friend seeking employment.



Source: AON Hewitt

Volunteer Hours = 16hrs per FTE

- Our staff are encouraged to volunteer their time to support their communities, and celebrate their efforts. Each staff member is entitled to 16 hours of paid volunteer leave per year to make a difference in their communities. It is recorded and reported, and this year collectively our staff donated a total 631 working days of their time to local community initiatives.

Employee Assistance Program

- We are committed to providing a safe and healthy working environment for all employees. In so doing, we recognise that employees may, from time to time, experience problems of a personal or work related nature which impact on their work performance, health or wellbeing. The adoption of an Employee Assistance Program (EAP) serves as an early identification and provision of assistance to help resolve either work-related or personal issues. Matters that may be addressed through the EAP include, but are not limited to, dealing with work or life change; relationship issues; personal trauma; family difficulties; financial concerns; health matters; alcohol or substance abuse; gambling or other addictions; coping or dealing with grief and/or loss.

Work Experience

- CMG's work experience program is an opportunity for students to gain an understanding of the financial services industry by offering a structured learning experience to ensure each student gains the most out of their time spent within CMG. Throughout our network we have supported 8 students this financial year. We continue to support and promote work experience programs throughout the network by attending career expos and school careers days.

CMG staff ride from Inverell to Moree to fundraise for cancer sufferers

planet

Become a leader in Corporate Social Responsibility

Planet goals

Goal: To become a leader in Corporate Social Responsibility — Result: Achieved

CMG maintains a continuing commitment to behaving ethically and contributing to economic development, while protecting the environment and improving the quality of life of our members, staff and community.

Environmental Achievements

- Commissioned a full energy audit of CMG's Head Office, the organisation's largest power consumer.
- Achieved Sustainability Advantage Bronze accreditation from the NSW Government run Sustainability Advantage program.
- Recognised as Australia's Socially Responsible Mutual of the Year for the second year running by *Money* magazine.
- Converted all possible properties to Momentum Energy's Smile Power. Smile Power ensures an equivalent amount of renewable energy is fed directly into the National Energy market by Hydro Tasmania.
- Ensured building construction utilised sustainable and responsible refurbishments for our property. This includes the use of recyclable building products, LED lighting and environmentally friendly construction practices.
- Commenced replacment of inefficient Heating, Ventilation & Air Conditioning (HVAC) units.
- Continued involvement with the Northern Inland Sustainability Business Network (NISBN).
- Landcare NSW benefited from our online statements initiative that saw $1.00 donated for every member that switched from receiving paper based statements, to online statements. Last year, Landcare NSW received $7,300.00 as a result of the program.

The installation of solar panels at Head Office in Armidale will reduce electricity consumption by up to 40%.

2013-2014 Carbon Emissions Report

In the 2013-2014 financial year, we are pleased to announce a significant reduction in carbon emissions. Through a range of different practices, CMG were able to improve their environmental performance and the below tables outline some of these achievements.

2013-2014 Carbon Emissions	
Cause of Emission	Carbon Emissions (tCO2-e)
Road Travel	82.40
Air Travel	72.12
Electricity Consumption	840.14
A3/A4 Paper Purchased	12.93
Waste to Landfill	9.53
TOTAL	1017.12

Compared to previous years, this shows a decrease of 269.23 tonnes of carbon emissions, equating to an 18.20% decrease on the previous year's emissions.

Comparison of Carbon Emissions to Baseline Data (tonnes)			
2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014
1606	1479	1286	1017

A breakdown of the emissions can be seen as follows:

Cause of Emission	2010-2011 (baseline)	2011-2012	2012-2013	2013-2014	NET SAVING %
Paper (KG's)	12500	9995	7531.1936	9772	-29.75
Power (kWh)	1302928	1193729	1209557	954705.4	21.07
Fuel (surface litres)	35040	37027	44309	36005.34	18.74
Fuel (Air KM)	250527	235554	229460.95	201717.99	12.09
Approximate Solid Waste to Landfill (tonnes)	12	12	10.25	9.53	7.06

Pleasing results are showing a decrease in the consumption across all areas except for A3/A4 paper purchased. Whilst the kilograms of paper purchased has increased, we have seen carbon emissions hold steady for this area, due to the sole use of sustainably sourced paper. We estimate 98% of paper purchased for the business is certified to be sourced from renewable forests.

Social Achievements

- Sponsorship and Donations Program: In the last 12 months CMG has fulfilled its commitment to donate no less than 5% of profit to local community groups. In doing so, 400 community organisations benefited from more than $320,000 in sponsorships and donations, including: grass roots sporting, arts, education, employment, environmental, indigenous/cultural, and health related initiatives.
- 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 the CPA has grown by 34% to over $370,000, directly benefiting grass roots community organisations around the region.
- heartofourcommunity.com.au: This community 'inspiration engine' has seen many inspired ideas in the region reach their full potential. Projects that have used the site to garner community support and secure some $50,000 from CMG in seed funding are: Guyra Fitness Trail; Armidale Pet Shelter; Uralla's New England and North West Sound Trails; Armidale's Backtrack Classroom and more recently the restoration of Scone's Old Court Theatre – just to name a few.
- The M.A.D. at Heart Short Film Challenge: a competition that saw entries from schools throughout our region to explore the question: "What could make a difference in your community?" The winning entries received prize money for the producers of the films, as well as the community organisation that featured in the film. Further, winning entries were shown in a gala screening at the North West Film Festival.

Engaging suppliers

- CMG is working with key partners and service providers to find ways in which we can collaborate for the benefit of our communities. Examples achieved over the last 12 months include partnering with TAS Managed Services (TAS) to donate computing equipment to the local Oncology Unit at Armidale Hospital and also to the Coonabarabran 'Drop-in Centre'.

A global influence

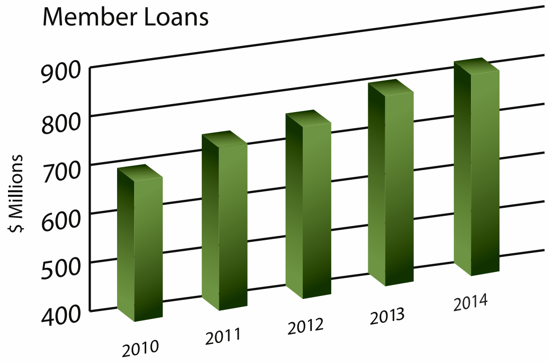
- In February 2014, CEO Kevin Dupé was instrumental in bringing two representatives from Bhutan to Australia to assist them in their endeavours to establish a cooperative banking model for their subsistence farming sector. At present Bhutan, the country best known for its endearing "Gross National Happiness" index, has only five banks. CMG hosted the first week of workshops at its head office in Armidale. This led to many direct outcomes, such as working towards setting up 'champion' credit cooperatives in the country to cater for those most in need of subsistence finance.

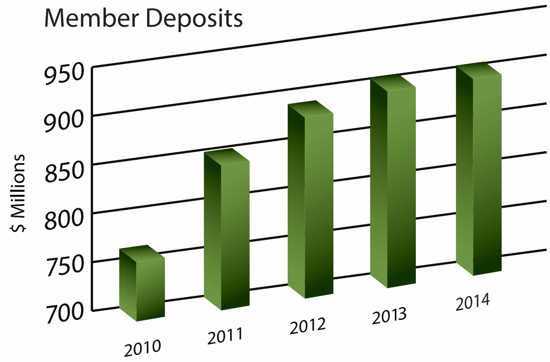

CEO Kevin Dupé conversing with Bhutanese delegates Mr Dorji Dhradhul, Ms Sonam Wangmo and UNE's Ms Gabrielle Rolan.

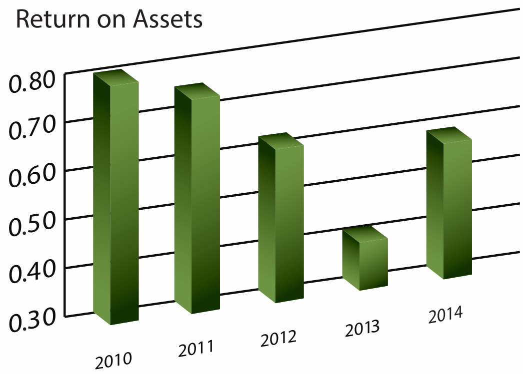
performance

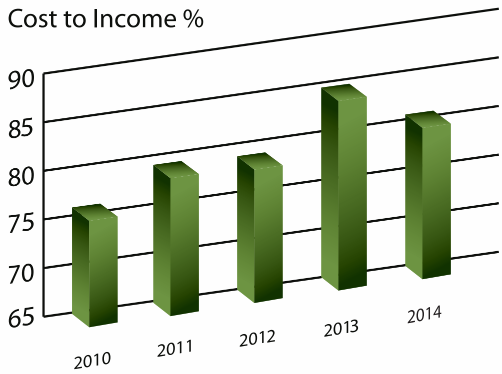
Be financially sustainable allowing delivery of greater value to members into the future.

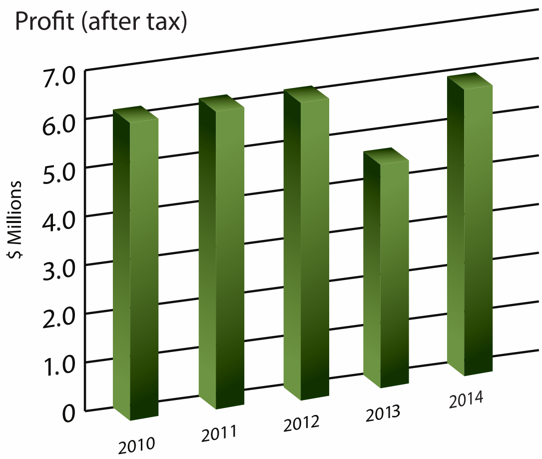
Goal: Be financially sustainable allowing delivery of greater value to members into the future.
Result: Achieved

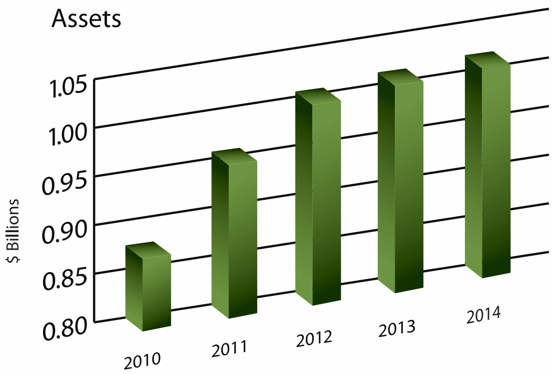












Goal: Create and embed processes that enable low effort for all users **Result: In Progress**

At CMG, we have a strategic commitment to ensure that we create and embed work process initiatives that ensure a minimal amount of effort for both staff and members. In 2013, CMG embarked on a project that would serve to improve our ability to respond to members by:

i. speeding up the process for authenticating applicants for credit approval online;
ii. streamlining of loan processing to ensure a responsive turnaround time for applicants; and
iii. enhance capability in producing, distributing and storing member documentation so as to reduce duplication costs and improve member relationships.

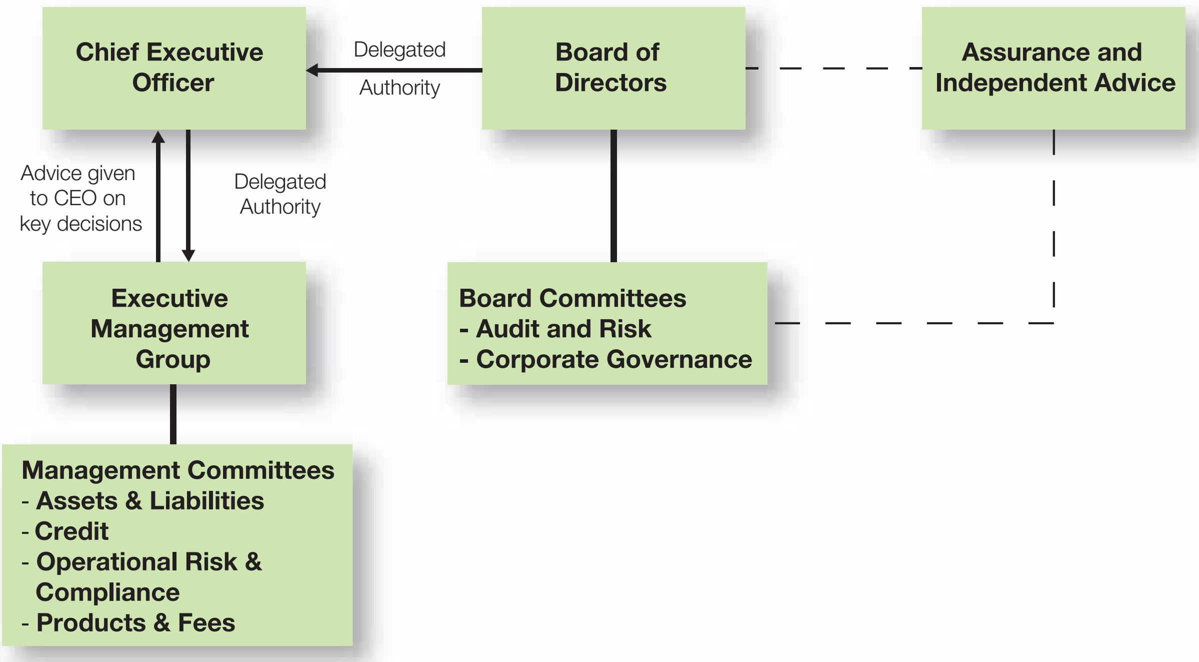
Approach to Corporate Governance

The Board of Community Mutual Ltd (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. This enables CMG to operate, in an effective manner, prudent risk taking functions that are core to our business.

The Board, and every employee, have a responsibility for upholding CMG's 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 guidelines and foundations of good corporate governance by which CMG operates are set out by the Australian Prudential Regulation Authority (APRA) and the Australian Securities Investment Commission (ASIC). Guidelines such as the "ASX Corporate Governance Principles and Recommendations" also assist with shaping our practices to ensure a fit for purpose approach is followed.

CMG's corporate governance framework is outlined below.



Solid Foundations for Management and Oversight

The Board is the governing body of CMG. It is the responsibility of the Board to ensure that the foundations for management and oversight are established and operating effectively.

Role of the Board

CMG's Constitution outlines the powers of the Board. The Board's role and responsibilities are set out in the Board Corporate Governance Policy. In adopting the corporate governance framework, the Board has a range of policies which detail specific role and responsibilities, delegations, operation and performance of the Board.

The role and responsibilities of the Board include:
- establishing with management and approving the strategic direction and major initiatives to ensure the continued growth and success of the business;
- monitoring financial performance and maintaining a direct and ongoing dialogue with CMG's auditors;
- overseeing the development of the risk management framework including defining, setting, monitoring and reviewing CMG's risk appetite and risk management strategy;
- monitoring compliance with regulatory and statutory requirements and the implementation of associated policies;
- establishing and monitoring CMG's values, culture, reputation and ethical standards;
- overseeing the development of the corporate governance framework; and
- appointing and reviewing the performance of the Chief Executive Officer (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.

Appropriate checks are undertaken before appointing a director. These checks are ongoing throughout their term. The duties of Directors are clearly articulated to ensure a clear and transparent expectation of their role. The Board carries out the legal duties of its role in accordance with the values of Integrity, Respect, and Fairness.

Meetings of the Board are held regularly, with Board committees meeting as often as required to carry out their respective functions. The Chief Executive Officer, Chief Financial Officer, Chief Risk 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 CEO. The scope of this delegated authority is clearly documented to ensure effective oversight with appropriate empowerment and accountability.

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. A review was undertaken in the 2013 / 2014 financial year.

The CEO has in place a structured process which periodically evaluates the performance of each individual Executive Manager. These performance reviews were undertaken throughout the 2013 / 2014 financial year.

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 nine Directors throughout the 2013/14 financial year up until November 27, where at the Annual General Meeting the Board size was reduced to seven Directors. Details of the Directors' experience and qualifications are 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 below.

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 Katherine E James	Member	Member
Dr Alison J Sheridan		Member & Chair
Mr Peter G Olrich	Member & Chair	

* Mr David R Honner and Mr Graham R Goodman retired from the Board following the Annual General Meeting held on 27 November 2013.

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. These terms of reference are reviewed by the respective committee and Board every twelve months to ensure they remain relevant to discharge the respective committee duties.

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 and Risk Committee

The Audit and Risk Committee assist the Board in fulfilling its statutory and fiduciary duties. The committee provides an objective review of the reporting of financial information and the internal control environment and oversees the risk management framework.

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.

PricewaterhouseCoopers (PwC) was appointed as the external auditor of CMG at the 2009 AGM. Throughout the current financial year the Board decided that the external audit of CMG should be put to tender prior to committing to a further three year term with PwC. The Audit & Risk Committee, on behalf of the Board, has undertaken an extensive review of external audit firms and has recommended to the Board that KPMG be appointed to replace PwC from the 2014 AGM.

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 CEO;
- 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 CEO 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. Throughout the financial year all current Directors have been assessed as being independent.

Access to Independent Information and Advice

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. All Directors have unrestricted access to records and information of CMG to assist with discharging their fiduciary duty.

Acting Ethically and Responsibly

The Board, CEO, 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 are required to disclose to the Board any material contract in which they may have an interest.

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 CEO. The CEO 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. They are designed to accelerate decision-making and to improve efficiency in member service and experience.

The Executive Management 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 2013/2014 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' interest by knowing the true financial position of CMG.

Recognise and Manage Risk

The CMG Board has responsibility for overseeing the establishment and ongoing monitoring of risk management systems and frameworks and for setting CMG's risk appetite and overseeing risks inherent in CMG's business. The Board has delegated to the CEO the responsibility for implementing a system of internal controls to identify and manage these risks.

Each Executive Manager is accountable to the CEO, through the signing of declarations, that the systems of risk management and internal controls under their respective business areas operate effectively to manage the risks CMG poses in its business operations.

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

Directors Report

Your Directors present their report together with the consolidated financial statements of Community Mutual Ltd ("CMG") for the financial year ended 30 June 2014 and the auditor's report thereon.

CMG is a public company registered under the *Corporations Act 2001* (Cth).

Information on Directors

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

Name	Qualifications	Position	Experience and Special Responsibilities
Mr Michael G Dennis	BLegs (Macquarie)	Non-Executive Chairman	• Director since 1995 • Chairman since 2006 • Ex-officio Member Audit & Risk Committee • Ex-officio Member Corporate Governance Committee
Dr Alison J Sheridan	BAgEc (Hons) (Syd), PhD (UNE), GAICD	Non-Executive Director	• Director since 2003 • Member & Chair of the Corporate Governance Committee
Mr Peter G Olrich	Dip FS, Dip FS (Credit Union Directorship),FAICD, FAMI	Non-Executive Director	• Director since 2011 • Member & Chair of the Audit & Risk Committee
Mr John B O'Connor	LGE, Grad Dip Mgmt & Bus Admin	Non-Executive Director	• Director since 1974 • Member of the Corporate Governance Committee
Mr David R Honner Retired as Director 27/11/13	JP, PNA, FAMI, GAICD	Non-Executive Director	• Director since 1995 Member of the Corporate Governance Committee
Mr Brian M Goodall	B.Ec LLB, GAICD	Non-Executive Director	• Director since 1997 • Member of the Audit & Risk Committee
Mr Graham R Goodman Retired as Director 27/11/13	BA (Economics) (UNE), FAMI	Non-Executive Director	• Director since 1997 • Member of the Audit & Risk Committee
Mrs Katherine E James	BRurSci (UNE), GAICD	Non-Executive Director	• Director since 2008 • Member of the Corporate Governance Committee • Member of the Audit & Risk Committee
Mr Geoffrey M Thompson	BFin Admin, FCA	Non-Executive Director	• Director since 2008 • Member of the Audit & Risk Committee

Information on Company Secretary

The Company Secretary is Mr David L Munday, BComm (UNE), Grad Dip Applied Corporate Governance (GIA Syd), GAICD, AGIA. Mr Munday is currently the Chief Governance Officer and was appointed to the position of Company Secretary in 2004.

Information on Board Meetings

	Board		Corporate Governance		Audit & Risk	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr Michael G Dennis	9	9	4	4	4	4
Dr Alison J Sheridan	9	8	4	4	-	-
Mr Peter G Olrich	9	9	-	-	4	4
Mr John B O'Connor	9	8	4	4	-	-
Mr Brian M Goodall	9	8	-	-	4	3
Mrs Katherine E James	9	8	4	4	1	1
Mr Geoffrey M Thompson	9	8	-	-	4	4
Mr Graham R Goodman	5	0	-	-	2	0
Mr David R Honner	5	5	2	2	-	-

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 41 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 $7,932,000 (2013: $6,031,000) representing a good result in a difficult year.

Dividend on Tier 1 Shares

Dividends paid during the year on permanent preference shares was $3.97 (2013: $4.38) per share amounting to a total dividend of $580,306 (2013: $639,000).

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 Group;

(ii) the results of those operations; or

(iii) the state of affairs of the Group.

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* (Cth). 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	32,000
Total	32,000

Auditor's Independence Declaration

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

Public Prudential Disclosures

As an Approved Deposit taking institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA), the Group is required to publicly disclose certain information in respect of:

Consolidated equity and regulatory capital;
Risk exposure and assessment, and
Remuneration disclosures

The disclosures are to be found on the company's website http://www.communitymutual.com.au/prudentialinformation.html.

The report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

M G Dennis
Director
26 September 2014

P G Olrich
Director
26 September 2014

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Community Mutual Ltd for the year ended 30 June 2014, 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 and the entities it controlled during the period.

Joe Sheeran
Partner
PricewaterhouseCoopers

Sydney
26 September 2014

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2014

	Notes	Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
Interest income	5	58,778	57,940	64,875
Interest expense	6	(25,096)	(25,096)	(30,979)
Net interest income		**33,682**	**32,844**	**33,896**
Non-interest income	7	6,836	7,655	6,269
Net operating income		**40,518**	**40,499**	**40,165**
Impairment loss on loans and advances	8a	(1,194)	(1,194)	(968)
Employee benefits expense	8b	(16,738)	(16,738)	(17,607)
Occupancy expense	8c	(2,969)	(2,969)	(2,899)
Depreciation and amortisation expense	8d	(1,678)	(1,678)	(1,720)
Information technology and communication expense	8e	(3,432)	(3,432)	(4,054)
Other operating expenses	8f	(6,575)	(6,556)	(6,886)
Total operating expenses		(32,586)	(32,567)	(34,134)
Profit before income tax		**7,932**	**7,932**	**6,031**
Income tax expense	9	(2,119)	(2,119)	(2,062)
Net profit after tax attributable to members		**5,813**	**5,813**	**3,969**
Other comprehensive income				
Revaluation reserve	31	-	-	289
Other comprehensive income for the year net of tax		**-**	**-**	**289**
Total comprehensive income for the year		**5,813**	**5,813**	**4,258**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Notes	Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
ASSETS				
Cash and cash equivalents	11	88,590	83,127	100,311
Due from other financial institutions	12	6,000	6,000	9,990
Trade and other receivables	13	6,002	10,710	9,271
Loans and advances to members	14	819,240	864,185	788,798
Financial Assets - available-for-sale	16	314	314	314
Financial Assets - held-to-maturity	16	98,600	98,600	106,578
Property, plant and equipment	17	6,794	6,794	7,280
Intangible assets	18	431	431	514
Deferred tax assets	19	1,826	1,826	1,384
Loss reserve loan	20	1,460	1,460	1,460
Total Assets		**1,029,257**	**1,073,447**	**1,025,900**
LIABILITIES				
Deposits	21	900,154	900,154	900,481
Trade and other payables	22	19,904	20,428	21,076
Current tax liabilities	23	1,062	1,062	1,250
Deferred tax liabilities	24	-	-	-
Provisions	25	2,848	2,848	2,749
Lease Liabilities	26	364	364	517
Other Borrowings	27	-	43,666	-
Subordinated debt	28	3,945	3,945	3,928
Total Liabilities		**928,277**	**972,467**	**930,001**
Net Assets		**100,980**	**100,980**	**95,899**
EQUITY				
Preference shares	29	14,527	14,527	14,491
Redeemable member shares	30	630	630	572
Reserves	31	824	824	1,021
Retained earnings	32	76,548	76,548	71,354
Contributed Equity	33	8,451	8,451	8,461
Total Equity		**100,980**	**100,980**	**95,899**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 30 June 2014

Parent

	Contributed Equity $'000	Preference Shares $'000	Member Shares $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 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

	Contributed Equity $'000	Preference Shares $'000	Member Shares $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2013	**8,461**	**14,491**	**572**	**1,021**	**71,354**	**95,899**
Total Net profit after tax attributable to members	-	-	-	-	5,813	**5,813**
Amortisation of preference share discount	-	36	-	-	-	**36**
Transfer to capital account on redemption of shares	-	-	58	-	(58)	**-**
Asset Revaluation	-	-	-	(197)	-	**(197)**
Adjustment for prior year errors	(10)	-	-	-	19	**9**
Transactions with preference shareholders	-	-	-	-	(580)	**(580)**
Balance at 30 June 2014	**8,451**	**14,527**	**630**	**824**	**76,548**	**100,980**

Consolidated

	Contributed Equity $'000	Preference Shares $'000	Member Shares $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 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

	Contributed Equity $'000	Preference Shares $'000	Member Shares $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2013	**8,461**	**14,491**	**572**	**1,021**	**71,354**	**95,899**
Total Net profit after tax attributable to members	-	-	-	-	5,813	**5,813**
Amortisation of preference share discount	-	36	-	-	-	**36**
Transfer to capital account on redemption of shares		-	58	-	(58)	**-**
Asset Revaluation	-	-	-	(197)	-	**(197)**
Adjustment for prior year errors	(10)	-	-	-	19	**9**
Transactions with preference shareholders	-	-	-	-	(580)	**(580)**
Balance at 30 June 2014	**8,451**	**14,527**	**630**	**824**	**76,548**	**100,980**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2014

	Notes	Consolidated 2014	Parent 2014	Parent 2013
CASH FLOW FROM OPERATING ACTIVITIES		**$'000**	**$'000**	**$'000**
Interest received		59,180	58,342	65,350
Dividends received		37	37	37
Fees and commissions received		9,086	4,377	5,986
Other income		115	934	246
Interest paid		(26,115)	(26,116)	(31,900)
Payments to suppliers and employees		(31,330)	(30,786)	(28,116)
Income taxes paid		(2,119)	(2,119)	(2,292)
(Increase)/Decrease in operating assets				
Net increase in member loans		(30,442)	(75,387)	(23,706)
Increase/(Decrease) in operating liabilities				
Net increase in member deposits		(327)	(327)	17,202
Net increase in borrowings (securitisation)		-	43,666	
Net cash provided (used) by operating activities	**35(c)**	**(21,915)**	**(27,379)**	**2,807**
CASH FLOW FROM INVESTING ACTIVITIES				
Payments for held-to-maturity financial assets and other Financial Institutions		12,270	12,270	3,838
Proceeds from sale of property, plant and equipment		878	878	34
Payments for property, plant and equipment		(1,928)	(1,928)	(2,111)
Purchase of intangible assets		(211)	(211)	(426)
Net cash (used in) investing activities		**11,009**	**11,009**	**1,335**
CASH FLOW FROM FINANCING ACTIVITIES				
Repayments and interest on finance leases		(252)	(252)	(249)
Net proceeds of subordinated debt issue		17	17	(4,442)
Proceeds on assignment of loans to intercompany securitisation trust		-	-	-
Purchase of securities from intercompany securitisation trust		-	-	-
Dividends paid		(580)	(580)	(639)
Net cash (used in) financing activities		**(815)**	**(815)**	**(5,330)**
Total net increase in cash held		(11,721)	(17,185)	(1,188)
Cash at the beginning of year		100,311	100,311	101,499
Cash and cash equivalents at the end of year	**11**	**88,590**	**83,127**	**100,311**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 CORPORATE INFORMATION

The financial statements of Community Mutual Ltd ("CMG") for the year ended 30 June 2014 was authorised for issuance in accordance with a resolution of the Directors on 26 September 2014.

Community Mutual Ltd ("CMG" or the "Company") is a company domiciled in Australia.

The consolidated financial statements as at and for the year ended 30 June 2014 comprise the Community Mutual Ltd ("CMG") and the CMG Funding Trust No.1 ("the Trust"), a Special Purpose Vehicle deemed under the Accounting Standards to be controlled by the Company for the year ended 30 June 2014 (together referred to as the "Group"). The Group is a for-profit entity and primarily is involved in the provision of financial products, services and associated activities to Members. 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 consolidated financial statements of the Group are general purpose financial statements which have 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 statements have 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.

The Group 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 statements comply 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) Basis of Consolidation

The consolidated financial statements include those of CMG and a Special Purpose Vehicle (CMG Funding Trust No. 1, the securitisation trust) which relates to the issuance of residential mortgage-backed securities (RMBS). RMBS are issued by the securitisation trust and held by CMG for entering into potential repurchase agreement with the Reserve Bank of Australia for short term funding requirements. The securitisation trust is consolidated, as CMG has the power to govern the financial and operating policies so as to obtain benefits from its activities. The securitisation trust's underlying assets, liabilities, revenues, expenses and cash flows are reported in the Group's Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows. All inter-company transactions and balances have been eliminated on consolidation including any unrealised profit.

As the securitisation trust was established during the year, the comparative financial statements represent the results of CMG only.

(d) 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 Dupé, Chief Executive Officer of CMG.

As Internal reporting to the Chief Executive Officer is on a 'whole of business' basis, CMG considers there to be one reportable segment.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income

(i) 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(f) 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.

(g) 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 transfer to CMG substantially all the risks and benefits incidental to ownership of the leased item, these 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)

(h) 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.

(i) Contributed Equity

Contributed Equity reflects the addition to equity arising from the application of AASB 3 para B47 for business combinations undertaken by the Group. 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.

(j) 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.

(k) 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.

(l) 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Trade and other receivables

Trade and other receivables include amounts owed to the Group 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.

(n) 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.

(o) Renegotiated loans

Where possible, the Group 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.

(p) Investments and other financial assets

Investments and financial assets are categorised as either financial assets at fair value, 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 the Group 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 revenue. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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 the Group 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;
- the Group 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) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 the Group'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 the Group could be required to repay.

The Group 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 2014 is $2,268,720 (2013: $3,397,544).

(q) 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 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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Property, plant and equipment (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 to 40 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

(r) 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

(s) Impairment of assets

The Group 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, the Group 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) 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.

(u) 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.

(v) Subordinated debt

All subordinated debts are initially recognised at fair value, net of transaction costs incurred. Subordinated debts are 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.

(w) Provisions

Provisions are recognised when the Group 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.

(x) Provision for Employee benefits

Liabilities for wages and salaries and annual leave are 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 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 the Group to an employee’s superannuation fund and are charged to the Statement of Comprehensive Income as incurred.

(y) Goods and services tax (GST)

As a financial institution the Group 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. CMG's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect the Group'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. At present this will not have a significant impact on the Group's accounting on the balance of available for sale financial assets which is held at cost.

(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 they 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 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.

(iii) AASB 136 - Recoverable amount disclosures for non-financial assets and AASB 2013-3 Amendments to Australian Accounting Standards arising from AASB 136 (effective 1 January 2014)

This Standard amends the disclosure requirements in AASB 136. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique. The intention of this amendment is to harmonise the disclosure requirements for fair value less costs of disposal and value in use when present value techniques are used to measure the recoverable amount of impaired assets.

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:

	Consolidated	Parent	
	2014 $'000	2014 $'000	2013 $'000
Financial Assets			
Cash and cash equivalents	88,590	83,127	100,311
Due from other financial institutions	6,000	6,000	9,990
Trade and other receivables	6,002	10,710	9,271
Loans and advances to members	819,240	864,185	788,798
Financial Assets - available-for-sale	314	314	314
Financial Assets - held-to-maturity	98,600	98,600	106,578
Loss reserve loan	1,460	1,460	1,460
	1,020,206	1,064,396	1,016,722
Financial Liabilities			
Deposits	900,154	900,154	900,481
Trade and other payables	19,904	20,428	21,076
Lease Liabilities	364	364	517
Subordinated debt	3,945	3,945	3,928
	924,367	924,891	926,002

(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 the Group'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.

NOTE 3 FINANCIAL RISK MANAGEMENT (Continued)

	Consolidated	Parent	
	2014 $'000	2014 $'000	2013 $'000
(a) Interest Rate Risk (continued)			
VaR exposure at 30 June 2014	978	978	980
Average monthly VaR exposure	1,013	1,013	786
Maximum monthly VaR exposure	1,163	1,163	980
Minimum monthly VaR exposure	860	860	649

(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 in previous years.

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 year end.

1% shift upwards	(2,742)	(2,742)	(1,595)
1% shift downwards	2,742	2,742	1,595

(iii) Prepayment Risk

Prepayment risk is the risk that the Group will incur a financial loss because its members and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages. The Group is not exposed to significant prepayment risk given that its fixed rate portfolio is 19.49% (2013: 15.48%) of its total loan portfolio.

(b) Credit Risk

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

The Group 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 the Group 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

Credit risk exposures relating to on balance sheet assets:			
Cash and cash equivalents	88,590	83,127	100,311
Due from other financial institutions	6,000	6,000	9,990
Trade receivables	6,002	10,710	9,271
Loans and advances to members	821,208	821,208	790,487
Financial assets - available-for-sale	314	314	314
Financial assets - held-to-maturity	98,600	98,600	106,578
Loss reserve loan	1,460	1,460	1,460
Total on balance sheet	1,022,174	1,021,419	1,018,411
Credit risk exposures relating to off balance sheet assets:			
Guarantees	732	732	726
Undrawn loan commitments	35,999	35,999	43,321
Total off balance sheet	36,731	36,731	44,047
Total on and off balance sheet	1,058,905	1,058,150	1,062,458

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 $219,150 of real estate and other assets through the enforcement of security. As at period-end, the market value of assets owned by CMG was $200,000. 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.

NOTE 3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (continued)

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

Parent and Consolidated

30 June 2014	1 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	More than 91 days $'000	**Total 2014 $'000**
Loans and advances to members					
Personal Loans	1,864	610	352	-	2,826
Mortgage Loans	10,074	3,059	850	-	13,983
Commercial Loans	1,246	783	84	-	2,113
Revolving Credit	361	10	1	-	372
Total	**13,545**	**4,462**	**1,287**	**-**	**19,294**

Parent and Consolidated

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**

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

Parent and Consolidated	**2014**			**2013**		
	Gross Impaired Assets	**Individually Assessed Provisions**	**Net Impaired Assets**	Gross Impaired Assets	Individually Assessed Provisions	Net Impaired Assets
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Loans and advances to members	3,487	350	3,137	5,200	471	4,729
Financial assets individually assessed as impaired	**3,487**	**350**	**3,137**	**5,200**	**471**	**4,729**

(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):

	Consolidated	**Parent**	
	2014 $'000	**2014 $'000**	**2013 $'000**
AAA	3,000	3,000	3,000
AA	34,847	29,384	28,399
A	56,445	56,445	79,641
BBB	61,208	61,208	60,187
Unrated	37,690	37,690	45,652
	193,190	187,727	216,879

NOTE 3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (continued)

The portfolio composition of loans and advances to membersfor the consolidated group are as follows:

	Housing $'000	Commercial $'000	Personal $'000	Total $'000
Loans	640,124	82,685	71,996	**794,806**
Revolving Credit and Overdrafts	6,310	8,606	11,486	**26,402**
Total Balances	**646,434**	**91,291**	**83,482**	**821,208**
Percentage of portfolio	**78.7%**	**11.1%**	**10.2%**	**100.0%**
Maximum percentage under policy	**100.0%**	**17.0%**	**30.0%**	**-**

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

(c) Liquidity Risk

Liquidity risk is the risk that the Group 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.

The Group maintains a portfolio of high quality liquid assets that can be easily liquidated in the event of an unforeseen interruption to cash flow. The Group 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 the Group. 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 the Group's liquidity ratio falling below minimum regulatory limits the Board has determined a target liquidity ratio of 13%. In the event that the Group'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:

	2014 %	2013 %
30 June	14.51	14.88
Average during the period	14.69	14.61
Highest	15.87	16.06
Lowest	13.84	13.48

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, and

(b) based on the remaining period to the expected settlement date.

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

Consolidated

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 2014	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
Deposits	465,755	240,936	152,215	41,248	-	-	**900,154**
Trade and other payables	-	19,904	-	-	-	-	**19,904**
Lease Liability	-	56	110	198	-	-	**364**
Subordinated debt	-	-	-	-	4,000	-	**4,000**
Total financial liabilities	**465,755**	**260,896**	**152,325**	**41,446**	**4,000**	**-**	**924,422**
Contingent liabilities	732	-	-	-	-	-	**732**
Commitments	31,380	4,619	1,443	3,579	109	-	**41,130**
Total other liabilities	**32,112**	**4,619**	**1,443**	**3,579**	**109**	**-**	**41,862**

Parent

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**

(d) Fair Value Measurements

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

AASB 7 Financial Instruments: Disclosures, 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 2014. 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 that cost is not representative of fair value. These assets are categorised as level 3 within the fair value hierarchy 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. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group 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.

The Group manages these risks on a daily basis through the operational responsibilities of Executive and Senior management and the functioning of the Operational Risk & Compliance Committee (ORCC) under policies approved by the Board after recommendation from the Audit & Risk Committee covering specific areas, such as outsourcing risk, fraud risk and business continuity risk.

(f) Capital Management

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

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

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

Although the Group actively monitors and manages its risk exposure in each of these areas, the Group 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 the Group will maintain, based on the outcomes of its annual capital planning processes, an ‘internal minimum’ target capital ratio (TCR) of 14%.

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.

	Consolidated	Parent
	2014 $'000	2013 $'000
Common Equity Tier 1 Capital	80,900	75,994
Additional Tier 1 Capital	8,906	10,202
Tier 2 Capital	7,258	7,460
Total Capital	**97,064**	**93,656**
Risk Weighted Assets	560,414	560,322
Risk-based Capital Ratio	**17.32%**	**16.71%**

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 the Group'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

The Group 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.

(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

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group 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 (x), 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

The Group reviews any doubtful 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, the Group 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.

NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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 is recognised for each branch where applicable, and reviewed periodically 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 (x), 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 statements are reasonable. Actual results in the future may differ from those reported.

		Consolidated	Parent	
		2014	2014	2013
		$'000	$'000	$'000
NOTE 5	**INTEREST INCOME**			
	Cash and cash equivalents	1,326	1,276	1,197
	Due from other financial institutions	5,581	5,581	8,225
	Loans and advances to members	51,646	49,201	55,231
	Interest income accrued on impaired financial assets	207	207	156
	Other interest income	18	18	66
	Interest income on notes receivable from securitisation trust	-	1,657	-
	Total interest income	**58,778**	**57,940**	**64,875**
NOTE 6	**INTEREST EXPENSE**			
	Deposits	24,688	24,688	30,531
	Lease Liabilities	54	54	35
	Subordinated debt	354	354	413
	Total interest expense	**25,096**	**25,096**	**30,979**
NOTE 7	**NON-INTEREST INCOME**			
	Loan fees	1,233	1,233	1,006
	Transaction fees	3,365	3,365	3,247
	Insurance commissions	992	992	847
	Other commissions	767	767	886
	Bad debts recovered	189	189	72
	Gain on sale of property, plant & equipment	-	-	1
	Rental income	73	73	-
	Dividend income	37	37	37
	Insurance profit share	-	-	2
	Other non-interest income	180	999	171
	Total non-interest income	**6,836**	**7,655**	**6,269**

		Consolidated	Parent	
		2014	2014	2013
		$'000	$'000	$'000
NOTE 8	**OPERATING EXPENSES**			
(a)	*Bad and doubtful debts*			
	Change in provision for impairment of loans & advances	279	279	(20)
	Bad debts written off directly	915	915	988
		1,194	**1,194**	**968**
(b)	*Employee benefits expense*			
	Salaries and wages	13,327	13,327	14,148
	Superannuation expense	1,180	1,180	1,175
	Other employee benefits expense	2,231	2,231	2,284
		16,738	**16,738**	**17,607**
(c)	*Office occupancy expense*			
	Rental expense on operating leases	1,771	1,771	1,750
	Other office occupancy costs	1,198	1,198	1,149
		2,969	**2,969**	**2,899**
(d)	*Depreciation and amortisation expense*			
	Depreciation of buildings and plant & equipment	1,334	1,334	1,312
	Amortisation of intangible assets	292	292	360
	Amortisation of debt raising facility	52	52	48
		1,678	**1,678**	**1,720**
(e)	*Information technology and communications expense*			
	Hardware and software maintenance	1,308	1,308	1,236
	Communications expense	1,205	1,205	978
	Other information technology expense	919	919	1,840
		3,432	**3,432**	**4,054**
(f)	*Other expenses*			
	Marketing and promotional expenses	1,404	1,404	1,725
	Board and committee expenses	353	353	399
	Membership protection and benefits	621	621	723
	Member transaction costs	2,659	2,659	1,942
	Loan administration costs	80	80	82
	General administrative expenses	855	836	1,748
	Loss on sale of assets	16	16	-
	Motor vehicle expenses	159	159	160
	Other operating expenses	428	428	107
		6,575	**6,556**	**6,886**
	Total operating expenses	**32,586**	**32,567**	**34,134**
NOTE 9	**INCOME TAX**			
(a)	*Income tax expense*			
	Current tax charge	2,560	2,560	1,895
	Deferred Tax	(441)	(441)	163
	Adjustment in respect of current income tax of previous years	-	-	4
		2,119	**2,119**	**2,062**
	Deferred income tax (revenue) expense included in the income tax expense:			
	Decrease (increase) in deferred tax assets	(411)	(411)	366
	(Decrease) increase in deferred tax liabilities	(30)	(30)	(203)
		(441)	(441)	163
(b)	*Numerical reconciliation of income tax expense to prima facie tax payable:*			
	Profit from continuing operations before income tax expense	7,932	7,932	6,031
	Prima facie tax calculated at 30% payable on the profit (2013: 30%)	2,380	2,380	1,809
	Add tax effect of:			
	Imputation credits	(11)	(11)	(11)
	Sundry items	(250)	(250)	264
	Income tax attributable to profit	**2,119**	**2,119**	**2,062**

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:

			Consolidated	Parent	
			2014	2014	2013
			$'000	$'000	$'000
30/09/2013	102.51	cents (2013 : 114.42)	150	150	167
31/12/2013	98.57	cents (2013 : 112.22)	143	143	164
31/03/2014	97.18	cents (2013 : 104.65)	142	142	153
30/06/2014	99.21	cents (2013 : 106.36)	145	145	155
Total dividends paid			**580**	**580**	**639**

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 an average margin of 2.69% 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 the Group for the 12 month period ending 30 June 2014.

The payment of a dividend is also subject to the Group having profits available for the payment of a dividend as required by the *Corporations Act 2001* 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% (2013: 30%).

(c) Balance of franking account at year-end adjusted

The amount of franking credits available for the subsequent financial year are:

	Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
Franking account balance as at the end of the financial year at 30% (2013: 30%)	27,560	27,560	25,526
Franking credits that will arise from payment of income tax payable as at the end of the financial year	2,704	2,704	2,292
Franking credits that will arise from receipt of dividends recognised as receivables as at the end of the financial year	16	16	16
Franking debits that will arise from payment of dividends as at the end of the financial year	(249)	(249)	(274)
Franking account balance for future reporting periods	**30,031**	**30,031**	**27,560**

NOTE 11 CASH AND CASH EQUIVALENTS

	Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
Cash on hand	13,300	7,837	6,246
Short term deposits	75,290	75,290	94,065
Total cash and cash equivalents	**88,590**	**83,127**	**100,311**

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

	Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
Deposits with authorised deposit-taking institutions	**6,000**	**6,000**	**9,990**
Maturity analysis			
Longer than 3 months and not longer than 6 months	4,000	4,000	9,990
Longer than 6 months	2,000	2,000	-
	6,000	**6,000**	**9,990**

NOTE 13 TRADE AND OTHER RECEIVABLES

	Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
Interest receivable (incl loss reserve loan)	551	551	953
Sundry debtors and settlement accounts	5,268	5,268	8,039
Intercompany receivable from securitisation trust	-	4,708	-
Prepayments	183	183	279
Total trade and other receivables	**6,002**	**10,710**	**9,271**

There were no receivables past due at balance date.

With the exception of the intercompany receivable from the securitisation trust, the majority of trade and other receivables are collectable within 12 months.

NOTE 14 LOANS AND ADVANCES

	Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
Loans and advances			
Personal Loans	71,996	71,996	68,671
Mortgage Loans	640,125	640,125	605,878
Commercial Loans	82,685	82,685	85,816
Revolving Credit	26,402	26,402	30,122
Total loans and advances	**821,208**	**821,208**	**790,487**
Notes receivable from securitisation trust	-	44,945	-
Provision for impairment Consolidated and Parent			
Personal Loans	(619)	(619)	(610)
Mortgage Loans	(1,089)	(1,089)	(413)
Commercial Loans	(182)	(182)	(613)
Revolving Credit	(78)	(78)	(53)
Total provision for impairment	**(1,968)**	**(1,968)**	**(1,689)**
Net loans and advances	**819,240**	**864,185**	**788,798**

(a) **Provision for impairments on loans and advances to members**

Parent and Consolidated

	Personal Loans 2014 $'000	Mortgage Loans 2014 $'000	Commercial Loans 2014 $'000	Revolving Credit 2014 $'000	**Total $'000**
At 1 July 2013	610	413	613	53	**1,689**
Charge for the year	459	692	(483)	227	**895**
Recoveries	93	-	-	-	**93**
Amounts written off	(603)	(57)	(5)	(251)	**(916)**
Interest accrued on impaired loans (Note 5)	60	41	57	49	**207**
At 30 June 2014	**619**	**1,089**	**182**	**78**	**1,968**
Individual impairment	20	279	51	-	**350**
Collective impairment	599	810	131	78	**1,618**
	619	**1,089**	**182**	**78**	**1,968**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance.	3,867	15,662	2,520	2,728	24,777

Parent

	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

		Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
NOTE 14	**LOANS AND ADVANCES (Continued)**			
	Consolidated			
(b)	**Maturity Analysis**			
	Not longer than 3 months	2,107	2,107	5,088
	Longer than 3 months and not longer than 12 months	4,223	4,223	5,538
	Longer than 12 months and not longer than 5 years	86,579	86,579	79,089
	Longer than 5 years	728,299	728,299	700,772
	Total loans and advances	**821,208**	**821,208**	**790,487**
(c)	**Security dissection**			
	Secured by mortgage over Commercial property	37,392	37,392	56,289
	Secured by mortgage over real estate	700,334	700,334	653,476
	Partly secured by goods mortgage	72,850	72,850	65,337
	Wholly unsecured	10,632	10,632	15,385
	Total loans and advances	**821,208**	**821,208**	**790,487**

The Group accepts a number of methods to value collateral for 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 a licensed panel of 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 period end 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:

		Parent 2014 $'000	Parent 2013 $'000
(d)	**Loan to valuation ratio**		
	Loan to valuation ratio of less than 80%	615,184	602,157
	Loan to valuation ratio of more than 80% but mortgage insured	64,582	48,291
	Loan to valuation ratio of more than 80% but not mortgage insured	58,015	59,317
	Total loans secured by mortgage over real estate and commercial property	**737,781**	**709,765**

(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.

	Parent 2014 $'000	Parent 2013 $'000
New South Wales	786,902	757,272
Victoria	2,953	2,884
Queensland	25,636	24,629
Western Australia	1,780	1,607
South Australia	57	105
Tasmania	185	219
A.C.T.	2,661	2,093
N.T.	1,034	1,678
Total	**821,208**	**790,487**

NOTE 15 IMPAIRMENT OF LOANS AND ADVANCES

		Parent and Consolidated 2014 $'000	Parent 2013 $'000
(a)	**Provisions for impairment**		
	Opening balance	1,689	1,709
	Impairment expense:		
	Personal Loans	9	(361)
	Mortgage Loans	676	27
	Commercial Loans	(431)	362
	Revolving Credit	25	(48)
	Closing balance	**1,968**	**1,689**

Key assumptions in determining the provision for impairment

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

		Parent and Consolidated 2014 $'000	Parent 2013 $'000
(b)	**Impairment expense**		
	Provisions for impairment	279	(20)
	Bad debts written off directly:		
	Personal Loans	602	611
	Mortgage Loans	57	87
	Commercial Loans	5	72
	Revolving Credit	251	218
	Total impairment expense	**1,194**	**968**

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

		Parent and Consolidated 2014 $'000	Parent 2013 $'000
(c)	**Interest and other revenue recognised and foregone**		
	Interest foregone on non-accrual and restructured loans	27	24

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

NOTE 16 FINANCIAL ASSETS

		Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
(a)	**Available-for-sale**			
	Shares in unlisted companies – at cost			
	Indue Ltd	312	312	312
	Australian Settlements Limited	2	2	2
	Total available-for-sale	**314**	**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 42. The shares are not able to be traded and are not redeemable, cost is deemed to be the most relevant fair value estimate.

		Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
(b)	**Held-to-maturity**			
	ADI debt securities	98,600	98,600	106,578
	Total Held-to-maturity	**98,600**	**98,600**	**106,578**

NOTE 17 PROPERTY, PLANT AND EQUIPMENT

	Consolidated	Parent	
	2014	2014	2013
(a) Fixed assets	**$'000**	**$'000**	**$'000**
Land & buildings			
At valuation	3,361	3,361	4,024
Less accumulated depreciation	(321)	(321)	(308)
	3,040	**3,040**	**3,716**
Furniture, fittings & leasehold improvements			
At cost	5,323	5,323	4,181
Less accumulated depreciation	(2,867)	(2,867)	(2,362)
	2,456	**2,456**	**1,819**
Office equipment			
At cost	2,246	2,246	2,045
Less accumulated depreciation	(1,418)	(1,418)	(1,024)
	828	**828**	**1,021**
Motor vehicles			
At cost	-	-	20
Less accumulated depreciation	-	-	(20)
	-	**-**	**(0)**
Leased plant & equipment			
Capitalised leased assets	1,894	1,894	1,998
Less accumulated amortisation	(1,424)	(1,424)	(1,274)
	470	**470**	**724**
Net Fixed Assets	**6,794**	**6,794**	**7,280**

(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.

2014	Parent and Consolidated					
	Land & Buildings	Furniture, Fittings & Leasehold Improvements	Office Equipment	Motor Vehicles	Leased Plant and Equipment	**Total**
	$'000	$'000	$'000	$'000	$'000	**$'000**
Balance at the beginning of the year	3,716	1,819	1,021	-	724	**7,280**
Transfers	(185)	-	(15)	-	-	**(200)**
Additions	466	1,143	218	-	102	**1,929**
Disposals	(831)	(1)	-	-	(65)	**(897)**
Depreciation expense	(126)	(505)	(396)		(291)	**(1,318)**
Carrying amount	**3,040**	**2,456**	**828**	**-**	**470**	**6,794**

2013	Parent and Consolidated					
	Land & Buildings	Furniture, Fittings & Leasehold Improvements	Office Equipment	Motor Vehicles	Leased Plant and Equipment	**Total**
	$'000	$'000	$'000	$'000	$'000	**$'000**
Balance at the beginning of the year	2,356	2,003	1,190	-	601	**6,150**
Revaluations	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**

(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.

NOTE 18 INTANGIBLE ASSETS

	Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
Computer software			
At cost	1,710	1,710	1,662
Less accumulated amortisation	(1,279)	(1,279)	(1,148)
	431	**431**	**514**

Movements in carrying value	Parent and Consolidated 2014 $'000	Parent and Consolidated 2013 $'000
Computer software		
Balance at the beginning of the year	514	**447**
Transfers	16	**426**
Additions	196	**-**
Disposals	(1)	**-**
Amortisation expense	(294)	**(359)**
Carrying amount	**431**	**514**

NOTE 19 DEFERRED TAX ASSETS

	Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Plant, property and equipment	600	600	317
Doubtful debts	590	590	506
Employee leave benefits	736	736	711
Accrued expenses	31	31	8
Other	119	119	122
	2,076	2,076	1,664
Set-off of deferred tax liabilities pursuant to set-off provisions	(250)	(250)	(280)
Net deferred tax assets	1,826	1,826	1,384
Movements:			
Opening balance at 1 July	1,664	1,664	2,031
Credited/(charged) to the income statement	411	411	(367)
Closing balance at 30 June	2,075	2,075	1,664
Deferred tax assets to be recovered after more than 12 months	31	31	8
Deferred tax assets to be recovered within 12 months	2,045	2,045	1,656
	2,076	2,076	1,664
Unrecognised deferred tax assets			
Deferred tax assets have not been recognised in respect of the following items:			
Total losses on capital account	54	54	-

The deferred tax asset related to capital losses will only be obtained if:

(i) CMG derives future assessable income of a nature or amount sufficient to enable the benefits from the deductions for the capital losses to be utilised;

(ii) CMG continues to comply with the conditions of deductibility imposed by tax legislation;

(iii) No changes in tax legislation adversely affect CMG in realising the benefits from the deductions for the losses.

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not considered probable that future taxable capital gains will be available against which they can be realised.

NOTE 20 LOSS RESERVE LOAN

	Consolidated	Parent	
	2014	2014	2013
	$'000	$'000	$'000
Preference share loss reserve loan	1,460	1,460	1,460
Total loss reserve loan	**1,460**	**1,460**	**1,460**

On 21 June 2006, CMG issued 115,000 preference shares, each having an issue price of $100. CMG obtained a further 31,000 shares through acquisitions and now hold a total of 146,000. These are all issued to the Australian Mutual T1 Capital Funding Trust No 1 (AMCFT).

CMG has also advanced a loan to AMCFT for the amount of $1,460,000. 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 the Group does not pay a dividend on the preference shares, the Group 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 the Group may result in the Group 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 the Group quarterly in arrears (by AMCFT), 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 the Group does not pay a dividend on the preference shares; and
- the AMCFT is not 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.

NOTE 21 DEPOSITS

	Consolidated	Parent	
	2014	2014	2013
	$'000	$'000	$'000
Member call deposits (including members' shares)	465,755	465,755	444,742
Member term deposits	434,399	434,399	455,739
Total Deposits	**900,154**	**900,154**	**900,481**

(a) *Maturity analysis*

	Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
At call	465,755	465,755	444,742
Not longer than 3 months	240,937	240,937	251,704
Longer than 3 months and not longer than 6 months	88,477	88,477	113,013
Longer than 6 months and not longer than 12 months	63,737	63,737	72,299
Longer than 12 months	41,248	41,248	18,723
	900,154	**900,154**	**900,481**

(b) *Concentration of Deposits*

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

There are no significant groups of members concentrated in any particular industry.

	Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
New South Wales	874,926	874,926	877,240
Victoria	1,358	1,358	1,363
Queensland	15,521	15,521	13,491
Western Australia	1,858	1,858	1,829
South Australia	690	690	551
Tasmania	485	485	468
ACT	1,391	1,391	792
Northern Territory	404	404	552
Other	3,521	3,521	4,195
	900,154	**900,154**	**900,481**

NOTE 22 TRADE AND OTHER PAYABLES

	Consolidated	Parent	
	2014	2014	2013
	$'000	$'000	$'000
Accrued interest payable	5,919	5,919	6,939
Prepaid income	33	33	107
Sundry creditors and accrued expenses	1,519	1,519	1,772
Clearing accounts	12,433	12,433	12,258
Payable to securitisation trust	-	524	
Total trade and other payables	**19,904**	**20,428**	**21,076**

NOTE 23 CURRENT TAX LIABILITIES

Income tax payable	1,062	1,062	1,250

NOTE 24 DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Depreciation - land and buildings	(104)	(104)	(122)
Preference share costs	(22)	(22)	(32)
Other	-	-	(2)
	(126)	(126)	(156)
Amounts recognised directly in equity	(124)	(124)	(124)
	(250)	(250)	(280)
Set-off of deferred tax liabilities pursuant to set-off provisions	250	250	280
Net deferred tax liabilities	-	-	-
Movements:			
Opening balance at 1 July	280	280	360
Credited/(charged) to equity	-	-	124
Credited/(charged) to the income statement	(30)	(30)	(204)
Prior year adjustment	-	-	-
Closing balance at 30 June	250	250	280
Deferred tax assets to be recovered after more than 12 months	(250)	(250)	(278)
Deferred tax assets to be recovered within 12 months	-	-	(2)
	(250)	(250)	(280)

NOTE 25 PROVISIONS

Current			
Annual leave	1,091	1,091	1,065
Long service leave	974	974	938
Total current provisions	2,065	2,065	2,003
Non-current			
Make good	395	395	380
Long service leave	388	388	366
Total non current provisions	783	783	746
Total provisions	**2,848**	**2,848**	**2,749**

(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	**Parent and Consolidated**
At 1 July 2013	380
Raised during the year	15
At 30 June 2014	**395**

		Note	Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
NOTE 26	**LEASE LIABILITIES**				
	Current lease liabilities		166	166	439
	Non-current lease liabilities		198	198	78
	Total lease liabilities	39	**364**	**364**	**517**
NOTE 27	**OTHER BORROWINGS**				
	Loans assigned to the securitisation trust		-	43,666	-
NOTE 28	**SUBORDINATED DEBT**				
	Balance at the beginning of the year		3,928	3,928	9,300
	Redemption / Issuance		-	-	(5,300)
	Amortise Fair Value		-	-	(83)
	Write back of debt raising discount		17	17	11
	Balance at end of year		**3,945**	**3,945**	**3,928**

In November 2012 the Group 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 the Group 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.

		Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
NOTE 29	**PREFERENCE SHARES**			
	Balance at beginning of year	14,491	14,491	14,455
	Write back of debt raising discount	36	36	36
	Balance at end of year	**14,527**	**14,527**	**14,491**

The Group issued preference shares 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 the Group's Constitution. Commensurate with the issuance of the preference shares to Australian Mutual T1 Capital Funding Trust No 1 (AMCFT), the Group 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 the Group to AMCFT (refer Note 20), is that the Group 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 the Group does not pay a dividend on the preference shares, the Group 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;
- 146,000 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 the Group 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 30 REDEEMABLE MEMBER SHARES

	Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
Opening balance	572	572	505
Transfer from retained earnings	58	58	67
Closing balance	**630**	**630**	**572**

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 31 RESERVES

Asset revaluation reserve

	Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
Opening balance	1,021	1,021	732
Net increase recognised on revaluation of assets	-	-	289
*Adjustment for assets held incorrectly in reserve	(197)	(197)	
Balance at end of year	**824**	**824**	**1,021**

* There were assets held in the asset revaluation reserve as additions that had been included in the 2012 revaluation.

NOTE 32 RETAINED EARNINGS

	Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
Opening balance	71,354	71,354	68,068
Net profit attributable to members	5,813	5,813	3,969
Transfer to member share capital account	(58)	(58)	(67)
Prior period corrections*	19	19	-
Net transfer (to)/from deposits	-	-	23
Dividends paid	(580)	(580)	(639)
Total retained earnings	**76,548**	**76,548**	**71,354**

*A review of the general ledger revealed minor errors in clearing accounts of $9,000 and an incorrect movement of $10,000 in contributed equity in 2012, these have been corrected.

NOTE 33 CONTRIBUTED EQUITY

	Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
Opening balance	8,461	8,461	8,461
Adjustment for prior year error*	(10)	(10)	-
Balance at end of year	**8,451**	**8,451**	**8,461**

*There was an incorrect movement to contributed equity in 2012, this has been corrected.

NOTE 34 REMUNERATION OF AUDITORS

	Consolidated 2014	Parent 2014	Parent 2013
Remuneration of the auditor for:	**$**	**$**	**$**
● Statutory & Regulatory Audit	240,000	240,000	206,440
● Taxation Services	32,000	32,000	17,500
Total remuneration of auditors	**272,000**	**272,000**	**223,940**

NOTE 35 STATEMENT OF CASH FLOWS

(a) Parent and Consolidated 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:

	Consolidated	Parent	
	2014	2014	2013
	$'000	$'000	$'000
Cash liquid assets	88,590	83,127	100,311
	88,590	**83,127**	**100,311**

(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

	Consolidated 2014 $'000	Parent 2014 $'000	Parent 2013 $'000
Profit after income tax	5,813	5,813	4,258
Non-cash flows in profit after income tax:			
Net movement in revaluation of property, plant and equipment	200	200	(412)
Amortisation	344	344	408
Depreciation	1,334	1,334	1,312
Provision for loan impairment movement	279	279	968
Changes in assets and liabilities:			
(Increase) in member loans (net)	(30,442)	(75,387)	(23,707)
(Increase)/decrease in receivables	3,572	(1,137)	475
(Increase)/decrease in other assets	(985)	(985)	1,389
(Increase)/decrease in deferred tax asset	(412)	(412)	367
Increase/(decrease) in provisions	99	99	251
Increase/(decrease) in deposits	(327)	(327)	17,202
Increase/(decrease) in income taxes payable	(188)	(188)	(393)
Increase/(decrease) in deferred tax liability	(30)	(30)	(80)
Increase/(decrease) in other borrowings (securitisation)	-	43,666	-
Increase/(decrease) in trade and other payables	(1,172)	(648)	769
Net cash provided by operating activities	**(21,915)**	**(27,379)**	**2,807**

(d) Non-cash Financing and Investing Activities

Property, plant and equipment

During the financial year the Group acquired plant and equipment with an aggregate fair value of $98,951 (2013: $253,612) by means of finance lease. These acquisitions are not reflected in the Statement of Cash Flows.

NOTE 36 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.

Consolidated	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	No Maturity	TOTAL
2014	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	465,755	240,936	152,215	41,248	-	-	**900,154**
Trade and other payables	19,904	-	-	-	-	-	**19,904**
Lease Liabilities	-	56	110	198	-	-	**364**
Subordinated debt	-	-	-	-	4,000	-	**4,000**
Total Liabilities	**485,659**	**240,992**	**152,325**	**41,446**	**4,000**	**-**	**924,422**

Parent	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	No Maturity	TOTAL
2014	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	465,755	240,937	152,214	41,248	-	-	**900,154**
Trade and other payables	20,428	-	-	-	-	-	**20,428**
Lease Liabilities	-	56	110	198	-	-	**364**
Subordinated debt	-	-	-	-	4,000	-	**4,000**
Total Liabilities	**486,183**	**240,993**	**152,324**	**41,446**	**4,000**	**-**	**924,946**

Parent	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	No Maturity	TOTAL
2013		$'000	$'000	$'000	$'000	$'000	$'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**

NOTE 37 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.

Consolidated

2014	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	2.77%	63,073	17,680	-	-	7,837	**88,590**
Due from other financial institutions	3.78%	-	-	6,000	-	-	**6,000**
Loans and advances to members	6.43%	711,194	610	4,223	105,190	2	**821,219**
Financial Assets - available-for-sale		-	-	-	-	314	**314**
Financial Assets - held-to-maturity	3.57%	14,831	31,091	9,939	42,739	-	**98,600**
Loss reserve loan	2.81%	-	-	-	1,460	-	**1,460**
Total Assets		**789,098**	**49,381**	**20,162**	**149,389**	**8,153**	**1,016,183**
LIABILITIES							
Deposits	2.58%	539,126	167,565	152,215	41,248	-	**900,154**
Trade and other payables	0.00%	-	-	-	-	19,904	**19,904**
Lease Liabilities	5.71%	-	56	110	198	-	**364**
Subordinated debt	8.62%	-	-	-	4,000	-	**4,000**
Total Liabilities		**539,126**	**167,621**	**152,325**	**45,446**	**19,904**	**924,422**

Parent

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**
Borrowings		-	142	297	78	-	**517**
Subordinated debt	7.29%	-	-	-	4,000	-	**4,000**
Total Liabilities		**529,308**	**166,878**	**185,608**	**22,801**	**21,679**	**926,274**

NOTE 38 FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison by class of the carrying amounts and fair values of the Group'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.

Consolidated	Carrying value	Fair value	Unrecognised gain / (loss)	Carrying value	Fair value	Unrecognised gain / (loss)
	2014	2014	2014	2013	2013	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash and cash equivalents	88,590	88,590	-	100,311	100,311	-
Due from other financial institutions	6,000	6,000	-	9,990	9,990	-
Loans and advances to members	819,240	819,240	-	788,798	788,798	-
Financial Assets - held-to -maturity	98,600	98,600	-	106,578	106,578	-
Loss Reserve Loan	1,460	1,460	-	1,460	1,460	-
Financial Liabilities						
Deposits	900,154	900,154	-	900,481	900,481	-
Lease Liabilities	364	364	-	517	517	-
Subordinated debt	3,945	3,945	-	3,928	3,928	-
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 2014. 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 the Group considers any adjustment would be immaterial.

Lease Liabilities

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

NOTE 39 COMMITMENTS

To meet the financial needs of members, the Group 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 the Group.

(a) Finance lease commitments

The Group has finance leases and hire purchase contracts for various items of plant and equipment. These lease contracts expire within 5 years, with repayments payable monthly in advance. The Group 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.

Commitments under finance leases at the reporting date are payable as follows:

Parent and Consolidated	2014 $'000	2013 $'000
Motor vehicles		
Not later than 1 year	141	42
Later than 1 year and not later than 5 years	198	317
Minimum lease payments	339	359
Computers		
Not later than 1 year	14	66
Later than 1 year and not later than 5 years	-	14
Minimum lease payments	14	80
Cash Dispensers		
Not later than 1 year	11	67
Later than 1 year and not later than 5 years	-	11
Minimum lease payments	11	78
Total lease commitments	364	517

	Not later than 1 year			Later than 1 year and not later than 5 years		
	Total future minimum payments	Interest charges	Present value	Total future minimum payments	Interest charges	Present value
	2014	2014	2014	2014	2014	2014
	$'000	$'000	$'000	$'000	$'000	$'000
Motor Vehicles	141	8	131	198	5	185
Computers	14	-	14	-	-	-
Cash Dispensers	11	1	10	-	-	-
	166	**9**	**155**	**198**	**5**	**185**

Commitments on finance leases are determined at the inception of the lease, the discount rate used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease.

(b) Operating Lease Commitments

The Group 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 the Group by entering into these leases.

	Consolidated	Parent	
	2014	2014	2013
	$'000	$'000	$'000
Future minimum rentals payable under non-cancellable operating leases are as follows:			
Not longer than 1 year	1,443	1,443	1,441
Longer than 1 and not longer than 5 years	3,579	3,579	4,390
Longer than 5 years	109	109	442
Total operating lease commitments	**5,131**	**5,131**	**6,273**

NOTE 39 COMMITMENTS (Continued)

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. The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

		Consolidated	Parent	
(c)	**Undrawn Loan Commitments**	**2014**	**2014**	**2013**
	Loans approved but not funded	4,619	4,619	7,703
	Undrawn lines of commitment	31,380	31,380	35,618
(d)	**Capital expenditure commitments**			
	Capital expenditure commitments not taken up in the financial statements	130	130	-
	Payable less than one year	100	100	-

NOTE 40 CONTINGENT LIABILITIES

(a) Credit Union Financial Support System

The Group 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 the Group to execute an equitable charge in favour of CUSCAL. The charge is a fixed and floating charge over the assets and undertakings of the Group and secures any advances that may be made to the Group under the scheme.

The balance of the debt at 30 June 2014 was $Nil (2013: $Nil).

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

Guarantees are provided by the Group 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 (2013: $Nil).

(c) Financial Guarantees

Letters of guarantee commit the Group 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 the Group are secured by term deposit.

The amount guaranteed at balance date is limited to $732,039 (2013: $725,515)

NOTE 41 RELATED PARTY DISCLOSURES

(a) Directors

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

Mr Michael G Dennis - Chairman
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 Graham R Goodman - Director [Retired 27 Nov 2013]
Mr David R Honner - Director [Retired 27 Nov 2013]

NOTE 41 RELATED PARTIES DISCLOSURES (Continued)

(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 the Group, 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 the Group.

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

	Consolidated	
	2014	2013
	$	$
● short-term employee benefits	2,134,731	1,700,437
● termination benefits	-	207,249
● superannuation contributions	153,387	127,159
Total remuneration of key personnel	**2,288,118**	**2,034,845**

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.

(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.

	Consolidated	
	2014	2013
	$	$
(i) The aggregate value of loans to directors and other key management personnel as at balance date amounted to	3,527,968	2,922,548
(ii) The total value of revolving credit facilities to directors and other key management personnel as at balance date amounted to	136,000	178,600
(iii) Less amounts drawn down and included in total loans above	(55,852)	(104,439)
Net balance available	**80,148**	**74,161**
Term loans disbursed to key management personnel during the year.	1,557,505	1,430,304
Average balance of revolving credit facilities.	75,050	93,368
Total loans disbursed to key personnel	**1,632,555**	**1,523,672**
Interest and other revenue earned on loans and revolving credit facilities to key management personnel	160,925	127,588
Provision for doubtful debts for related parties	-	-

(d) Deposits from Key Management Personnel

	2014	2013
Total value of term and savings deposits from key management personnel	897,622	1,277,833
Total interest paid on deposits to key management personnel	26,050	39,583

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

The Group'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.

NOTE 41 RELATED PARTIES DISCLOSURES (Continued)

(e) Other transactions of Key Management Personnel

Mr. Kevin Dupé supplied rental properties for an amount of $12,904 (2013: $33,070.28). The services are on the same terms and conditions as other contracted services of the Group.

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.

NOTE 42 DEPENDENCY

The Group has a dependency on the following suppliers of service:

(a) Ultradata

This entity provides and maintains the core banking software utilised by the Group.

(b) Thomas Noble Russell

This entity provides Internal Audit services utilised by the Group.

(c) Australian Settlements Limited (ASL)

This entity provides the Group 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) ASX Austraclear

This entity provides the Group with services to carry out Real Time Gross Settlements (RTGS).

(e) ANZ

This entity provides the Group with services in the form of agency clearing and enhanced cheque clearing settlement.

(f) Transaction Solutions Limited (TAS)

This entity provides the Group with facilities management services for production and disaster recovery across information and communication technologies.

(g) First Data Resources Australia Ltd

This entity provides the Group with transaction processing and switching services.

(h) Giesecke & Devrient Australasia Pty Ltd (G&D)

This entity provides chip and magnetic stripe cards and associated services for use by members of the Group.

(i) The Australian Postal Corporation

This entity provides agency banking services through Bank@Post to members of the Group.

NOTE 43 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 2014 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.

(c) Note 2(b) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Standards Board

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

M G Dennis
Director

P G Olrich
Director

26 September 2014

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 consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Community Mutual Ltd and Community Mutual Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

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, 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 opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's opinion

In our opinion:

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

(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 and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Joe Sheeran
Partner

Sydney
26 September 2014

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