



**Latvian Australian Credit
Co-operative Society Limited**

ACN 087 651 545

Financial Report to Members

for the year ended 30 June 2011

Directors

Eric Cirulis (Chairman)
Victor Bendrups (Deputy Chairman)
Peter Delters (Managing Director)
Igor Dimits
Edvins Misa
Roxy Reiters
Karlis Zubeckis

Secretary

Gunta Vagars

Registered Office

Level 8
313 Little Collins Street
Melbourne, Victoria, 3000

Solicitor

Darzins Legal

Bankers

Commonwealth Bank of Australia
Westpac Banking Corporation

Auditor

Graeme S Day
MV Anderson & Co.

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Latvian Australian Credit Co-operative Society Limited
ABN 087 651 545
Directors' Report

Your directors present their report and the financial statements of Latvian Australian Credit Co-operative Society Limited for the financial year ended 30 June 2011.

DIRECTORS

The names and details of the directors of the Credit Union in office at any time during or since the end of the financial year are:

Eric Cirulis B.Bus CA (Chariman)	E. Cirulis joined the Society as a director in 2002. He was appointed Chairman of the Society in 2010 he is also chairman of the Nominations and Remuneration committees and a member of the Audit committee. He is a partner in the accounting firm Stones Sharp.
Viktors Bendrups (Deputy Chairman)	V. Bendrups joined the Society as a director in 2007. He is Deputy Chairman of the Society as well as being Chairman of the Audit Committee and member of the Remuneration Committee. He is a general manager of an engineering company Elsum Emgineering.
Peter Delters, B.Bus (Acc) CPA	P. Delters joined the Society as an employee in 1982, in 1995 he was appointed to the position of Chief Executive Officer, then in 1998 he became a Director of the Society, he is Deputy Chairman of the Loan Committee.
Edvins Misa	E. Misa joined the Society as a director in 1961 and held the position of Chairman of the Society from 1988 till he relinquished the position in 2010. He is member of the Loan Committee and Nominations Committee.
Igor Dimits ASA	I. Dimits joined the Society as a director in 1966, in 1986 he was appointed Chief Executive Officer a position he held till 1995, He is chairman of the Loan Committee and a member of the Audit committee and Nominations committee and Remuneration committee
Karlis Zubeckis B.Com	K. Zubeckis first joined the Society as a director in 1969 a position he held to 1974, he again was a director from 1978 till 1982 and then again became a director in 1989, he is a member of the Loan Committee
Roksija Reiters	R Reiters was elected to the Society as a director in 2010, she has had a long association with the Society.
Linda Clucas (Alternate Director)	L Clucas was an alternate director for Igor Dimits.

The Directors are members of the Credit Union and each holds shares to the value of \$10.

Latvian Australian Credit Co-operative Society Limited

ABN 087 651 545

Directors' Report

INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE CREDIT UNION

There have been no interests declared by directors in contracts or proposed contracts with the Credit Union.

DIRECTORS' BENEFITS

With the exception of the information disclosed in Note 9a, during or since the end of the financial year no director, or a firm of which a director is a member, or an entity in which a director has a substantial financial interest has received, or has become entitled to receive, any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the accounts or the fixed salary of a full-time employee of the Credit Union) by reason of a contract entered into by the Credit Union.

DIRECTORS' MEETINGS

The numbers of meetings of directors (including meetings of standing committees of directors) held during the financial year and the number of meetings attended by each director was as follows:

Meetings of:	Directors	Audit	Loan	Remuneration	Nominations
Number of meetings held	12	3	8	2	1
Number of meetings attended:					
Eric Cirulis	11	3	0	2	1
Victor Bendrups	11	3	2	2	0
Peter Delvers	12	3	8	0	1
Edvins Misa	12	2	8	0	1
Igors Dimits	10	2	7	1	1
Roxy Reiters	9	3	1	0	0
Karlis Zubeckis	9	0	4	0	0
Linda Clucas (Alternate)	3	0	0	0	0

PRINCIPAL ACTIVITY

The principal activity of the Credit Union during the year was the provision of a complete range of retail financial products and lending services to members.

OPERATING RESULTS

Net profit after income tax for the financial year was \$36,353 (2010 \$39,863).

REVIEW OF OPERATIONS

The Credit Union has continued from the previous year and has had a satisfactory result

Income was up 12.25% from the previous financial year at \$955,093. Interest expense increased by 19.95% from the previous year at \$546,278. Gross Profit was 3.38% more than for the previous financial year. Expenses for the financial year amounted to \$368,989 which was 4.99% higher than for the previous year. This resulted in a net profit before income tax of \$39,826.

During the year assets reduced by 2.94%. Member deposits fell by 3.94% during the year and Member loans increased by 8.68%. Members equity grew by 1.48%.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There was no significant change in the state of affairs of the Credit Union during the financial year.

AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Credit Union, the results of those operations or the state of affairs of the Credit Union in future financial years.

FUTURE DEVELOPMENTS

Currently it is difficult to predict the state of the interest rate market in the year ahead, but appears likely there will be a reduction in interest rates towards the end of this year or early next year. The Society has budgeted for a slight reduction in rates and believes that the results for 2011/2012 will show a reasonable return.

ENVIRONMENTAL ISSUES

The Credit Union's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

OPTIONS

No options over issued shares or interest in the Credit Union were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

AUDITOR'S DECLARATION

A copy of the Auditors independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

GOVERNANCE

The Credit Union's Corporate Governance and Fit and Proper policies regulated by Prudential Standards APS 510 and APS 520 respectively, issued by the Australian Prudential Regulation Authority have been reviewed and amended during the year. A summary of the main components of the Board's Corporate Governance Policy are available from the Credit Unions main office.

OTHER MATTERS

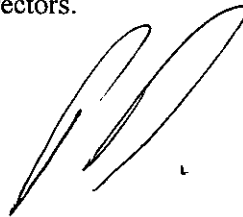
During the year, a premium was paid in respect of a contract insuring directors and officers of the Credit Union against liability. The officers of the Credit Union covered by the insurance contract include the directors, manager and employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and nature of liabilities covered, by the insurance contract is prohibited by a confidentiality clause in the contract. No indemnities have been given or insurance premiums paid during or since the end of the financial year for any person who is or has been an auditor of the Credit Union.

No person has applied for leave of Court to bring proceedings on behalf of the Credit Union or to intervene in any proceeding to which the Credit Union is a party for the purpose of taking responsibility on behalf of the Credit Union for all or any part of those proceedings. The Credit Union was not subject to any such proceedings during the year.

This declaration is made in accordance with a resolution of directors.



Eric Cirulis
Director



Peter Delters
Director

Signed at Melbourne 26 September 2011.

Latvian Australian Credit Co-operative Society Limited

ABN 087 651 545

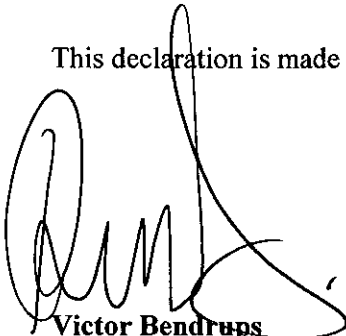
Directors' Declaration

The directors of Latvian Australian Credit Co-operative Society Limited declare that:


- 1 The financial statements and notes as set out on pages 9 to 30, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards, which, as stated in accounting policies Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Credit Union.

- 2 In the directors' opinion there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.



Victor Bendrup
Director



Roxy Reiter
Director

Signed at Melbourne 26 September 2011



M V ANDERSON & CO

Chartered Accountants

mva@mvanderson.com.au

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Australia

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

**TO THE DIRECTORS OF LATVIAN AUSTRALIAN
CREDIT CO-OPERATIVE SOCIETY LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June, 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

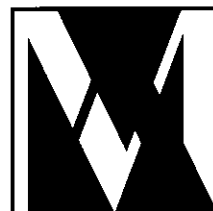
M V Anderson & Co

M V ANDERSON & Co
Chartered Accountants
4th Floor,
313 La Trobe Street,
Melbourne Vic 3000

GRAEME S. DAY
Partner

Dated: 27th September, 2011

**LATVIAN AUSTRALIAN CREDIT
CO-OPERATIVE SOCIETY LIMITED**
(ACN 087 651 545)



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
OF LATVIAN AUSTRALIAN CREDIT CO-OPERATIVE
SOCIETY LIMITED**

We have audited the accompanying financial report of Latvian Australian Credit Co-operative Society Limited (the credit union), 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 then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the credit union are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

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 Australia Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the credit union's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion,

- a. the financial report of Latvian Australian Credit Co-operative Society Limited is in accordance with the *Corporations Act 2001*, including
 - (i) giving a true and fair view of the credit union'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 (including Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

M V Anderson & Co

M V ANDERSON & Co
Chartered Accountants
4th Floor,
313 La Trobe Street,
Melbourne Vic 3000



GRAEME S. DAY
Partner

Dated: 27th September, 2011

Latvian Australian Credit Co-operative Society Limited
 ABN 087 651 545
Statement of Comprehensive Income for the Year Ended 30 June 2011

	Note	2011	2010
Net Interest Income		\$	\$
Interest income	4	951,998	847,815
Interest expense	4	(546,278)	(455,413)
Net Interest Income	4	405,720	392,402
Other Operating Income			
Fee income		1,505	1,751
Dividend revenue		1,525	1,220
Provision for Doubtful Debts		0	0
Other Income		65	82
Total Other Operating Income	5	3,095	3,053
Total Income		408,815	395,455
Operating Expenses			
Bad and doubtful debt expenses		0	0
Employee benefits		183,991	180,020
Depreciation and amortisation		16,454	16,267
Other expenses from ordinary activities		168,544	155,180
Total Operating Expenses	5	368,989	351,467
Profit (Loss) Before Income Tax Expense		39,826	43,988
Income Tax Expense/(Benefit)	1i, 3	3,473	4,125
Net Profit (Loss)	5, 19	36,353	39,863
Other comprehensive income, net of tax			
Revaluation Surplus		0	106,309
Deferred Tax Asset Rate Adjustment		14,139	0
Total comprehensive income for the year		50,492	146,172

Latvian Australian Credit Co-operative Society Limited

ABN 087 651 545

Statement of Changes in Member Equity

For the Year Ended 30 June 2011

	Retained Profits	Asset Revaluation Reserve	Reserve for Credit Losses	General Reserve	Total
Total at 1 July 2010	31,664	151,171	67,000	2,000,000	2,249,835
Net profit (loss) for period	50,492	0	0	0	50,492
Transfers (to) from reserves	(6,000)	0	6,000	0	0
Total at 30 June 2011	76,156	151,171	73,000	2,000,000	2,300,327

	Retained Profits	Asset Revaluation Reserve	Reserve for Credit Losses	General Reserve	Total
Total at 1 July 2009	98,801	44,862	60,000	1,900,000	2,103,663
Net profit (loss) for period	39,863	0	0	0	39,863
Revaluation	0	106,309	0	0	106,309
Transfers (to) from reserves	(107,000)	0	7,000	100,000	0
Total at 30 June 2010	31,664	151,171	67,000	2,000,000	2,249,835

Latvian Australian Credit Co-operative Society Limited

ABN 087 651 545

Statement of Financial Position as at 30 June 2011

	Note	2011 \$	2010 \$
Assets			
Cash and liquid assets	6	817,128	1,036,172
Due from other financial institutions	7	6,670,000	7,486,334
Accrued receivables	8	171,331	169,793
Loans and advances	9, 10	7,265,178	6,684,832
Other Investments	11	10,494	10,494
Property, plant and equipment	12	453,379	468,489
Income tax assets	13	51,244	28,184
Other	14	8,433	6,734
Total Assets		<u>15,447,187</u>	<u>15,891,032</u>
Liabilities			
Deposits	15	12,830,263	13,356,820
Accounts payable and other liabilities	16	191,726	173,049
Income tax liabilities	17	9,730	(782)
Provisions	18	115,141	112,110
Total Liabilities		<u>13,146,860</u>	<u>13,641,197</u>
Net Assets		<u>2,300,327</u>	<u>2,249,835</u>
Equity			
Reserves	19	2,224,171	2,218,171
Retained profits		76,156	31,664
Total Equity		<u>2,300,327</u>	<u>2,249,835</u>

The accompanying notes 1 to 29 are an integral part of these accounts.

Latvian Australian Credit Co-operative Society Limited
 ABN 087 651 545
Statement of Cash Flows for the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
Operating Activities			
Interest received – loans		465,642	380,695
Interest received – investments		484,410	522,666
Other non-interest income received		1,570	2,233
Dividends received		1,525	1,220
Interest paid		(530,352)	(543,213)
Tax paid		(1,882)	(5,368)
Cash paid to suppliers and employees		(348,945)	(320,790)
Net Cash From Revenue Activities	20c	<u>71,968</u>	<u>37,443</u>
Cash Flow From Other Operating Activities			
New loans made		(2,467,300)	(3,404,600)
Principal collected on loans		1,887,300	2,392,196
Net Cash From Other Operating Activities		<u>(580,000)</u>	<u>(1,012,404)</u>
Net Cash From Operating Activities		<u>(508,032)</u>	<u>(974,961)</u>
Investing Activities			
Net movements in investments		816,334	2,391,560
Payments for property, plant and equipment		(1,344)	(5,802)
Net Cash From Investing Activities		<u>814,990</u>	<u>2,385,758</u>
Financing Activities			
Net increase (decrease) in deposits		(526,002)	(985,994)
Net Cash From Financing Activities		<u>(526,002)</u>	<u>(985,994)</u>
Net Increase / (Decrease) in Cash		(219,044)	424,803
Cash at Beginning of Financial Year		1,036,172	611,369
Cash at End of Financial Year	20a	<u><u>817,128</u></u>	<u><u>1,036,172</u></u>

1 Summary of Significant Accounting Policies

1a Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the ASSB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual basis and is based on historical cost, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

1b Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and with financial institutions, and money market investments readily convertible to cash within 2 working days, net of outstanding overdrafts.

Cash on hand and with banks and short term deposits are stated at the lower of cost and net realisable value.

Overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

1c Loans and advances

Loans and advances are recognised at their recoverable amount, after assessing required provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

Bad debts were written off when identified. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Income Statement.

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

- Non-accrual 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 the revised terms are not comparable to new facilities. Loans with revised terms are included in non-accrual loans when impairment provisions are required.
- 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. If impairment is required, the loan is included in non-accrual loans.

1d Reserve for credit losses

In addition to the specific provision, the Board has recognised the need to make an allocation from Retained Earnings to ensure that there is adequate protection for members against the prospect that some members will experience loan repayment difficulties. This reserve is based on estimation of potential risk in the loan portfolio based upon:

- The level of security taken as collateral;
- The concentration of loans taken by employment type.

1e Property, plant and equipment

Items of property plant and equipment comprising a class of assets are re-valued at the same date on a consistent basis. Where assets have been re-valued the potential effect on the capital gains tax on disposal has not been taken into account in the determination of the re-valued carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of a note.

The Credit Unions office was last valued by Jane Saffin AAPI (Certified Practising Valuer) of Egan National Valuers in June 2010. All valuations are estimates of the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

Depreciation is based on the straight line method of calculation. It is provided on all property, plant and equipment so as to write off the cost over their estimated economic lives.

Property, plant and equipment are recognised under the cost model. Items of property, plant and equipment are carried at its cost less any accumulated depreciation and any accumulated impairment losses.

1f Income recognition

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

Fees and Commissions:

Control of a right to be compensated for services is attained usually evidenced by approval of contract by customer.

Interest:

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

1g Deposits with other financial institutions

Term deposits are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity. All deposits are in Australian currency. The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the Balance Sheet.

1h Equity investments in other securities

Investments in shares where a market value is readily available are revalued to market value, with the gains and losses reflected in equity through the Asset Revaluation Reserve.

Investments in shares which do not have a ready market and are not capable of being reliably valued are recorded at the lower of cost or recoverable amount. Investments in shares where no market value is readily available are carried at cost less any provision for impairment.

All investments are in Australian currency.

1i Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the accounts and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a deferred tax asset or a provision for deferred income tax. The deferred tax asset relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised. Timing differences are assessed at 45%. (2010 - 30%)

1j Employee entitlements

Provision is made for the Credit Union's liability for employee entitlements arising from services rendered by employees to balance date.

Employee entitlements expected to be settled within one year together with entitlements arising from wages, salaries and annual leave, which will be settled within one year, have been measured at their nominal amount.

Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Although there is no legal requirement to provide a provision for personal leave, the directors have made a provision for personal leave which is included in employee entitlements.

1k Accounts payable and other liabilities

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

2 Risk Management Objectives and Policies

The Credit Union has undertaken the following strategies to minimise the risks arising from financial instruments.

2a Market risk and hedging policy

The Credit Union is not exposed to currency and other price risks. The Credit Union does not trade in the financial instruments it holds on its books.

2b Interest rate risk

The Credit Union is exposed to interest rate risk arising from changes in market interest rates. Interest rate risk assessment is measured within the limitations of simulated models which anticipate size and mix of products, growth and market acceptability and the anticipated interest margin target. The Credit Union has modelled the impact of an across-the-board interest rate shock of 200 basis points up and down and determined the impact to be manageable. The amounts of fixed term mortgage loans are limited to further mitigate interest rate risk.

2c Liquidity risk

The Credit Union is required to maintain at least 9% of total adjusted liabilities as qualifying High Quality Liquid Assets (HQLA) capable of being converted to cash within 24 hours under the APRA Prudential Standards. The Credit Union's policy is to apply a minimum of 12% of funds as HQLA to maintain adequate funds for meeting member withdrawal request. The ratio is checked daily. Should the HQLA ratio fall below a level of 15% the management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits or borrowing facilities available. The borrowing facilities as of balance date are detailed in Note 24.

The maturity profiles of the financial assets and financial liabilities, based on contractual repayment terms are detailed in Notes 7 and 29b

2d Credit risk – liquid investments

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration on one entity. The majority of the Credit Union's investments are placed as HQLA with various Authorised Deposit Taking Institutions. All investments with terms greater than three months must be with financial institutions with a rating of at least BBB.

2e Credit risk - loans

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The Credit Union has a concentration in the retail lending for members who comprise persons of Latvian origin or are related to persons of Latvian origin. This concentration is considered acceptable on the basis that the Credit Union was formed to service these members, and the concentration is not exclusive. The details of the geographic and industry concentrations are set out in Note 9c.

2f Credit risk – equity investments

All investments in the equity instruments are solely for the benefit of service to the Credit Union. The Credit Union invests in entities set up for the provision of services such as member chequing, direct entry, debit card, treasury services etc where specialisation demands quality staff which is best secured by one entity. Further details of the investments are set out in Note 11.

3 Income Tax

The Credit Union was classified for income tax purposes as a medium credit union for the year ended 30 June 2011. (For the year ended 30 June 2010 it was classified a small credit union and subject to a income tax rate of 30%) Credit unions classified as medium are subject to income tax at the rate of 45% of assessable income in excess of \$50,000). The Credit Union is exempt from tax on interest derived from loans to members (s23G of the Income Tax Assessment Act 1936)

Latvian Australian Credit Co-operative Society Limited

ABN 087 651 545

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2011

The prima facie tax on operating profit is reconciled to the income tax provided in the accounts as follows:

	2011	2010
	\$	\$
Operating Profit	39,826	43,988
Prima facie tax payable on profit from ordinary activities before income tax at 45% (2010 -30%)	17,922	13,196
Deduct Tax effect Members Income	0	(12,318)
Tax Free Threshold	(22,500)	0
Adjustment in relation to permanent differences	5,101	3,247
Adjustment in relation to timing differences	0	0
Adjustment to recognise deferred tax benefit at 45% (2010 – 30%)	2,950	0
Overprovision of tax prior year	0	0
Tax Expense/(Benefit)	3,473	4,125
Balance of the franking account at year end, adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables and franking credits that may be prevented from distribution in the subsequent financial year.	72,050	69,563

4 Interest Revenue and Interest Expense

The following table shows the average balance for each of the major categories of interest bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. The averages are month-end averages and are representative of the Credit Union's operations during the year.

	Average balance	Interest	Average interest rate
	\$	\$	%
Interest revenue 2011			
Cash and liquid assets	8,245,290	486,010	5.89
Loans and advances	6,763,116	465,988	6.89
	15,008,406	951,998	6.34
Interest expense 2011			
Members' deposits	13,138,282	546,278	4.16
	13,138,282	546,278	4.16
Net Interest Income 2011	1,870,124	405,720	2.18
Interest revenue 2010			
Cash and liquid assets	9,349,205	461,206	4.93
Loans and advances	5,830,172	386,609	5.90
	15,896,672	847,815	5.23
Interest expense 2010			
Members' deposits	13,862,506	455,413	3.29
	13,862,506	455,413	3.29
Net Interest Income 2010	2,034,166	392,402	2.04

Latvian Australian Credit Co-operative Society Limited

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Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2011

5 Operating Profit

Included in the operating profit are the following items of operating revenue:

	2011	2010
	\$	\$
Interest revenue (Note 4)	951,998	847,815
Non interest income:		
Bad debts recovered	0	0
Rental income	0	0
Other fee income	1,505	1,751
Dividend revenue	1,525	1,220
Other Income	65	82
Non Interest Income	3,095	3,053
Operating Revenue	955,093	850,868

Operating profit before income tax is arrived at after charging/(crediting) the following items:

Bad debts written off - unsecured		
Doubtful debts provision	0	0
Amounts charged for depreciation:		
Plant and equipment	5,119	5,966
Buildings and freehold land	11,335	10,301
Transfers to/(from) provisions for:		
Employee entitlements	3,031	12,763
General administrative expenses:		
Personnel costs	181,681	154,660
Travelling Expenses	14,193	10,901
Information technology	7,661	6,710
Office occupancy	29,197	30,768
Printing and stationery	3,595	2,649
Marketing and advertising	10,636	9,802
Internal audit	1,590	1,500
Other	79,476	85,647
Auditors remuneration:		
Audit of accounts	20,185	18,480
Other services	1,320	1,320
The auditors did not receive any other benefits		
Expenses From Ordinary Activities	368,989	351,467

6 Cash and Liquid Assets

Cash on hand and at bank	817,128	1,036,172
	817,128	1,036,172

7 Due from Other Financial Institutions

Interest earning deposits	6,670,000	7,486,334
Maturity Analysis:		
At call	0	0
Not longer than 3 months	1,900,000	2,193,595
Longer than 3 months and not longer than 12 months	4,770,000	5,292,739
Longer than 1 year and not longer than 5 years	0	0
Longer than 5 years	0	0
	6,670,000	7,486,334

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Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2011

	2011	2010
	\$	\$
8 Accrued Receivables		
Interest receivable	170,619	169,019
Debtors	0	0
Other	712	774
	<u>171,331</u>	<u>169,793</u>
9 Loans and Advances		
Overdrafts	50,696	144,405
Term loans	7,214,482	6,540,427
	<u>7,265,178</u>	<u>6,684,832</u>
Provision for Doubtful Debts	0	0
Total Loans and Advances	<u>7,265,178</u>	<u>6,684,832</u>
9a Aggregate amounts receivable from related parties:		
Director and director related entities	128,729	296,707
General Provision for impairment	0	0
9b Maturity analysis		
Up to 3 months	1,053,273	370,084
From 3 months to 12 months	455,747	385,135
Later than 1 year but not later than 5 years	1,321,011	2,056,222
Later than 5 years	4,435,147	3,873,391
Total Loans	<u>7,265,178</u>	<u>6,684,832</u>
The above dissection is based upon contracted repayment arrangements and will vary if loan interest and repayment conditions are varied.		
9c Concentration of risk		
The Credit Union has exposures to groupings of individual loans that concentrate risk and create exposure to particular segments as follows:		
Victorian residents	6,308,453	6,014,185
New South Wales residents	956,725	670,647
Other	0	0
	<u>7,265,178</u>	<u>6,684,832</u>
Loan exposures which individually represent 10% or more of capital	<u>3,539,654</u>	<u>2,123,447</u>
	<u>3,539,654</u>	<u>2,123,477</u>
9d Provision for impairment		
Total provision comprises:		
Specific provision	0	0
The specific loan provision consists of:		
Prescribed provision required under APRA Prudential Standard APS 220	0	0
Additional specific provision	0	0
	<u>0</u>	<u>0</u>

Latvian Australian Credit Co-operative Society Limited

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Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2011

	2011	2010
	\$	\$
Movement in specific provision		
Opening balance	0	0
Bad and doubtful debts provided for during the year	0	0
Bad debts		
Closing balance	<u>0</u>	<u>0</u>
Charge to profit and loss for bad and doubtful debts comprises:		
Bad debts recognised directly	0	0
Increase in provision for doubtful debts	0	0
	<u>0</u>	<u>0</u>
10 Impairment of Loans and Advances		
The policy covering impaired assets is set out in Note 1c.		
Balances with specific provision for impairment:		
Non accrual loans	0	0
Specific provision for impairment	0	0
Net Non Accrual Loans	<u>0</u>	<u>0</u>
Loans upon which interest is not being accrued		
Loans with provision for impairment	0	0
Less: specific provision	0	0
	<u>0</u>	<u>0</u>
Restructured loans	<u>0</u>	<u>0</u>
Past Due Loans Balance	<u>113,387</u>	<u>114,429</u>
Interest revenue on non accrual and restructured loans	0	0
Interest foregone on non accrual and restructured loans	0	0
11 Other Investments		
Unlisted shares (at cost):		
Indue Ltd Shares	6,100	6,100
Indue Ltd – Subordinated Deposit	3,800	3,800
Other	594	594
	<u>10,494</u>	<u>10,494</u>

The shareholding in Indue Ltd is measured at cost as their fair value could not be measured reliably. These companies were created to supply services to the member credit unions and do not have an independent business focus. These shares are held to enable the Credit Union to receive essential banking – refer to Note 24. The shares are not able to be traded and are not redeemable. The Credit Union is not intending, nor able to dispose of these shares, without a majority of shareholder approval.

Latvian Australian Credit Co-operative Society Limited

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Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2011

12 Property Plant and Equipment

	2011	2010
	\$	\$
EDP equipment at cost	50,696	49,352
Provision for depreciation	(46,967)	(44,448)
	3,729	4,904
Office furniture and fittings at cost	38,593	38,593
Provision for depreciation	(34,182)	(33,214)
	4,411	5,379
Plant and equipment at cost	22,125	22,125
Provision for depreciation	(18,953)	(17,321)
	3,172	4,804
Building and freehold land at valuation	453,402	453,402
Provision for depreciation	(11,335)	0
	442,067	453,402
Total Written Down Amount	453,479	468,489

The Society's building was revalued at 30 June 2010 by an independent valuer. The fair value of the building based on the fair value less costs to sell, based on market, was determined to be \$453,402.

The revaluation surplus net of applicable deferred income taxes was credited to the asset revaluation reserve.

12a Movements in carrying amount

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	EDP Equipment	Office Furniture and Fittings	Plant and Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$	\$
2011					
Balance at the beginning of the year	4,904	5,379	4,804	453,402	468,489
Additions/(disposals)	1,344	0	0	0	1,344
Revaluation	0	0	0	0	0
Depreciation expense	(2,519)	(968)	(1,632)	(11,335)	(16,454)
Carrying amount at end of year	3,729	4,411	3,172	442,067	453,379
2010					
Balance at the beginning of the year	2,779	6,346	6,126	357,394	372,645
Additions/(disposals)	5,468	0	334	0	5,802
Revaluation	0	0	0	106,309	106,309
Depreciation expense	(3,344)	(967)	(1,656)	(10,301)	(16,267)
Carrying amount at end of year	4,904	5,379	4,804	453,402	468,489

Latvian Australian Credit Co-operative Society Limited

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Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2011

	2011	2010
	\$	\$
13 Income Tax Assets		
Deferred tax asset	51,244	28,184
	<hr/>	<hr/>
14 Other Assets		
Prepayments	8,433	6,734
	<hr/>	<hr/>
	8,433	6,734
	<hr/>	<hr/>
15 Deposits		
Member deposits:		
Withdrawable Shares	13,916	14,906
At call	3,637,205	3,503,613
Term	9,179,142	9,838,301
	<hr/>	<hr/>
	12,830,263	13,356,820
	<hr/>	<hr/>
15a Maturity analysis		
On call	3,651,121	3,518,519
Not longer than 3 months	4,415,017	5,268,243
Longer than 3 and not longer than 12 months	4,647,785	4,561,724
Longer than 1 and not longer than 5 years	116,340	8,334
Longer than 5 years	0	0
	<hr/>	<hr/>
	12,830,263	13,356,820
	<hr/>	<hr/>
15b Concentration of deposits		
Victorian residents	8,923,422	9,532,433
New South Wales residents	2,418,091	2,695,190
Other	1,488,750	1,129,197
	<hr/>	<hr/>
	12,830,263	13,356,820
	<hr/>	<hr/>
15c		
There was one exposure relating to individual depositors or groups of associated depositors which represents 5% or more of the Credit Union's total liabilities.		
Exposure representing 5% or more of liabilities	855,150	817,697
	<hr/>	<hr/>
	855,150	817,697
	<hr/>	<hr/>
16 Accounts Payable and Other Liabilities		
Trade and other creditors	46,487	43,735
Accrued interest payable	145,239	129,314
	<hr/>	<hr/>
	191,726	173,049
	<hr/>	<hr/>
17 Income Tax Liabilities		
Income Tax	9,730	(782)
	<hr/>	<hr/>
	9,730	(782)
	<hr/>	<hr/>
18 Provisions		
Employee entitlements	115,141	112,110
	<hr/>	<hr/>
Number of employees at year end	5	5
	<hr/>	<hr/>

Latvian Australian Credit Co-operative Society Limited

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Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2011

19 Reserves

	2011	2010
	\$	\$
General Reserve	2,000,000	2,000,000
Asset Revaluation Reserve	151,171	151,171
Reserve for Credit Losses	73,000	67,000
	<u>2,224,171</u>	<u>2,004,862</u>
Movements in Reserves		
General Reserve		
Balance at beginning of year	2,000,000	1,900,000
Transfer from retained profits	0	100,000
	<u>2,000,000</u>	<u>2,000,000</u>
Asset Revaluation Reserve		
Balance at beginning of year	151,171	44,862
Revaluation of Property	0	106,309
Adjustment due to sale of property	0	0
	<u>151,171</u>	<u>151,171</u>
Reserve for Credit Losses		
Balance at beginning of year	67,000	60,000
Transfer from retained profits	6,000	7,000
	<u>73,000</u>	<u>67,000</u>

20 Cash Flow Information

20a Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and deposits with financial institutions which are readily convertible to cash and are used in the cash management function. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash on hand and at bank		817,128	1,036,172
Total Cash	Note 6	<u>817,128</u>	<u>1,036,172</u>

20b Cash flows presented on a net basis

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

- a) members deposits in and withdrawals from all deposit accounts,
- b) sales and purchases of dealing securities,
- c) sales and purchases of maturing certificates of deposit; and
- d) short term borrowings.

20c Reconciliation of net cash provided by revenue activities to operating profit after income tax

Operating profit after income tax	36,353	39,863
Depreciation	16,454	16,267
Provision for income tax	1,591	(1,243)
Provision for employee entitlements	3,031	12,763
Income Tax Benefit	0	0
Decrease in Provision for Doubtful Debts	0	0
(Increase) / Decrease in accrued income investments	(1,600)	61,460
(Increase) / Decrease in receivables	0	0
(Increase) / Decrease in prepayments	(1,699)	596
(Increase) / Decrease in interest receivable	(346)	(5,914)
Increase / (Decrease) in interest payable	15,926	(87,800)
Increase / (Decrease) in accrued expenses and sundry creditors	2,258	1,451
Bad and doubtful debts	0	0
Net Cash Provided by Revenue Activities	<u>71,968</u>	<u>37,443</u>

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Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2011

21 Superannuation Commitment

The Credit Union contributes to the Australian Super Superannuation Fund for the benefits to employees on retirement, death or disability. Benefits provided under the plans are based on accumulated contributions for each employee. The Credit Union contributes on behalf of its employees various percentages of their gross income adhering at all times to minimum legal requirements. Other than as a contributor the Credit Union has no interest in these plans.

22 Credit Commitments and Contingent Liabilities

In the normal course of business the Credit Union enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of members. The Credit Union holds collateral supporting these commitments where it is deemed necessary.

Contingent liabilities		
Guarantees for member Visa Card facilities	99,900	99,900
Outstanding loan commitments:		
Approved but not funded	25,200	75,600
Credit commitments:		
Redraw facilities	344,701	302,792
Approved but undrawn loans and credit limits	194,798	126,812
	539,499	429,604

There are generally no restrictions to withdrawal of funds under undrawn credit commitments. These commitments are however cancellable at the discretion of the Credit Union.

23 Standby and Borrowing Facilities

The Credit Union has Standby and Borrowing Facilities with Commonwealth Bank of Australia:

	Approved facility	Current borrowing	Net available
2011	\$	\$	\$
Overdraft	50,000	0	50,000
	50,000	0	50,000
2010			
Overdraft	50,000	0	50,000
	50,000	0	50,000

The borrowing facility is secured by a term deposit held by the Commonwealth Bank of Australia. There are no restrictions in relation to these facilities.

24 Economic Dependency

The Credit Union has an economic dependency on the following suppliers of services:

- a) Indue Limited is an Approved Deposit Taking Institution registered under the Corporations Act and the Banking Act. This entity:
 - i) supplies the Credit Union with services in the form of settlement with bankers for Member Cheques and provision of direct entry services for use by members.
 - ii) provides treasury and money market facilities to the Credit Union.

The Credit Union has service contracts with Indue Limited.
- b) Gamat Group Pty. Ltd. This company supplies the core banking software and support systems necessary for the processing of data in an electronic form. The Credit Union has service contracts with Gamat Group Pty. Ltd.

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Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2011

- c) Dnister Ukrainian Credit Co-operative Ltd, this entity provides the Society with services in the form of Debit Card facilities which can be used through approved ATM and EFTPOS networks by the Society's members. The Credit Union has a service contract with Dnister Ukrainian Credit Co-operative Limited.

25 Disclosures on Directors and Other Key Management Personnel

Names of directors

During the course of the financial year the following directors held office:

Names of other key management persons;

Eric Cirulis	Chairman
Viktors Bendrups	Director
Peter Delters	Managing Director
Edvins Misa	Director
Igor Dimits	Director
Roxy Reiters	Director
Karlis Zubeckis	Director
Gunta Vagars	Accountant

26 Remuneration of Key Management Personnel

Key Management Persons (KMP) has been taken to comprise the directors and the member of the executive management responsible for the day to day financial and operational management of the Credit Union.

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

	2011	2010
	\$	\$
(a) short term employee benefits	91,868	81,975
(b) post employment benefits – superannuation contributions	30,552	30,417
(c) other long term benefits – increases in long service leave provision	1,554	1,897
	<u>118,356</u>	<u>118,356</u>

26a Transactions with Key Management Personnel

Loans made to Key Management Personnel are made in the ordinary course of business and are on the same terms and conditions as those offered to all members of the Credit Union and are within the limits approved by the members at the last general meeting. The terms and conditions of these loans have not been breached.

The aggregate value of loans and credit facilities made and disbursed to key management personnel and related parties amounted to

The aggregate value of repayments against loans and credit facilities to key management personnel and related parties amounted to

0	45,323
<u>177,206</u>	<u>91,592</u>

26b Transactions with other related parties

There were no transactions with other related parties other than those disclosed elsewhere in this note.

Latvian Australian Credit Co-operative Society Limited

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Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2011

27 Financial Instruments

27a Terms, conditions and accounting policies

The Credit Union's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date, are as follows:

Recognised Financial Instrument	Balance Sheet Note	Accounting Policy	Terms and Conditions
i) Financial assets:			
Loans and advances	9, 10	The loan interest is calculated on the daily balance outstanding and is charged in arrears to members' loan accounts on the anniversary date of the loan of each month.	All housing and mortgage loans are secured by registered mortgages. The remaining loans are assessed on an individual basis.
Receivables - related parties/entities	1c 9a & 27	Amounts receivable from related parties are carried at nominal amounts due.	Details of terms and conditions are set out in Notes 9a & 27.
Short-term deposits	7	Short-term deposits are stated at the lower of cost and net realisable value. Interest is recognised in the profit and loss when earned.	Short term deposits have an average maturity of 323 days and an effective interest rate of 4.96% to 6.50% (2009 – 424 days, 4.30% to 7.75%)
Unlisted shares	11	Unlisted shares are carried at the lower of cost and recoverable amount. Dividend income on Indue Ltd shares are recognised on receipt.	Dividends on Indue Ltd shares are subject to that corporation's profitability.
ii) Financial liabilities:			
Trade creditors and accruals	16	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Credit Union.	Trade liabilities are normally settled on receipt of accounts.
Deposits	15	All deposits are recorded at the principal amount.	Details of maturity terms are set out in Note 15. Interest is calculated on the daily balance outstanding.

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Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2010

27b Interest rate risk

The Credit Union's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date are as follows:

Financial Instruments	Floating interest rate		Fixed interest rates maturing:				Non-interest bearing		Total carrying amount as per the balance sheet		Weighted average effective interest rate	
			in 1 year or less		Over 1 to 5 years						2011	2010
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	%	%
(i) Financial assets	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Cash & liquid assets	817,128	1,036,172	0	0	0	0	0	0	817,128	1,036,172	2.35	1.58
Due from other financial institutions	0	0	6,670,000	7,486,334	0	0	0	0	6,670,000	7,486,334	6.27	5.23
Loans and advances	6,017,693	5,282,226	1,247,485	1,202,766	0	199,840	0	0	7,265,178	6,684,832	6.89	5.90
Unlisted shares	0	0	0	0	0	0	0	10,494	10,494	10,494	n/a	n/a
Total financial assets	6,834,821	6,318,398	7,917,485	8,689,100	0	199,840	0	10,494	14,762,800	15,217,832	n/a	n/a
(ii) Financial liabilities												
Deposits	3,637,205	3,503,613	9,062,802	9,829,967	116,340	8,334	0	13,916	12,830,263	13,356,820	4.16	3.29
Trade creditors and accruals	0	0	0	0	0	0	0	191,726	191,726	173,049	n/a	n/a
Total financial liabilities	3,637,205	3,503,613	9,062,802	9,829,967	116,340	8,334	0	205,642	13,021,989	13,529,869	n/a	n/a

n.a. - not applicable for non-interest bearing financial instruments.

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Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2010

27c Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, are as follows.

	Total carrying amount as per the balance sheet		Aggregate net fair value	
	2011 \$	2010 \$	2011 \$	2010 \$
(i) Financial assets				
Cash and liquid assets	817,128	1,036,172	817,128	1,036,172
Due from other financial institutions	6,670,000	7,486,334	6,670,000	7,486,334
Unlisted shares	10,494	10,494	10,494	10,494
Loans and advances	7,265,178	6,684,832	7,265,178	6,684,832
Total financial assets	14,762,800	15,217,832	14,762,800	15,217,832
(ii) Financial liabilities				
Deposits	12,830,263	13,356,820	12,830,263	13,356,820
Trade creditors and accruals	191,726	173,048	191,726	173,048
Total financial liabilities	13,021,989	13,259,868	13,021,989	13,259,868

27d The following methods and assumptions are used to determine the net fair values of financial assets and liabilities. Recognised financial instruments:

Cash and liquid assets and due from other financial institutions:

The carrying amount approximates fair value because of their short term to maturity or are receivable on demand.

Unlisted shares are carried at net market/net fair value.

Loans and advances:

The carrying amount of loans receivable excluding impaired loans approximates fair value. This was estimated after considering discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was estimated after considering discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Short-term borrowings:

The carrying amount approximates fair value because of their short-term to maturity.

Long-term borrowings:

The fair values of long-term borrowings are estimated after considering discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

Trade creditors and accruals:

The carrying amount approximates fair value as they are short term in nature. This includes interest payable and unrealised expenses payable for which the carrying amount is considered to be reasonable estimate of net fair value. For liabilities which are long term, net fair values have been estimated after considering the rates currently offered for similar liabilities with remaining maturities.

Latvian Australian Credit Co-operative Society Limited

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Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2010

27e Sensitivity analysis

An analysis of financial assets and financial liabilities for interest rate sensitivity and its impact upon the income statement and equity of the Credit Union was used to assist with the management of financial risk. The analysis assumed an extreme case of a single impact of plus or minus 200 basis points on interest rates in the market and the probable reaction of the Credit Union. The analysis considered the impact upon the carrying amounts in the balance sheet and the contractual maturity of the financial instruments.

	Carrying Amount \$	Interest \$	Projected impact 2012 Impact +200 basis points \$	Impact -200 basis points \$
Interest revenue 2011				
Cash and liquid assets	8,245,290	486,010	650,916	321,104
Loans and advances	6,763,116	465,988	601,250	330,726
	<u>15,008,406</u>	<u>951,998</u>	<u>1,252,166</u>	<u>651,830</u>
Interest expense 2011				
Members' deposits	<u>13,138,282</u>	<u>546,278</u>	<u>809,044</u>	<u>283,512</u>
	<u>13,138,282</u>	<u>546,278</u>	<u>809,044</u>	<u>283,512</u>
Net Interest Income 2011	<u>1,870,124</u>	<u>405,720</u>	<u>443,122</u>	<u>368,318</u>

After-tax impact upon the Equity of the Credit Union

Equity	<u>2,283,138</u>		<u>2,335,031</u>	<u>2,282,668</u>
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	Carrying Amount \$	Interest \$	- Projected impact 2011 Impact +200 basis points \$	Impact -200 basis points \$
Interest revenue 2010				
Cash and liquid assets	9,349,205	461,206	648,190	274,222
Loans and advances	6,547,467	386,609	517,558	255,660
	<u>15,896,672</u>	<u>847,815</u>	<u>1,165,748</u>	<u>529,882</u>
Interest expense 2010				
Members' deposits	<u>13,862,506</u>	<u>455,413</u>	<u>732,663</u>	<u>178,163</u>
	<u>13,862,506</u>	<u>455,413</u>	<u>732,663</u>	<u>178,163</u>
Net Interest Income 2010	<u>2,124,166</u>	<u>392,402</u>	<u>433,085</u>	<u>351,179</u>

After-tax impact upon the Equity of the Credit Union

Equity	<u>2,249,835</u>		<u>2,306,835</u>	<u>2,250,011</u>
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27f Credit risk exposures

The Credit Union's maximum exposures to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets indicated in the balance sheet.

Latvian Australian Credit Co-operative Society Limited

ABN 087 651 545

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2010

27g Concentration of credit risk

The Credit Union minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of members within the specified categories. However, the majority of members are concentrated in Victoria. Refer also to Note 9c - Concentration of risk.

Concentrations of credit risk on loans receivable arise in the following categories:

	Percentage of total loans receivable		Carrying amount of total loans receivable	
	2011	2010	2011	2010
	%	%	\$	\$
Victorian residents	86.83	89.97	6,308,453	6,014,185
New South Wales residents	13.17	10.03	956,725	670,647
Other	0.00	0.00	0	0
	<u>100.00</u>	<u>100.00</u>	<u>7,265,178</u>	<u>6,684,832</u>

Loan exposures which individually represent 10% or more of capital

	48.72	31.77	3,539,654	2,123,447
	<u>48.72</u>	<u>31.77</u>	<u>3,539,654</u>	<u>2,123,447</u>

Credit risk in loans receivable is managed with a comprehensive risk assessment process and review. Mortgage protection insurance is obtained for low equity mortgage loans.

The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

28. Capital Management

Capital is managed by a monthly analysis by the Board of:

- The 2 year Capital Management plan that contains assessments of trends and future growth plans in key business areas of loans, deposits and investments.
- The Internal Capital Adequacy Assessment which monitors current capital adequacy against potential significant adverse movements in interest rates, the value of Credit Union's investment in real estate, credit risk and operations risk.

Capital Adequacy is derived in accordance with APRA prescribed formulae by risk weighting assets for Credit Risk and applying a charge for Operational Risk.

As at 30 June 2011 Capital Adequacy was 26.09% (2010 - 27.22%). There have been no changes to the strategy adopted by management to control the capital of the entity since previous year.