

# 2011 ANNUAL REPORT





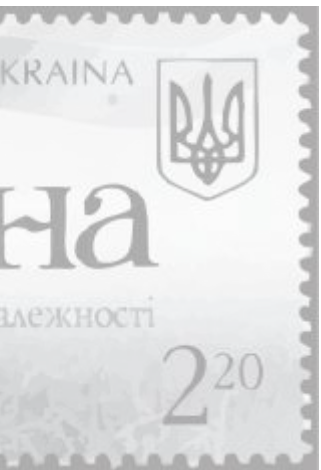
*2,000 years of Christianity in Ukraine*



*Celebrating* **1991 - 2011**

*20 years of Ukrainian Independence*

*... with a historical selection of Ukrainian postage stamps*



# 2011 ANNUAL REPORT



Dnister Ukrainian Credit Co-operative Limited  
ABN 59 087 651 394 | AFSL 240673

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

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

Wal Mykytenko  
Chairman

Strength in Unity!





Ukrainian football



# CONTENTS

4	<a href="#">Chairman's Report</a>
6	<a href="#">Directors' Report</a>
10	<a href="#">Auditor's Report</a>
12	<a href="#">Corporate Governance</a>
14	<a href="#">Financial Statements</a>
63	<a href="#">Corporate Directory</a>

# CHAIRMAN'S REPORT

On behalf of the Board of Directors and Staff at Dnister Ukrainian Credit Co-operative I am pleased to report to all our members a profit before tax of \$1,101,000.

Dnister has continued to grow with member equity increasing to \$16,868,000 and assets under management increasing by 5.7% to \$129,797,000.

Members continuing loyalty and confidence in Dnister have enabled us to achieve a successful year as we maintain the journey of sustained growth.

Dnister provides its members with very competitive banking fees and charges. Last year Dnister absorbed \$174,000 in member fees and charges.

The 2010/11 financial year has been challenging with continuing strong competition from the banks with aggressive pricing and reduced margins.



The Board's strategic focus has continued to be on:

- Maintaining a strong financial and prudential position well into the future
- Providing our members with excellent and competitive products and services
- Focusing on membership and deposit growth with increased exposure within the Sydney community

Dnister is well placed to handle increased regulatory requirements for higher levels of capital and liquidity holdings. To achieve this there is a greater need than in the past to conserve earnings.

Beginning 2011 the Board has reintroduced a revised community sponsorship program with focus on youth and member community organisations who offer strong support both in membership and opportunity for business growth.

Our commitment to Ukrainian schools has expanded Australia wide with increased assistance to member schools and to member students.

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

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

I would like to thank my fellow directors for their valuable contribution during the year.

On behalf of the Board I would also like to thank Mr Borys Potiuch who after many years of loyal service to Ukrainian Credit Cooperatives, three years with Dnister and previously 18 years with Hoverla as Director and Chairman has decided to retire from the Board. We extend to him our very best wishes for the future.

On behalf of the Board I would like to thank Management and Staff who are to be commended for their dedication and professionalism in providing an exemplary standard of service at each of our branches.

In conclusion I would like to thank you our members for your continuing support and loyalty to Dnister Ukrainian Credit Cooperative.



Val Mykytenko  
Chairman



*The Directors of Dnister Ukrainian Credit Co-operative Limited ("the Co-operative") submit their report for the year ended 30 June 2011.*

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

## DIRECTORS

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

### Walentyn Mykytenko

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

Mr Mykytenko is a retired General Manager of a multi-national aviation company and is a non-executive Director of the Co-operative. Mr Mykytenko has been a Non-executive Director of the Co-operative for seven years, including the last three years as Chairman, and was the Chair of the Corporate Governance Committees. Chairman of RUKA (Association of Ukrainian Credit Cooperatives in Australia).

### Michael Kornitschuk

B.Sci, Dip.App.Bio  
(Non-executive Director, Capital Committee & Corporate Governance Committee member)

Mr Kornitschuk combines his work as a managing Director of a leading Australian supplier of medical goods and services with his role as Non-executive Director of Dnister Ukrainian Credit Co-operative Ltd. Mr Kornitschuk has been a non-executive Director of the Co-operative for seventeen years, including nine as Chairman, and was a member of the Capital Committee. During the past seven years he has also served as: Chairman of the Ukrainian Orthodox Church-Essendon\*.

### Richard Horban

AICM (Non-executive Director and Audit Committee Chairman)

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

### Greg Anolak

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

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

# DIRECTORS' REPORT





## John Kotowskyj

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

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

## Borys Potiuch

FAMI, Cert. Mktng, Registered Conveyancer (Non-executive Director, Corporate Governance Committee Member)

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

## Frank Fursenko JP

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

Mr Fursenko is a retired Academic and Program Director of the University of South Australia and is a non-executive Director of the Co-operative. Mr Fursenko has been a non-executive Director of the Co-operative for three years, having joined the Board after the successful merger with Hoverla. At Hoverla, Mr Fursenko was a non-executive Director of Hoverla Ukrainian Credit Co-operative for nine years. Currently serving as: committee member of the Ukrainian-Australian Professional and Business Association (UAPBA) for the past thirty one years, eight of those years as President, and President of the Ukrainian Collectibles Society (UCS) for the last seventeen years\*.

## John Lipkiewicz

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

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

## Marko Misko

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

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

\*denotes current directorship

## COMPANY SECRETARY

### Vasilios Papas

Dip Fin. Serv & FAMI

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



*Historical ship building industry in Ukraine*

## Principal Activities

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

## Review of Results and Operations

The Co-operative's net profit after income tax for the year ending 30 June 2011 is \$767,000 (2010: \$504,000). The net profit includes a fair value gain on the revaluation of investment property of \$75,000 (2010: \$32,500). The return to members was \$288,000 profit (2010: \$1,940,000 profit) this includes the devaluation of the building by \$345,000 (2010: \$450,000 revaluation).

This result reflects the good management of Dnister's assets during the financial year ended 30 June 2011.

## Dividends

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

## Board Monitoring of Performance

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

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

## Liquidity and Funding

The Co-operative has a short-term overdraft facility of \$350,000 (2010: \$350,000) and for longer funding requirements access to a Trinity Securities Program. The Co-operative has sufficient funds to finance its operations and maintains these facilities primarily to allow the Co-operative to take advantage of favourable credit union financing opportunities. The Co-operative has established a \$10M Wholesale Funding facility with Questor to allow it to fund the current high demand for loans.

## Risk Management

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

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

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

## Significant Changes in the State of Affairs

Total Equity increased to \$16,868,000 from \$16,580,000, an increase of \$288,000, while Loans and Advances increased to \$98,242,000 from \$85,583,000, an increase of \$12,659,000. Member Deposits increased to \$106,303,000 from \$102,000,000, an increase of \$4,303,000.

## Significant Events After Balance Date

There were no subsequent events to be brought to the attention of members for the financial year ended 30 June 2011.

# DIRECTORS' REPORT

## Likely Developments and Expected Results

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

## Directors’ Meetings

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

	Directors’ Meetings	Audit Committee	Risk Management Committee	Corporate Governance Committee
Total meetings held	14	8	4	8
Number attended				
W Mykytenko	14	-	-	8
M Kornitschuk	14	-	-	8
R Horban	14	8	-	-
J Kotowskyj	13	-	4	-
G Anolak	14	8	4	-
J Lipkiewicz	11	2(2)*	2	-
M Misko	12	-	-	8
B Potiuch	13	-	-	7
F Fursenko	13	8	3(3)*	-

## Indemnity and Insurance

To the extent permitted by law and that the officer or auditor is not indemnified by Directors and officer liability insurance (2011:\$6,000 in premiums) maintained by the Co-operative, the Co-operative indemnifies every person who has been an officer or auditor of the Co-operative against any liability.

## Committee Membership

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

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

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

Notes - (c) Designates the chairman of the committee

## Rounding

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

( ) \* brackets denotes meetings eligible to attend



St Michael's Ukrainian Orthodox Church in Adelaide

# AUDITOR'S INDEPENDENCE DECLARATION

The directors received the following declaration from the auditor of the Co-operative

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

In relation to our audit of the financial report of Dnister Ukrainian Credit Co-operative Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

*Ernst & Young*

Ernst & Young

*L. K. Slater*

L K Slater  
Partner

29 September 2011

*Ukraine at the Olympics*





# NON-AUDIT SERVICES

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

Tax compliance services	\$10,000
-------------------------	----------

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



Walentyn Mykytenko  
Chairman of the Board  
29 September 2011



Richard Horban  
Chairman of the Audit Committee  
29 September 2011



Danylo Romanovych  
Ancient king of Western Ukraine



# CORPORATE GOVERNANCE STATEMENT

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

The key responsibilities of the Board include:

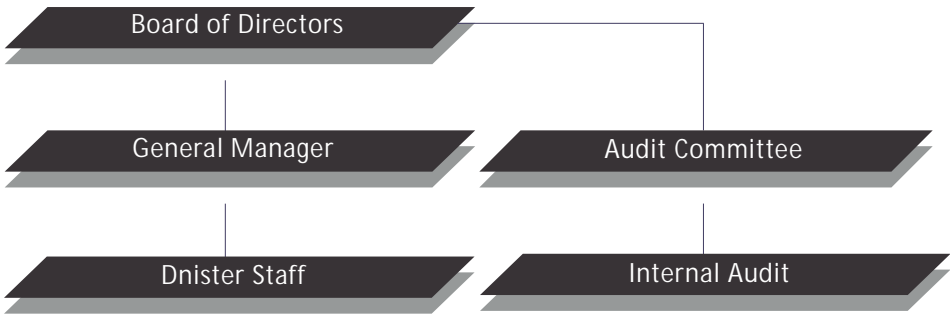
- Approving the strategic direction and related objectives and monitoring management performance in the achievement of these objectives.
- Adopting an annual budget and monitoring the financial performance of the Co-operative.
- Overseeing the establishment and maintenance of internal controls and effective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

The Board of Directors undertook the annual Board performance assessment for the year ended 30th June 2011. The key outcomes of this review are:

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

## Structure of the Board

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



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

Name	Term in Office
M Kornitschuk	17 years
R Horban	9 years
W Mykytenko	7 years
G Anolak	6 years
J Kotowskyj	5 years
B Potiuch	3 years
F Fursenko	3 years
J Lipkiewicz	2 years
M Misko	2 years



*Maria Zankovetska  
Ukrainian national theatre*



*Roman Shukherych  
Politician and military leader*



## Audit Committee

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

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

The members of the Audit Committee during the year were:

R Horban	G Anolak
F Fursenko	J Lipkiewicz

## Remuneration

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

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

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

W Myktytenko	M Kornitschuk
B Potiuch	M Misko

# FINANCIAL STATEMENTS



*Lesia Ukrainka  
Famous Ukrainian Poetess*

16	Directors' Declaration
17	Independent Audit Report
18	Statement of Comprehensive Income
19	Statement of Financial Position
20	Statement of Changes in Equity
21	Statement of Cash Flows
23	Notes to the Financial Statements

*Taras Shevchenko  
National bard of Ukraine*



*Ivan Franko  
Poet and Author*



## Notes to the Financial Statements

Note		Page	Note		Page
1	Corporate Information	23	16	Other assets	46
2	Summary of significant Accounting Policies	23	17	Member Deposits	46
3	Interest & similar income	37	18	Other liabilities	47
4	Interest & similar expense	37	19	Provisions	47
5	Net fees and commission income	37	20	Retained earnings & reserves	48
6	Other operating income	37	21	Additional cash flow information	49
7	Credit loss expense	37	22	Fair value of financial assets & liabilities	50
8	Other operating expenses	37	23	Risk Management	51
9	Income Tax	38	24	Capital	58
10	Cash and balances with bank	40	25	Related Party Disclosures	60
11	Financial investments held to maturity	40	26	Superannuation commitments	62
12	Loans and advances to members	40	27	Contingent liabilities & commitments	62
13	Investment Properties	42	28	Remuneration of external auditors	62
14	Property and Equipment	44	29	Subsequent events	62
15	Other investments	46			

# DIRECTORS DECLARATION

*A beautiful portrait of Ukrainian mushrooms*



for the year ended 30 June 2011

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

1. In the opinion of the Directors:

- (a) the financial statements and notes of the Co-operative are in accordance with the Corporation's Act 2001 including:
  - giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.

2. This declaration has been made after receiving the declarations required to be made by the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2011.

On behalf of the Board

Walentyn Mykytenko  
Chairman of the Board  
29 September 2011

Richard Horban  
Chairman of the Audit Committee  
29 September 2011



# INDEPENDENT AUDITORS REPORT

## Report on the Financial Report

We have audited the accompanying financial report of Dnister Ukrainian Credit Co-operative Limited, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

## Directors Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards - Australian Accounting Interpretations and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, 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 about 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

to the members of Dnister Ukrainian Credit Co-operative Limited

## Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## Auditor's Opinion

In our opinion:

a. the financial report of Dnister Ukrainian Credit Co-operative Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

*Ernst & Young*  
Ernst & Young

*L. K. Slater*

LK Slater

Partner

Melbourne

29 September 2011

**ERNST & YOUNG**  
Liability limited by a scheme approved under  
Professional Standards Legislation

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

	Notes	2011	2010
Interest Income		\$'000	\$'000
Interest and similar income	3	8,089	6,350
Interest and similar expense	4	(4,747)	(3,309)
<b>Net interest income</b>		<b>3,342</b>	<b>3,041</b>
Fees and commission income	5	116	61
<b>Net fees and commission income</b>		<b>116</b>	<b>61</b>
Other operating income	6	1,142	1,087
<b>Total operating income</b>		<b>4,600</b>	<b>4,189</b>
Credit loss expense	7	(20)	(15)
<b>Net operating income</b>		<b>4,580</b>	<b>4,174</b>
Salaries and associated costs		1,630	1,458
Depreciation of property and equipment	14	113	127
Sponsorship and financial assistance		-	22
Other operating expenses	8	1,736	1,634
<b>Total operating expenses</b>		<b>3,479</b>	<b>3,241</b>
<b>Profit before tax</b>		<b>1,101</b>	<b>933</b>
Income tax expense	9	(334)	(429)
<b>Net profit attributable to members</b>		<b>767</b>	<b>504</b>
<b>Other comprehensive income</b>			
Fair value revaluation of land and buildings		(345)	450
Adjustment to deferred tax due to timing differences on revalued assets		(140)	986
Other		6	-
<b>Other comprehensive income for the period, net of tax</b>		<b>(479)</b>	<b>1,436</b>
<b>Total comprehensive income for the period</b>		<b>288</b>	<b>1,940</b>

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



# STATEMENT OF FINANCIAL POSITION

as at 30 June 2011

	Notes	2011 \$'000	2010 \$'000
<b>Assets</b>			
Cash and balances with bank	10	2,959	2,775
Financial investments - held to maturity	11	17,498	22,998
Loans and advances to members	12	98,242	85,583
Investment properties	13	2,709	2,634
Property and equipment	14	7,567	7,912
Other investments	15	163	163
Other assets	16	375	431
<b>Total Assets</b>		<b>129,513</b>	<b>122,496</b>
<b>Liabilities and Equity</b>			
Member deposits	17	106,303	102,000
Wholesale borrowings		3,000	-
Current tax liabilities		354	249
Deferred tax liabilities	9	617	484
Other liabilities	18	2,002	2,871
Provisions - employees	19	369	312
<b>Total Liabilities</b>		<b>112,645</b>	<b>105,916</b>
Retained earnings	20	9,406	8,578
Credit loss reserve	20	261	316
Foundation reserve	20	10	10
Business combination reserve	20	2,303	2,303
Asset revaluation reserve	20	4,888	5,373
<b>Total Equity</b>		<b>16,868</b>	<b>16,580</b>
<b>Total Liabilities and Equity</b>		<b>129,513</b>	<b>122,496</b>

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

Ukrainian  
Christmas Artwork



# STATEMENT OF CHANGES IN EQUITY

as at 30 June 2011

	Retained Earnings	Other Reserves (note 20)	Total
	\$'000	\$'000	\$'000
Total at 1 July 2010	8,578	8,002	16,580
Net profit attributable to members	767	-	767
Other comprehensive income	6	(485)	(479)
Total comprehensive income	773	(485)	288
Increases in statutory amount set aside for potential losses on loans & advances	55	(55)	-
Total at 30 June 2011	9,406	7,462	16,868

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

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



*'Gypsy Fortune Teller'  
by Taras Shevchenko*

# STATEMENT OF CASH FLOWS

for the year ended 30 June 2011

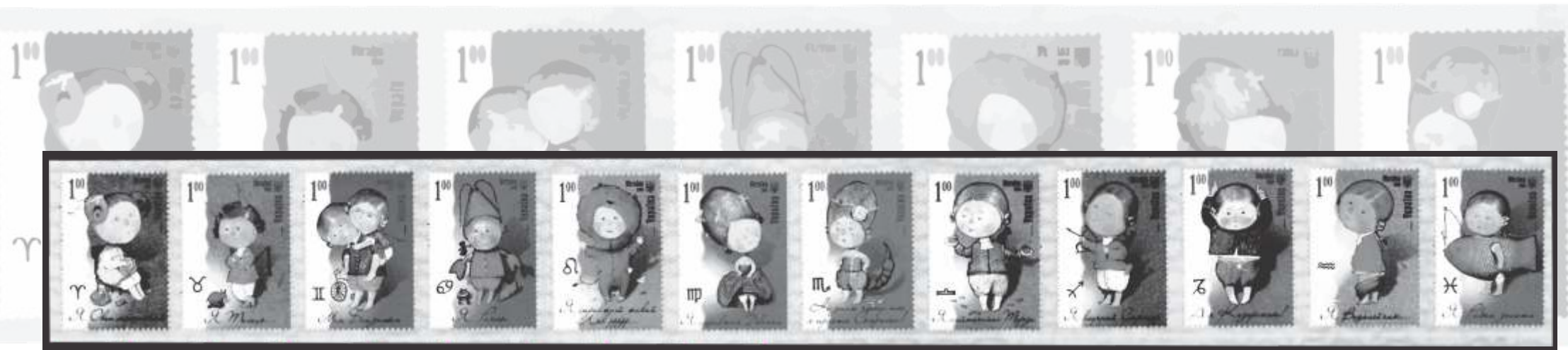
	Notes	2011 \$'000	2010 \$'000
<b>Operating activities</b>			
Profit before tax		1,101	933
Adjustments for:			
- Changes in operating assets	21	10	(188)
- Changes in operating liabilities (including tax payable)	21	(831)	1,597
- Non-cash items included in profit before tax	21	1	89
- Income tax refund		28	60
- Net increase in customer deposits		4,303	3,366
- Net increase in loans and advances		(12,659)	(8,549)
<b>Net cash flows from operating activities</b>		<b>(8,047)</b>	<b>(2,692)</b>
<b>Investing activities</b>			
Net negotiable certificate deposit investments sold (purchased)		5,500	3,459
Purchases of property and equipment		(269)	372
<b>Net cash flows from investing activities</b>		<b>5,231</b>	<b>3,831</b>
<b>Financing activities</b>			
Net increase (decrease) wholesale borrowings		3,000	-
<b>Net cash flows from financing activities</b>		<b>3,000</b>	<b>-</b>
Net decrease in cash and cash equivalents		183	1,139
Cash and cash equivalents at 1 July		2,775	1,636
<b>Cash and cash equivalents at 30 June</b>	21	<b>2,959</b>	<b>2,775</b>
<b>Operational cash flows from interest and dividends</b>			
Interest received		8,173	6,301
Interest and other costs of finance paid		4,387	2,981
Dividends received		180	29

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



'Kateryna' artwork by  
Taras Shevchenko





Ukrainian artwork-Horoscope pictorial

# FINANCIAL STATEMENTS

## NOTES TO THE

### 1. CORPORATE INFORMATION

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

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

The financial report of the Co-operative for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of Directors on the 30 September 2011.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION

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

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

#### 2.2 STATEMENT OF COMPLIANCE

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

#### 2.3 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

There are certain Australian Accounting Standards that have recently been issued or amended but are not yet effective or have not been adopted by the Co-operative for the annual reporting period ending 30 June 2011. The assessment of the impact of these new standards and interpretations (to the extent relevant by the Co-operative) is set out as follows:



# NOTES TO THE FINANCIAL STATEMENTS

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group *
AASB 2009-14	Further Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IRFIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit.	1 Jan 2011	N/A	1 Jul 2011
****	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and SIC-12 <i>Consolidation - Special Purpose Entities</i> .	1 Jan 2013	N/A	1 Jul 2013
****	Joint Arrangements	IFRS 11 replaces IAS 31 <i>Interests in Joint Ventures</i> and SIC-13 <i>Jointly-controlled Entities - Non-monetary Contributions by Ventures</i> . IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change.	1 Jan 2013	N/A	1 Jul 2013
****	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 Jan 2013	N/A	1 Jul 2013

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ending 30 June 2011

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group *
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <p>a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.</p> <p>b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in the respect of these investments that are a return on investment can be recognised as profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p>	1 Jan 2013	These amendments are only expected to affect the presentation of the Co-operative's financial report and will have no direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 Jul 2013

# NOTES TO THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group *
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1039 and Interpretations 10 & 12]	<p>These amendments arise from the issuance of AASB 9 <i>Financial Instruments</i> that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p><u>This Standard shall be applied when AASB 9 is applied.</u></p>	1 Jan 2013	These amendments are only expected to affect the presentation of the Co-operative's financial report and will have no direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 Jul 2013
AASB 124 (revised)	Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including;</p> <p>a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other</p> <p>b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other.</p> <p>c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.</p> <p>A partial exemption is also provided from the disclosure requirements for the government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	1 Jan 2011	The Co-operative does not currently have any related parties requiring disclosure.	1 Jul 2011



Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group *
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023, 1031, and Interpretations 2, 4, 16, 1039 and 1052]	<p>This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p>In particular, it amends AASB 8 <i>Operating Segments</i> to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p>	1 Jan 2011	Refer AASB 124 (Revised) previous.	1 Jul 2011
AASB 1053	Application of Tiers of Australian Accounting Standards	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments.</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities</p> <p>Public sector entities other than the Australian Government and State, Territory and Local Governments.</p>	1 Jul 2013	The Co-operative has not yet assessed the impact of the amendments. This assessment will occur next financial year.	1 Jul 2013

# NOTES TO THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group *
AASB 1054	Australian Additional Disclosures	<p>This standard is a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.</p> <p>This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:</p> <ul style="list-style-type: none"> <li>(a) Compliance with Australian Accounting Standards</li> <li>(b) The statutory basis or reporting framework for financial statements</li> <li>(c) Whether the financial statements are general purpose or special purpose</li> <li>(d) Audit fees</li> <li>(e) Imputation credits</li> </ul>	1 Jul 2011	These amendments are only expected to affect the presentation of the Co-operative's financial report and will have no direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 Jul 2011
AASB 2010-2 ***	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities, identified in accordance with AASB 1053, preparing general purpose financial statements.	1 July 2013	Refer AASB 1053	1 Jul 2013
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	<p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.</p> <p>Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.</p>	1 Jan 2011	The Co-operative has not yet assessed the impact of the amendments. This assessment will occur next financial year.	1 Jul 2011

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group *
AASB 2010-5	Amendments to Australian Account Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	<p>This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p> <p>These amendments have no major impact on the requirements of the amended pronouncements.</p>	1 Jan 2011	These amendments are only expected to affect the presentation of the Co-operative's financial report and will have no impact on the measurement of amounts disclosed in the financial report	1 Jul 2011
AASB 2010-6	Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 Jul 2011	The Co-operative has not yet assessed the impact of the amendments. This assessment will occur next financial year.	1 Jul 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	<p>The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:</p> <ul style="list-style-type: none"> <li>- The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>- The remaining change is presented in profit or loss.</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p>	1 Jan 2013	The Co-operative has not yet assessed the impact of the amendments. This assessment will occur next financial year.	1 Jul 2013

# NOTES TO THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group *
AASB 2010-8	Amendments to Australian Account Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate <i>SIC-21 Income Taxes - Recovery of Revalued Non-Depreciable Assets</i> into AASB 112.	1 Jan 2012	The Co-operative has not yet assessed the impact of the amendments. This assessment will occur next financial year.	1 Jul 2012
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 Jul 2011	Refer AASB 1054	1 Jul 2011
AASB 2011-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project - Reduced disclosure regime [AASB 101, AASB 1054]	This standard makes amendments to the application of the revised disclosures to Tier 2 entities, that are applying AASB 1053	1 Jan 2013	Refer AASB 1053	1 Jul 2013

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group *
AASB13	Fair Value Measurement	<p>IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>IFRS 13 also expands the disclosure requirements for all the assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p>	1 Jan 2013	The Co-operative has not yet assessed the impact of the amendments. This assessment will occur next financial year.	1 Jul 2013

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

\*\* only applicable to not-for-profit/public sector entities

\*\*\* only applicable to entities that would fit in Tier 2 (Reduced Disclosure Requirements) category

## 2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### RECOVERY OF DEFERRED TAX ASSETS

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

### FAIR VALUE OF FINANCIAL INSTRUMENTS

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

### IMPAIRMENT LOSSES ON LOANS AND ADVANCES

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

### IMPAIRMENT LOSSES ON LOANS AND ADVANCES

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

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



# NOTES TO THE FINANCIAL STATEMENTS

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

- Prescribed Provisions, which are prescribed collectively according to category of loan and weighted according to days in arrears, and is an APRA requirement.
- Credit Loss Reserve provides for impairment based on 0.375% of the risk weighted adjusted total loans portfolio, and is an APRA requirement.
- Specific Provisions are determined by Management together with the Board of Directors where they consider it prudent to put extra provisions aside for a specific loan on an individual basis.

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

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

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

## PROPERTY

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

## TAXATION

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

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

## 2.5.1 FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

### (I) DATE OF RECOGNITION

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

### (II) INITIAL RECOGNITION OF FINANCIAL INSTRUMENTS

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

### (III) HELD TO MATURITY INVESTMENTS

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

Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost.

The cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount.

### (IV) LOANS AND ADVANCES TO CUSTOMERS

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

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

## 2.5.2 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

### (I) FINANCIAL ASSETS

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

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

### (II) SECURITISATION

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

The balance of securitised loans at the end of 2011 was \$1.11m (2010: \$1.37m).

### (III) FINANCIAL LIABILITIES

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

## 2.5.3 IMPAIRMENT OF FINANCIAL ASSETS

### (I) LOANS AND ADVANCES TO MEMBERS

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

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

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

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

## 2.5.4 RECOGNITION OF INCOME AND EXPENSES

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

### (I) INTEREST AND SIMILAR INCOME

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

### (II) FEE AND COMMISSION INCOME

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

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

Fees earned for the provision of services over that period.

Spread Fees earned for servicing and administering securitised loans.

*Fee income from providing transaction services*

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

### (III) DIVIDEND INCOME

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

### (IV) RENTAL INCOME

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

## 2.5.5 CASH AND CASH EQUIVALENTS

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

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

## 2.5.6 INVESTMENT PROPERTIES

The Co-operative hold certain properties as investments to earn rental income, for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date.

# NOTES TO THE FINANCIAL STATEMENTS

Gains or losses arising from changes in the fair values of investment properties are included in 'other operating income' in the year in which they arise.

The Co-operative engaged Herron Todd White Pty Ltd for the Essendon properties and Mc Lean Gladsrone Pty Ltd for the Hindmarsh properties, both are accredited independent valuers, to determine the fair value of its freehold land and buildings. Fair value is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Co-operative, and to market based yields for comparable properties. The effective date of the revaluation was 30 June 2011.

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

## 2.5.7 PROPERTY AND EQUIPMENT

### (I) COST

Equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of revaluation.

### (II) IMPAIRMENT

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

### (III) REVALUATIONS

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

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

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

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

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

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

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

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

### (IV) DERECOGNITION AND DISPOSAL

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

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

### (V) DEPRECIATION

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

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

## 2.5.8 RECEIVABLES

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

## 2.5.9 PAYABLES

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

### (I) PROVISIONS

Provisions are recognised when the Co-operative has a present obligation (legal or constructive) as a result of a past event, and it is

probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Such provisions include:

#### WAGES, SALARIES, ANNUAL LEAVE AND SICK LEAVE

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

#### LONG SERVICE LEAVE

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

### 2.5.10 CUSTOMER DEPOSITS & SHORT-TERM BORROWINGS

#### (I) MEMBER DEPOSITS

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

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

#### (II) BORROWING COSTS

Borrowing costs are recognised as an expense when incurred.

#### (III) SHAREHOLDING

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

### 2.5.11 TAXES

#### (I) CURRENT TAX

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

#### (II) DEFERRED TAX

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

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

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

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

#### (III) GOODS AND SERVICES TAX (GST)

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

- Where the GST incurred from the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost acquisition of the asset or part of the expense item as applicable.
- Receivables and payables are stated with the amount of GST included.
- The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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







# NOTES TO THE FINANCIAL STATEMENTS

	Notes	2011 \$'000	2010 \$'000
3. INTEREST & SIMILAR INCOME			
Loans & advances to members		6,806	5,171
Deposits with other financial institutions		1,189	1,108
Regulatory deposits		94	71
		<b>8,089</b>	<b>6,350</b>
4. INTEREST & SIMILAR EXPENSE			
Member deposits		4,677	3,306
Wholesale borrowings		67	-
Other		3	3
		<b>4,747</b>	<b>3,309</b>
5. NET FEES & COMMISSION INCOME			
Other fees received		116	61
		<b>116</b>	<b>61</b>
6. OTHER OPERATING INCOME			
Dividend Income		180	29
Rental Income		771	814
Change in fair value of investment property	13	75	33
Other		116	211
		<b>1,142</b>	<b>1,087</b>
7. CREDIT LOSS EXPENSE			
Bad & doubtful debts to Members		20	15
		<b>20</b>	<b>15</b>
8. OTHER OPERATING EXPENSES			
Marketing, printing and postage		127	91
Other tenancy expenses		363	314
Corporate governance, audit & compliance		310	267
Subsidised member transaction expenses		174	166
Data & communications		457	502
Other		305	294
		<b>1,736</b>	<b>1,634</b>

\*Note - Dividend income 2011 includes a one off dividend of \$150,000 from Association of Ukrainian Co-operatives in Australia

# NOTES TO THE FINANCIAL STATEMENTS



	Notes	2011 \$'000	2010 \$'000
<b>9. INCOME TAX</b>			
<b>(a) Income tax expense</b>			
The major components of income tax expense are:			
<b>Income Statement</b>			
<i>Current income tax</i>			
Current Income tax charge		300	249
Adjustments in respect of current income tax of previous years		-	-
<i>Deferred income tax</i>			
Relating to origination and reversal of temporary differences		34	15
Recognition of carry forward tax losses previously recognised		-	19
Adjustment to income tax expense for recognition of deferred tax		-	146
<b>Income tax expense reported in the income statement</b>		<b>334</b>	<b>429</b>
<b>(b) Amounts charged or credited directly to equity</b>			
<i>Deferred income tax related to items charged or credited directly to equity</i>			
Unrealised movement on land and buildings		-	(986)
<b>Income tax expense reported in equity</b>		<b>-</b>	<b>(986)</b>
<b>(c) Reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate</b>			
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows :			
<b>Accounting profit before income tax</b>		<b>1,101</b>	<b>933</b>
At the Company's statutory income tax rate of 30% (2010:30%)		330	279
Income not assessable for income tax purposes		-	-
Recognition of deferred tax		-	146
Franking credit offset		3	3
Other adjustments		1	1
<b>Aggregate income tax expense</b>		<b>334</b>	<b>429</b>

for the year ended 30 June 2011

Notes	2011 \$'000	2010 \$'000
<b>(d) Recognised deferred tax assets and liabilities</b>		
Tax expense in income statement	334	429
Amounts recognised in the balance sheet:		
Deferred tax asset	143	238
Deferred tax liability	(760)	(722)
	<b>(617)</b>	<b>(484)</b>
<b>Balance Sheet</b>		
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
<i>Deferred tax liabilities</i>		
Rent receivable	(11)	(4)
Depreciable assets	(8)	(11)
Investment properties	(736)	(705)
Land and buildings	-	-
Other	(5)	(2)
<b>Deferred tax liabilities</b>	<b>(760)</b>	<b>(722)</b>
<i>Deferred tax assets</i>		
Allowance for doubtful debts	14	17
Land and buildings	-	119
Provisions and accruals	129	102
<b>Deferred tax assets</b>	<b>143</b>	<b>238</b>



Ukrainian Cossaks

## NOTES TO THE FINANCIAL STATEMENTS

Notes	2011 \$'000	2010 \$'000
<b>10. CASH AND BALANCES WITH BANK</b>		
Cash on hand	264	259
Current account with banks	845	1,866
Overnight deposits with banks	1,850	650
	<b>2,959</b>	<b>2,775</b>
<b>11. FINANCIAL INVESTMENTS HELD TO MATURITY</b>		
Term and negotiable certificates of deposits with banks (fully redeemable) not longer than 3 months.	10,798	10,198
Term and negotiable certificates of deposits with banks (fully redeemable) longer than 3 months and not longer than 12 months	6,700	12,800
	<b>17,498</b>	<b>22,998</b>
<b>12. LOANS AND ADVANCES TO MEMBERS</b>		
Overdraft and revolving credit	3,911	3,933
Term loans	94,338	81,662
Directors and related parties	39	44
Gross loans and advances	98,288	85,639
Less: Allowance for impairment losses	(46)	(56)
	<b>98,242</b>	<b>85,583</b>
Overdrafts	3,911	3,933
Not longer than 3 months	-	113
Longer than 3 months and less than 12 months	244	604
Longer than 12 months and less than 5 years	1,190	1,553
Longer than 5 years	92,943	79,436
	<b>98,288</b>	<b>85,639</b>

for the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Residential mortgages		77,603	65,012
Consumer lending		12,138	14,405
Corporate and small business lending		8,547	6,222
		<b>98,288</b>	<b>85,639</b>
Loans in Victoria		71,867	62,458
Loans in South Australia		24,152	21,154
In other states		2,269	2,027
		<b>98,288</b>	<b>85,639</b>
Secured by Mortgage		95,932	83,264
Secured by Other		1,697	1,671
Unsecured		659	704
		<b>98,288</b>	<b>85,639</b>
Impairment allowance for loans and advances to members			
A reconciliation of the allowance for impairment losses for loans and advances is as follows :			
At start of year		56	61
Charge for the year	7	20	15
Amounts written off already provided for		(28)	(16)
Amounts recovered		(2)	(4)
<b>At end of year</b>		<b>46</b>	<b>56</b>



# NOTES TO THE FINANCIAL STATEMENTS

	2011			2010		
Loans and advances past due and impaired	Past Due \$'000	Impaired \$'000	Collateral Held \$'000	Past Due \$'000	Impaired \$'000	Collateral Held \$'000
<b>Housing Loans</b>						
30 days and less than 60 days	217	-	670	-	-	-
60 days and less than 90 days	155	-	260	-	-	-
90 days and less than 182 days	220	-	530	208	-	228
182 days and less than 273 days	-	-	-	-	-	-
273 days and less than 365 days	-	-	-	436	-	650
365 days and over	-	-	-	-	-	-
	592	-	1,460	644	-	878
<b>Personal and Commercial Loans</b>						
30 days and less than 60 days	54	-	-	-	-	-
60 days and less than 90 days	-	-	-	-	-	-
90 days and less than 182 days	-	17	-	-	27	-
182 days and less than 273 days	-	13	-	-	-	-
273 days and less than 365 days	-	-	-	-	-	-
365 days and over	-	23	-	-	28	180
	54	53	-	-	55	180
<b>Overdrafts</b>						
Less than 14 days	60	-	-	188	-	-
14 days and less than 90 days	-	17	-	-	3	-
90 days and less than 182 days	-	-	-	-	2	-
182 days and over	-	2	-	-	-	-
	60	19	-	188	5	-
<b>Total Loans Past Due or Impaired</b>	<b>706</b>	<b>72</b>	<b>1,460</b>	<b>832</b>	<b>60</b>	<b>1,058</b>

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

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

## 13. INVESTMENT PROPERTIES

At 1 July

Land and buildings reassessed as investment properties

Net change from fair value adjustment

	2011 \$'000	2010 \$'000
At 1 July	2,634	2,220
Land and buildings reassessed as investment properties	-	381
Net change from fair value adjustment	75	33
	2,709	2,634



25th Anniversary of  
philately in Ukraine 'Triptych of folk musicians'



*50th anniversary of Ukrainian settlement in Australia*

## NOTES TO THE FINANCIAL STATEMENTS

### 14. PROPERTY AND EQUIPMENT

	Land & Buildings	Computer Hardware & Software	Other Furniture & Equipment	Total
	\$'000	\$'000	\$'000	\$'000
Cost or Fair value:				
At 1 July 2010	7,630	641	1,334	9,605
Additions	-	18	95	113
Disposals	-	-	(44)	(44)
Net change from revaluation	(345)	-	-	(345)
At 30 June 2011	7,285	659	1,385	9,329
Accumulated depreciation				
At 1 July 2010	-	511	1,182	1,693
Disposals	-	-	(44)	(44)
Depreciation charge for the year	-	63	50	113
At 30 June 2011	-	574	1,188	1,762
At 30 June 2011				
Cost or fair value	7,285	659	1,385	9,329
Accumulated depreciation	-	574	1,187	1,762
Net carrying amount	7,285	85	198	7,567

for the year ended 30 June 2011

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

If land and buildings were measured using the cost model the carrying amounts would be:

2011	2010
\$'000	\$'000
3,559	3,559

# NOTES TO THE FINANCIAL STATEMENTS

	2011 \$'000	2010 \$'000
15. OTHER INVESTMENTS		
Cuscal shares	76	76
Indue class 'a' shares	56	56
Indue Limited SDD	31	31
	163	163

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

16. OTHER ASSETS		
Accrued interest receivable	292	376
Prepayments	47	41
Other receivables	36	14
	375	431

## Fair Value and Credit Risk

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

17. MEMBER DEPOSITS		
Current accounts	39,795	37,553
Term deposits	66,508	64,447
	106,303	102,000
Deposits in Victoria	74,190	72,414
Deposits in South Australia	23,658	20,890
In other States	8,455	8,696
	106,303	102,000

Ukrainian folk tales





for the year ended 30 June 2011

	2011 \$'000	2010 \$'000
<b>18. OTHER LIABILITIES</b>		
Interest payable on deposits	1,150	790
Trade creditors and sundry creditors	852	2,081
	<b>2,002</b>	<b>2,871</b>
<b>19. PROVISIONS</b>		
<b>Current provisions for employee entitlements</b>		
Long service Leave	137	108
Annual Leave	162	141
	<b>299</b>	<b>249</b>
<b>Non-current provisions for employee entitlements</b>		
Long service Leave	70	63
	<b>70</b>	<b>63</b>

A reconciliation of the provisions is as follows :	Annual leave	Long service	Total
	\$000	\$000	\$000
As at 1 July 2010	141	171	312
Payments made	(79)	(4)	(83)
Additional provisions	100	40	140
As at 30 June 2011	162	207	369
As at 1 July 2009	133	159	292
Payments made	(78)	(13)	(91)
Additional provisions	86	25	111
As at 30 June 2010	141	171	312

# NOTES TO THE FINANCIAL STATEMENTS

20. RETAINED EARNINGS AND RESERVES	Retained Earnings \$'000	Credit loss Reserve \$'000	Foundation Reserve \$'000	Business Combination Reserve \$'000	Asset Revaluation Reserve \$'000	Total Reserves \$'000
At 1 July 2010	8,578	316	10	2,303	5,373	8,002
Decrease in statutory amount set aside for potential losses on loans & advances	55	(55)	-	-	-	(55)
Net change from revaluation of property	-	-	-	-	(345)	(345)
Adjustment to deferred tax due to timing differences on revalued assets	6	-	-	-	(140)	(140)
Net profit attributable to members	767	-	-	-	-	-
At 30 June 2011	9,406	261	10	2,303	4,888	7,462
At 1 July 2009	8,209	181	10	2,303	3,937	6,431
Increase in statutory amount set aside for potential losses on loans & advances	(135)	135	-	-	-	135
Net change from revaluation of property	-	-	-	-	450	450
Adjustment to deferred tax due to timing differences on revalued assets	-	-	-	-	986	986
Net profit attributable to members	504	-	-	-	-	-
At 30 June 2010	8,578	316	10	2,303	5,373	8,002

*Credit loss reserve - The credit loss reserve is used to record the APRA required provisioning for setting aside 0.375% of the risk weighted assets as provision for possible bad debt write off. It represents an appropriation of retained earnings as further capital held against credit losses.*

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

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

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

for the year ended 30 June 2011

21. ADDITIONAL CASH FLOW INFORMATION	Notes	2011 \$'000	2010 \$'000
<b>Cash and cash equivalents</b>			
Cash on hand	10	264	259
Current account with bank	10	845	1,866
Overnight deposits with bank		1,850	650
		<b>2,959</b>	<b>2,775</b>
<b>Change in operating assets</b>			
Net change in interest receivable	16	84	(49)
Net change in debtors	16	(23)	-
Net change in prepayments	16	(6)	(18)
Net change in future income tax benefit	20	(45)	(121)
		<b>10</b>	<b>(188)</b>
<b>Change in operating liabilities</b>			
Net change in interest payable	18	360	328
Net change in creditors and accruals	18	(1,229)	1,500
Net change in future tax payable	9	38	(231)
		<b>(831)</b>	<b>1,597</b>
<b>Non-cash items included in profit before tax</b>			
Depreciation of property and equipment		113	127
Impairment losses on financial assets		20	15
Revaluation of investment property		(75)	(33)
Provisions		(57)	(20)
		<b>1</b>	<b>89</b>



*Kyiv Monastery of the Caves*

# NOTES TO THE FINANCIAL STATEMENTS

## 22. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Assets 2011	Carrying Value 2011 \$'000	Fair Value 2011 \$'000
<b>Financial Assets</b>		
Cash & balances with bank	2,959	2,959
Financial investments - held to maturity	17,498	17,498
Loans and advances to members	98,242	98,242
Other investments	163	163
Accrued interest receivable	292	292
Other receivables	36	36
<b>Total 2011</b>	<b>119,190</b>	<b>119,190</b>
<b>Liabilities</b>		
<b>Financial Liabilities</b>		
Member deposits	106,303	106,303
Wholesale borrowings	3,000	3,000
<b>Total 2011</b>	<b>109,303</b>	<b>109,303</b>

Assets 2010	Carrying Value 2010 \$'000	Fair Value 2010 \$'000
<b>Financial Assets</b>		
Cash & balances with bank	2,775	2,775
Financial investments - held to maturity	22,998	22,998
Loans and advances to members	85,583	85,583
Other investments	163	163
Accrued Interest receivable	376	376
Other receivables	14	14
<b>Total 2010</b>	<b>111,909</b>	<b>111,909</b>
<b>Liabilities</b>		
<b>Financial Liabilities</b>		
Member Deposits	102,000	102,000
<b>Total 2010</b>	<b>102,000</b>	<b>102,000</b>

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

### CASH AND LIQUID ASSETS

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

### DEPOSITS WITH FINANCIAL INSTITUTIONS

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

### LOANS AND ADVANCES

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

### MEMBER DEPOSITS

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

### OTHER INVESTMENTS

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

### ACCRUED INTEREST RECEIVABLE

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

### OTHER RECEIVABLES

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

for the year ended 30 June 2011

## 23. RISK MANAGEMENT

### 23.1 INTRODUCTION

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

#### RISK MANAGEMENT STRUCTURE

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

#### INTERNAL AUDIT

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

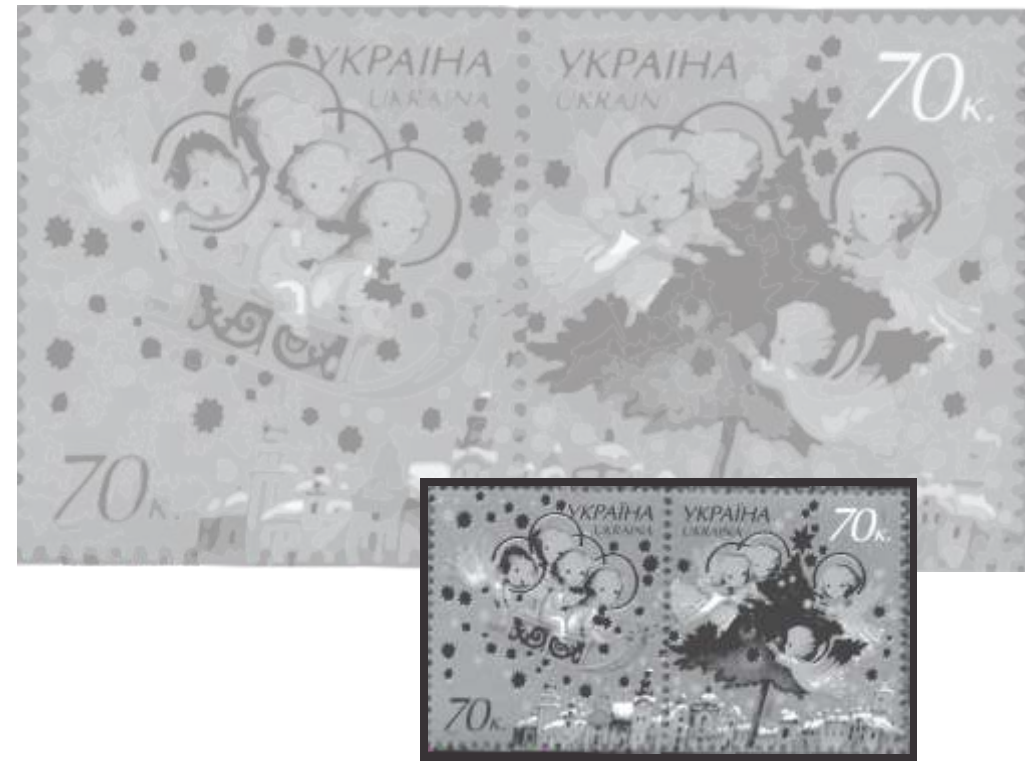
### 23.2 CREDIT RISK

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

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

Credit ratings are those published by Standards and Poors'.

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



Ukrainian Christmas artwork

# NOTES TO THE FINANCIAL STATEMENTS

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



*Stepan Bandera*  
Historical Ukrainian politician

	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000
Assets	Total	High Grade	Other Grade	Past Due or Impaired
Financial Assets				
Loans secured by mortgage	98,241	97,043	421	778
	Total	AAA to A-	B+ to BBB+	Other*
Cash & balances with bank	2,959	350	1,850	759
Financial investments - held to maturity	17,498	3,550	12,300	1,648
Other investments	164	76	-	88
Accrued interest receivable	289	201	87	1
Other receivables	36	-	-	36
<b>Total</b>	<b>20,946</b>	<b>4,177</b>	<b>14,237</b>	<b>2,532</b>

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



for the year ended 30 June 2011

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

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

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

All interest bearing securities were issued by Australian entities.

#### COLLATERAL AND OTHER CREDIT ENHANCEMENTS

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

The main types of collateral obtained are as follows:

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

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

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

#### IMPAIRMENT ASSESSMENT

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

#### LOANS PAYABLE

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

### 23.3 LIQUIDITY RISK AND FUNDING MANAGEMENT

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

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

The Co-operative maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Co-operative is required by the Australian Prudential Regulatory Authority to hold a minimum of 12% high quality liquid assets at any given time. The liquidity position is assessed giving due consideration to stress factors relating to both the market in general and specifically to the Co-operative. Net liquid assets consists of cash, short term bank deposits or negotiable certificate of deposits available for immediate sale. The ratio during the year was as follows.

	2011 %	2010 %
30 June	15.6	20.4
Highest for period	21.0	25.8
Lowest for period	13.4	18.6

# NOTES TO THE FINANCIAL STATEMENTS

## 23.3a MATURITY PROFILE OF FINANCIAL LIABILITIES

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

	Less than 30 days	Less than 3 months	3-12 months	Subtotal less than 12 months	1-5 years	Over 5 years	Subtotal over 12 months	Total
2011								
Liabilities								
Financial Liabilities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank overdrafts	-	-	-	-	-	-	-	-
Member deposits	52,039	27,838	26,032	105,909	394	-	394	106,303
Wholesale borrowings	3,000	-	-	3,000	-	-	-	3,000
Trade and other payables	501	-	1,502	2,003	-	-	-	2,003
<b>Total</b>	<b>55,540</b>	<b>27,838</b>	<b>27,534</b>	<b>110,912</b>	<b>394</b>	<b>-</b>	<b>394</b>	<b>111,306</b>
2010								
Liabilities								
Financial Liabilities								
Bank overdrafts	-	-	-	-	-	-	-	-
Member deposits	46,426	30,904	24,419	101,749	251	-	251	102,000
Trade and other payables	1,920	-	951	2,871	-	-	-	2,871
<b>Total</b>	<b>48,346</b>	<b>30,904</b>	<b>25,370</b>	<b>104,620</b>	<b>251</b>	<b>-</b>	<b>251</b>	<b>104,871</b>

for the year ended 30 June 2011

### 23.3b MATURITY PROFILE OF COMMITMENTS

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

	Within 12 months	More than 1 year	Total
2011 Liabilities	\$'000	\$'000	\$'000
Approved but undrawn loans	4,029	-	4,029
Undrawn line of credit	2,360	-	2,360
<b>Total</b>	<b>6,389</b>	<b>-</b>	<b>6,389</b>

	Within 12 months	More than 1 year	Total
2010 Liabilities	\$'000	\$'000	\$'000
Approved but undrawn loans	5,678	-	5,678
Undrawn line of credit	2,228	-	2,228
<b>Total</b>	<b>7,906</b>	<b>-</b>	<b>7,906</b>



*10th anniversary of Ukrainian stamps*

### 23.4 MARKET RISK

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

# NOTES TO THE FINANCIAL STATEMENTS

Interest Rate Risk	Floating interest rate	Fixed interest maturing in		Non-interest bearing	Total carrying amount as per balance sheet
2011	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets	2011	1 year or less	+1 to 5 years	2011	2011
Cash & balances with bank	2,695	-	-	264	2,959
Financial investments - held to maturity	-	17,498	-	-	17,498
Shares (Cuscal and Indue)	-	-	-	163	163
Other receivables	-	-	-	375	375
Loans and advances to members	96,808	244	1,190	-	98,242
<b>Financial Liabilities</b>					
Member deposits	39,795	66,114	394	-	106,303
Wholesale borrowings	-	3,000	-	-	3,000

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



for the year ended 30 June 2011

*A haunting memorial of Holodomor  
Famine in Ukraine*



Judgements of reasonably possible movements :

		Post Tax Profit Higher / (Lower)	
2011	2010	2011 \$'000	2010 \$'000
+0.75%(75 Basis Points)	+0.75% (75 Basis Points)	128	105
-0.00% (0 Basis Points)	-0.50% (50 Basis Points)	-	(70)

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

Judgements of reasonably possible movements :

		Equity Higher / (Lower)	
2011	2010	2011 \$'000	2010 \$'000
+0.75%(75 Basis Points)	+0.75% (75 Basis Points)	128	105
-0.00% (0 Basis Points)	-0.50% (50 Basis Points)	-	(70)

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

For 2010 the likelihood was for several rate increases for the year ahead, therefore a 0.75% increase was used for the analysis, while the chance of a rate decrease was possible, therefore 0.50% rate was used. The chance of a rate decrease in 2011 was unlikely, 0.00% has been used. The chance of a rate increase was likely and the possibility of a 0.75% increase has been used for 2011.

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

## 23.5 OPERATIONAL RISK

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

## 24. CAPITAL

The Co-operative maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Co-operative's capital is monitored using, among other measures, the rules and ratios established by the Australian Prudential Regulatory Authority (APRA). The Capital Ratio as at 30 June 2011 exceeds the APRA minimum requirement. The Board minimum capital ratio is 15%. Should capital fall to 17% a 3 year forecast is performed to ensure that the capital is monitored closely and starts to trend upwards. The capital ratio is reported to the Board at the monthly Board Meetings and more frequently during periods of volatility or when the capital ratio falls below 17%. During the past the year, the Co-operative has complied in full with all its internally and externally imposed capital requirements.

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

### CAPITAL MANAGEMENT

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

### REGULATORY CAPITAL

	2011	2010
	\$'000	\$'000
Capital base	12,526	12,417
Risk weighted assets	69,983	64,182
	%	%
Total capital ratio	17.9	19.3



Traditional Ukrainian costumes





*Feast of Ivana Kupala*



*Pysanky  
Ukrainian Easter eggs*



*Ukrainian floral artwork*



# NOTES TO THE FINANCIAL STATEMENTS

## 25. RELATED PARTY DISCLOSURES

### a) Details of key management personnel

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

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

### b) Compensation of key management personnel of the Co-operative

	2011 \$'000	2010 \$'000
Short term employment benefits - salaries	181	166
Post employment - superannuation contributions	14	12
Other long - term benefits - long service leave	-	-
Termination payments	-	-
<b>Total</b>	<b>195</b>	<b>178</b>

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

Aggregate remuneration of directors included in the figure above	39	31
--	----	----

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

The Co-operative enters into transaction, arrangements and agreements involving Directors and the General Manager in the ordinary course of business.

The Co-operative entered into a 3 year contract with the General Manager that commenced on the 1 January 2011. Under the terms of the contract:

Mr. Papas' contract will be reviewed at the conclusion of the term.

The Co-operative may terminate the contract at any time without notice if serious misconduct has occurred.

The following table provides the aggregate value of loans to the General Manager, Directors, spouses and related entities:



locomotive industry of  
Ukraine

for the year ended 30 June 2011

	2011 \$'000	2010 \$'000
<b>Loans:</b>		
Balance owing at 30 June	-	-
New loans advanced	-	-
Interest and fees	-	-
Repayments	-	-
Movement from changes in key management personnel	-	-
<b>Revolving credit facilities:</b>		
Total value extended	260	260
Balance utilised at 30 June	39	44
<b>Savings and term deposit services:</b>		
Amounts deposited at 30 June	1,071	54

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

#### *Operating lease commitments receivable - Co-operative as lessor*

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

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

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

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2011 are as follows;

	2011 \$'000	2010 \$'000
Within one year	470	472
After one year but not more than three years	574	204
<b>Total minimum lease payments</b>	<b>1,044</b>	<b>676</b>

#### *Contingent liabilities*

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

#### *Undrawn commitments to lend*

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

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

## 26. SUPERANNUATION COMMITMENTS

The Co-operative contributes to a number of superannuation plans chosen individually by its employees. Members' benefits are fully vested with that member and will be paid out upon termination of employment as preserved or non-preserved benefits depending on the contribution basis. The obligation for the Co-operative is limited to that under the Superannuation Guarantee legislation which for the 2010-11 financial year was 9% of gross income and the total amounted to \$107,000 for 2011 (2010: \$127,000).

## 27. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of Members, the Co-operative does enter into irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do contain credit risk and are therefore part of the overall risk of the Co-operative. The maximum amount of credit exposure risk for guarantees for 2011 of \$248,710 (2010: \$116,000) is deemed insignificant.

Total outstanding commitments and contingent liabilities are as follows:

# NOTES TO THE FINANCIAL STATEMENTS

	2011 \$'000	2010 \$'000
Contingent liabilities		
Financial guarantees	249	116
	249	116
Commitments		
Undrawn commitments to lend	4,029	5,678
Unused overdraft facilities of members	2,360	2,228
	6,389	7,906
<b>Total</b>	<b>6,638</b>	<b>8,022</b>

## CONTINGENT LIABILITIES

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

## UNDRAWN COMMITMENTS TO LEND

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

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

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

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

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

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2011 are as follows:

	2011 \$'000	2010 \$'000
Within one year	470	472
After one year but not more than three years	574	204
<b>Total minimum lease payments</b>	<b>1,044</b>	<b>676</b>

## LEGAL CLAIMS

The Co-operative had no material unresolved legal claims as at 30 June 2011. (2010 none).

## ECONOMIC DEPENDENCY

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

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

(b) *First Data International* - This company operates the computer switch used to process transactions from the use of Co-operative's debit cards through approved ATM and EFTPOS networks.

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

## 28. REMUNERATION OF EXTERNAL AUDITORS

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

	2011	2010
Audit of the Co-operative	\$59,000	\$55,000
Taxation Services	\$10,000	\$33,632
	\$69,000	\$88,632

## 29. SUBSEQUENT EVENTS

There were no subsequent events to be brought to the attention of members for the financial year ended 30 June 2011.

# CORPORATE DIRECTORY

Established	Dnister was incorporated in Victoria under the Co-operative Act on the 21st September 1959
Registered Office	Head Office 912 Mt Alexander Road, Essendon VIC 3040 Tel (03) 9375 1222 Fax (03) 9370 5361
Branches	Hoverla, 62 Orsmond St, Hindmarsh SA 5007 Tel (08) 8346 6174 Fax (08) 8346 2262
	Geelong, 3/29-35 Milton Street, Bell Park VIC 3215 Tel (03) 5278 5950 Fax (03) 5277 9108
	Kalya, 20 Ferguson Street, Maylands WA 6051 Tel/Fax (03) 9271 5984
External Auditors	Ernst & Young, 8 Exhibition Street, Melbourne VIC 3000
Internal Auditors	BDO 30th Floor, 525 Collins Street, Melbourne VIC 3000
Solicitors	DKL Lawyers, Suite 5 Ground Floor 912 Mt Alexander Road Essendon VIC 3040
Legal Corporate Advisors	S. Tomy & Co., 5th Floor 414 Lonsdale Street, Melbourne VIC 3000
	Wisewould Mahony Lawyers, 419 Collins Street, Melbourne VIC 3000
	Fisher Jeffries Lawyers, 19 Gouger Street, Adelaide SA 5000
Bankers	Credit Union Settlement Services Limited, 6 Moorak Street Taringa QLD 4068
	Westpac Banking Corporation, 260 Queen Street, Brisbane QLD 4000
Insurers	CUNA Mutual Group. Level 9 345 George Street, Sydney NSW 2000

thank you

Dnister would like to thank Mr Jaroslav Kutny for his enthusiasm, expertise and contribution in providing the beautiful and historical range of postage stamps featured in this report. We would also like to thank Mr George Fedyk for his assistance.

All stamps featured in this report have been issued in Ukraine over the past 20 years since its Declaration of Independence in 1991.





Dnister Ukrainian Credit Co-operative Limited  
ABN 59 087 651 394 | AFSL 240673