



AUSTRALIAN
RETAIL
CREDIT
ASSOCIATION

ANNUAL REPORT TO MEMBERS

FOR THE YEAR ENDED 30 JUNE 2014

ABN 47 136 340 791

ARCA MEMBERS

as at 30 June 2014

American Express

Australia and New Zealand Banking Group

Bank of Queensland

Bendigo and Adelaide Bank

Capital Finance

Citibank

Commonwealth Bank of Australia

Customer Owned Banking Association (COBA)

Dun & Bradstreet

Experian Australia

GE Capital

HSBC Bank Australia

ING Direct

Macquarie Leasing

ME Bank

National Australia Bank

Suncorp

Toyota Finance Australia

Veda

Westpac Banking Corporation

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**CHALLENGES ARE WHAT
MAKE LIFE INTERESTING
AND OVERCOMING THEM
IS WHAT MAKES LIFE
MEANINGFUL**

— Joshua J. Marine

COMPANY OVERVIEW

The Australian Retail Credit Association (ARCA) is the industry association for organisations involved in the disclosure, exchange and application of credit reporting data in Australia. Membership comprises credit reporting bodies and credit providers. ARCA is a not for profit public company, limited by guarantee.

ARCA has operated since 2005 with the purpose of promoting best practice in credit risk assessment and responsible credit practices. We provide a forum for credit providers and credit reporting bodies to meet regularly and exchange ideas and learnings on improving the credit reporting system.

During the Australian Law Reform Commission (ALRC) review of Australian privacy, *For Your Information: Australian Privacy, Law and Practice* (ALRC 108, 2008), ARCA became a uniting voice on behalf of our Members, paving the way for the efficient adoption of comprehensive credit reporting. ARCA Members, both individually and through ARCA, were able to provide the ALRC with detailed analysis and guidance on the impacts and benefits of shifting to a more comprehensive approach to the exchange of consumer credit information.

Following the ALRC report, which identified the potential for legislative reform, Members of the retail credit industry recognised that a unique opportunity existed to establish an association capable of broadly representing the interests of those operating in the retail credit reporting system, and ARCA was incorporated in 2009.

ARCA continues to evolve. With the adoption of a new Constitution in November 2013, ARCA is well positioned to deliver on Members' expectations.

PRINCIPAL ACTIVITIES

Prior to November 2013, ARCA's Constitution identified the following objects:

- To provide a forum for senior credit executives from credit providers and credit reporting agencies (as they were then known) in Australia and New Zealand to discuss and examine retail credit issues.
- To develop and promote policies and Codes of Conduct for the betterment of the retail credit industry and, where appropriate, provide advocacy and leadership to assist in achieving that outcome.
- To promote responsible lending and best practice in consumer credit management in relation to credit reporting.

In November 2013, ARCA Members voted on a number of significant changes to the Constitution, including a new set of objects:

- To lead and advocate on issues that either impact on the integrity and functioning of credit reporting, or are impacted by the credit reporting system.
- To provide a forum for credit providers and credit reporting bodies in Australia to identify, discuss and examine retail credit issues that directly or indirectly affect the credit reporting system and, where possible, to facilitate resolution of these issues.
- To develop and promote policies and Codes of Conduct to improve the practices of the retail credit industry and where appropriate provide advocacy and leadership to assist in achieving that outcome.
- To promote, through education and advocacy, responsible credit and best practice in consumer credit management as it relates to credit reporting.

- To facilitate the functioning of the credit reporting system by providing industry support services, systems and technology (so long as these do not duplicate or compete with services provided by Members or any organisation to which a substantial number of Members belong).
- To facilitate and conduct research into issues which impact upon responsible credit and credit reporting, as identified by Members.

Reflecting these objects, ARCA's focus has been on reforming the credit reporting system, as shown by the following key activities:

- Building strong engagement with key regulators including the Office of the Australian Information Commissioner (OAIC) and the Australian Securities and Investment Commission (ASIC).
- Finalising the drafting of the *Privacy (Credit Reporting) Code 2014* (the CR Code) which was submitted in December 2013 and registered in early 2014.
- Building strong engagement with the Attorney General's Department in relation to the CR Code and ARCA's continuing reform agenda.
- Building the industry framework for data sharing which incorporates the Principles of Reciprocity and Data Exchange (PRDE) and the Australian Credit Reporting Data Standard (ACRDS).
- Continuing our education of industry through a partnership with the Australian Institute of Credit Management (AICM).
- Launching the ARCA National Conference 2013, with over 250 delegates and speakers.
- Commencing a consumer education campaign with the launch of www.CreditSmart.org.au.
- Reforming the governance of ARCA with a new Constitution, membership structure and funding arrangement.

CHAIRMAN'S MESSAGE

A YEAR OF MAJOR MILESTONES - FOR CREDIT REPORTING, AND FOR ARCA

DEAR COLLEAGUES,

It has been my privilege to chair the ARCA Board during the past 12 months.

Credit reporting is undergoing a period of unprecedented change, and has probably been in the public spotlight more over the past 12 months than it has been in the previous 12 years.

ARCA played a major role in both advocating for the changes, and in undertaking the 'heavy lifting' to ensure the elements necessary for the new credit reporting environment were put in place. And when I say ARCA I mean the ARCA Members, the Board and the hard-working and highly skilled staff of ARCA. ARCA's work is very much Member driven, and Member engagement has been critical to developing the policy, technical and educational infrastructure that underpins the new credit reporting environment.

Key ARCA initiatives over the past 12 months include:

- The Privacy Commissioner appointed ARCA to develop the CR Code that codifies the obligations and rights that industry and consumers have under the credit reporting sections of the *Privacy Act 1988* (the Act). This code was registered by the Australian Information Commissioner in January 2014 and has the force of law. Undertaking this role at the request of the Privacy Commissioner required ARCA to deliver a 'balanced' code. ARCA went to considerable lengths to engage all stakeholder groups including industries who were not ARCA Members and key consumer advocates. Performing this role was challenging and required ARCA to operate to a higher standard than is normally required by an industry association. However, I believe that no other entity has the single-minded focus and expertise on credit reporting that is embodied in ARCA, and hence we were uniquely capable of performing such a role.
- ARCA finalised the development and released the input data standard (the ACRDS) that underpins the exchange of data within the credit reporting system. This data standard is directed towards ensuring confidence in the accuracy, reliability, and timeliness of data available in the credit reporting system, as well as improving the efficiency of data exchange.
- ARCA is currently finalising the business-to-business rules that set out the obligations and commitments that credit providers who want to participate in comprehensive credit reporting will commit to (the PRDE). These rules include key commitments around 'reciprocity' in relation to the provision and use of data. They are directed towards ensuring the credit reporting system embodies both equality of access and transparency of behaviour, which are designed to maximise participation. With maximum participation, the benefits of comprehensive credit reporting can be achieved.
- ARCA developed the CreditSmart website (www.CreditSmart.org.au) and associated media campaign to educate consumers about the changes to the credit reporting system and their rights. This initiative has been well received by consumers, consumer advocates and government. I am sure its relevance and importance will only increase over time as consumers engage more with the credit reporting system.
- The 2013 ARCA National Conference attracted 250 attendees. Developed in conjunction with our partner RFI Roundtables, this conference has quickly become the premier event for retail credit risk professionals.

ARCA as an industry association is in good shape. At our November 2013 AGM our Members unanimously endorsed an amended Constitution that better reflects the strategic direction of ARCA and the governance framework required to support it. Key changes included:

- A strong and clear articulation of the role of ARCA in leading, advocating, educating, and resolving issues relating to the integrity and functioning of credit reporting and the credit reporting system.
- Changes to the manner in which Board seats are allocated and voted upon by Members, with a view to ensuring the Board better reflects the diversity within our membership, and with a view to encouraging participation within ARCA from industries outside of financial services.

-
- A more transparent, fair and sustainable funding model.

We finish this financial year in a strong financial position and with a growing membership. During the year we welcomed ING Direct and Macquarie Leasing as Members. Given the many credit reporting related issues that cross industry sector lines, I believe it is important that ARCA continues to diversify our membership. ARCA is uniquely placed with our focused mandate to pursue improvements to credit reporting that affect all industry segments.

In relation to the Board, we have had significant changes over the past 12 months; some engendered by changes to our governance model, others to changes in personal circumstances and corporate roles. I'd like to acknowledge the contribution made by Kim Jenkins, Tim Brinkler, Marcus Oakley, Nick Vamvakus, Rob Love and David Berry who have resigned from the Board over the past 12 months. Whether the contribution was long or short, ARCA has benefited from the experience and judgment they brought to the Board. Fortunately for ARCA, nominations for Director roles have maintained a high standard, and I believe the current Board also has a great blend of skills and experience.

I also wish to acknowledge the work of ARCA's CEO Damian Paull and his team over the past 12 months. It is noteworthy and a credit to all of the team that while there was significant 'changing of the guard' during the year in terms of roles

and people, momentum has not been lost. A special thanks to Michael Hartman and Clair Mackenzie for their contribution to ARCA over the years, and we wish them well in their choice of new career directions.


Finally, I commented in last year's annual report that while we were entering a new era for credit reporting, it would take many years before we were truly living in it. Events of the past 12 months have only reinforced this. Clearly industry has made significant progress toward preparing for the new environment, and especially becoming ready to contribute and use more comprehensive credit reporting data. But we're still some way off from seeing most industry participants both contributing and using comprehensive data. As a result, it is likely to be some time before consumers fully experience life under comprehensive reporting. As an industry, we must continue to support consumer education directly through our own activities such as CreditSmart, but also through the activities of consumer advocates and government agencies such as the Privacy Commissioner.

While as an industry we may see comprehensive credit reporting as progress, we should also understand that progress is never a straight line forward, and that the direction of change can be reversed. Consumer education around credit reporting must be a focus. It is also critical that industry continues to co-operate to design a consumer experience that is as simple, transparent, and 'positive'

as possible. As part of this, industry must respond to those issues such as 'credit repair' agencies whose activities might undermine the integrity of the credit reporting system. Failure to provide leadership in education, and failure to address threats to the integrity of the system could see a wind back in the rights industry has gained, or at best a reduction in the benefits delivered through the credit reporting system.

Clearly, while we have achieved much in the past 12 months, our job is not done, and all of us who are part of ARCA need to keep advocating for and facilitating change within the industry.

I remain confident that ARCA is in good shape, and is well placed to support our Members in this new era for credit reporting.



MICHAEL LAING

Chairman

CEO'S MESSAGE

AT THE HEART OF ARCA - LEADING THE CREDIT REPORTING REFORMS



**THE FUTURE IS NOT
SOMETHING WE ENTER. THE
FUTURE IS SOMETHING WE
CREATE.**

- Leonard I. Sweet

This financial year has truly been one of many twists and turns. It has been characterised by some tremendous successes and some challenging problems to solve.

As the premier industry association for credit reporting, ARCA has appreciated the opportunities to engage effectively. Commencing with the Australian Law Reform Commission (ALRC) during its review of the Privacy Act 1988, through to the current reforms, we continue to play a pivotal role throughout the legislative reform process. This financial year has seen the commencement of the *Privacy Amendment (Enhancing Privacy Protection) Act 2012* (the Amendment Act) and ARCA's role in the reforms was formally recognised through our appointment as code developer to draft the Privacy (Credit Reporting) Code.

Improving the credit reporting system, and the way in which information flows can assist consumer credit decisions remains ARCA's at the heart of ARCA's core priorities.

ARCA Members remain passionate and committed to the implementation of the credit reporting reforms. This passion and commitment is evident from the financial support and time commitments that our Members have made, and continue to make, to support our work. It is through our working groups, forums, training sessions, Member and Board meetings, that we collaborate, discuss and create.

CREATING THE FUTURE

Our Vision

Over the past 12 months ARCA has continued to play a key role in relation to the credit reporting system. To support our role, it was necessary to re-evaluate what ARCA is seeking to achieve.

Having considered the objects of the Constitution and guidance from the ARCA Board, the ARCA team developed the following vision statement:

'Improving peoples' lives through better credit decisions'

This vision is founded upon two key principles, namely that:

- Credit is about improving access to the economy, about wealth creation such as home ownership, facilitating small business and managing cash flow.
- A clearer picture of the consumer's credit history can lead to better credit decisions.

Our Mission

Having regard to ARCA's strategic direction as set by the Board, the ARCA team have articulated our mission as:

'We will engage with our stakeholders to develop and deliver a better credit reporting system in Australia.'

We will do this through:

- Building awareness of our ARCA brand.
- Educating industry and consumers.
- Exploring ways to improve the credit reporting system.
- Engaging with stakeholders to build strong and trusted relationships.

OUR STRATEGIC THEMES

We have identified four strategic themes to give effect to the Vision and Mission and translate the expectations of the Board and Members into achievable goals and activity themes.

STRATEGIC THEMES	OUTCOMES
Influence and Advocate: Actively and passionately advocate for a better credit reporting system by influencing the key decision makers.	Our brand stands for 'trusted advocate' and 'industry leader'.
Community Foundations: Promoting education and strategic partnership that enable our stakeholders to access a better credit reporting system.	Our membership is representative of the credit reporting system, with credit reporting bodies and major financial and non-financial Members. We are valued for our ability to keep Members informed and engaged.
Sustainable Solutions: Design, develop and deliver sustainable solutions that enable the organisation to serve its communities.	We provide leadership in increasing consumer awareness and educating industry to improve the credit reporting system.
Business Systems and Governance: Implement and maintain business systems that enable and support the objectives of the organisation.	Our governance promotes confidence, trust and support for the decisions and direction of the organisation.

CEO'S MESSAGE

Over the last year, ARCA has made significant progress in delivering key initiatives that are directly relevant to achieving our objectives including:

Influence and Advocate

- Regularly meeting with key regulators including the OAIC and ASIC in relation to retail credit and credit reporting issues.
- Engaging with the broader industry to promote the role of ARCA and the reforms to the credit reporting system by presenting at a range of conferences and industry events, and regular communications and engagement with identified stakeholders.
- Engaging with consumer advocates on consumer-facing matters, including through regular meetings with key consumer advocate groups and briefings on ARCA activities, including the PRDE.

Community Foundations

- Through the formation of the Marketing Advisory Group, the creation of the www.CreditSmart.org.au website and associated media campaign as ARCA's core platform for consumer education.
- The delivery of the inaugural ARCA National Conference November 2013, with over 250 delegates and speakers in attendance.
- Continuing our education of the wider credit risk industry through the partnership with the AICM and the completion of the Privacy and Credit Compliance Solutions (PCCS) training programs.

Sustainable Solutions

- The registration and subsequent amendments of the CR Code.
- Developing the fundamental principles underlying the PRDE, and with the assistance of the PRDE Working Group (drawn from Members), drafting the PRDE.
- The release of the first production version of the ACRDS.

Business Systems and Governance

- Growing the ARCA membership from 18 to 20 Members.
- Improving Member communications through monthly Member teleconferences and/or face to face briefings, the use of the innovative ARCA Huddle and providing web-based weekly summaries of ARCA communications to Members.

ARCA has played an integral role in assisting and supporting our Members in the shift from policy reforms to implementation and transition. These are significant achievements that will help transform the credit reporting and credit risk industry in Australia. ARCA is enormously privileged, with the assistance of our Members, to be a key driver of this change.

Over the course of the financial year, as the credit reporting system has progressed towards the commencement of comprehensive credit reporting, ARCA has continued to build and consolidate our position as the key industry association for credit reporting.

SERVICE PROVIDERS

There have been a number of advisers and specialists that ARCA has relied upon in order to deliver on our objects and strategic themes during this reporting period. On behalf of the ARCA Members, I would like to thank the following organisations for their ongoing support and assistance:

- AM Accounting and Bookkeeping Services Pty Ltd
- Australian Institute of Credit Management
- Cameronralph Navigator Pty Ltd
- Corporate Traveller
- Crowe Horwath Sydney
- DDI Australia
- Gilbert + Tobin
- Human Performance Company
- HWL Ebsworth
- K & L Gates

- Locke Pty Ltd
- Pollen
- Redalto Pty Ltd
- RFi Risk Managers Round Tables
- RFi Events
- Sai Designs Pty Ltd
- Vision Critical Pty Ltd.

LOOKING FORWARD

ARCA is clearly in a unique position to continue to bring meaningful reform and development to Australia's credit reporting system.

We are fortunate to have a strong and loyal team who are committed to ARCA and our Members. I take this opportunity to thank everyone at ARCA for their hard work this year.

I am certain that next year will bring a new range of challenges and opportunities for us to address - and I look forward to working with Members, Directors, suppliers and the ARCA team continue the journey in creating a new future for the credit reporting system.



DAMIAN PAULL

Chief Executive Officer



INDUSTRY SNAPSHOT

ARCA is a driving force in bringing Australia's credit reporting system in line with global best practice. Australia's major credit reporting bodies and the large financial services credit providers are ARCA Members.

Our Australian Prudential Regulation Authority (APRA) regulated credit provider Members account for 96.6% market share, and our non-APRA regulated Members include the market-leading finance companies GE Capital, Macquarie Leasing and Toyota Financial Services.

As is the case globally for the services sector, the credit reporting industry is adjusting to an environment with less appetite for unnecessary risk and a greater role for technology to streamline information management. Governance and transparency around credit reporting and information sharing has never been more important.

Credit providers are also under increased pressure to meet regulatory requirements. One of ARCA's goals is to improve the integrity of the credit reporting system not only through advocacy to government and regulators, but also through industry engagement and education to ensure all participants are placing the consumer at the heart of their engagement with the credit reporting system.

Given the importance of the credit reporting system to credit decisions, ARCA membership is likely to become of increasing interest to non-financial services credit providers, particularly telecommunications and utilities providers, and the remaining smaller financial services credit providers, including those in the mutual sector.

ARCA MEMBER SURVEY 2014

ARCA Members participated in an online Member Survey with the objective of clarifying the value of services offered to Members, determining how well the existing services meet their needs, and checking the alignment of ARCA's strategy and current business plan against Member needs. Respondents were broadly representative of ARCA's membership.

Although the survey was conducted in August/September 2014 which is slightly outside of the reporting period, it reflects Member experiences during the 2013/14 financial year.

NEW CONSTITUTIONAL OBJECTS

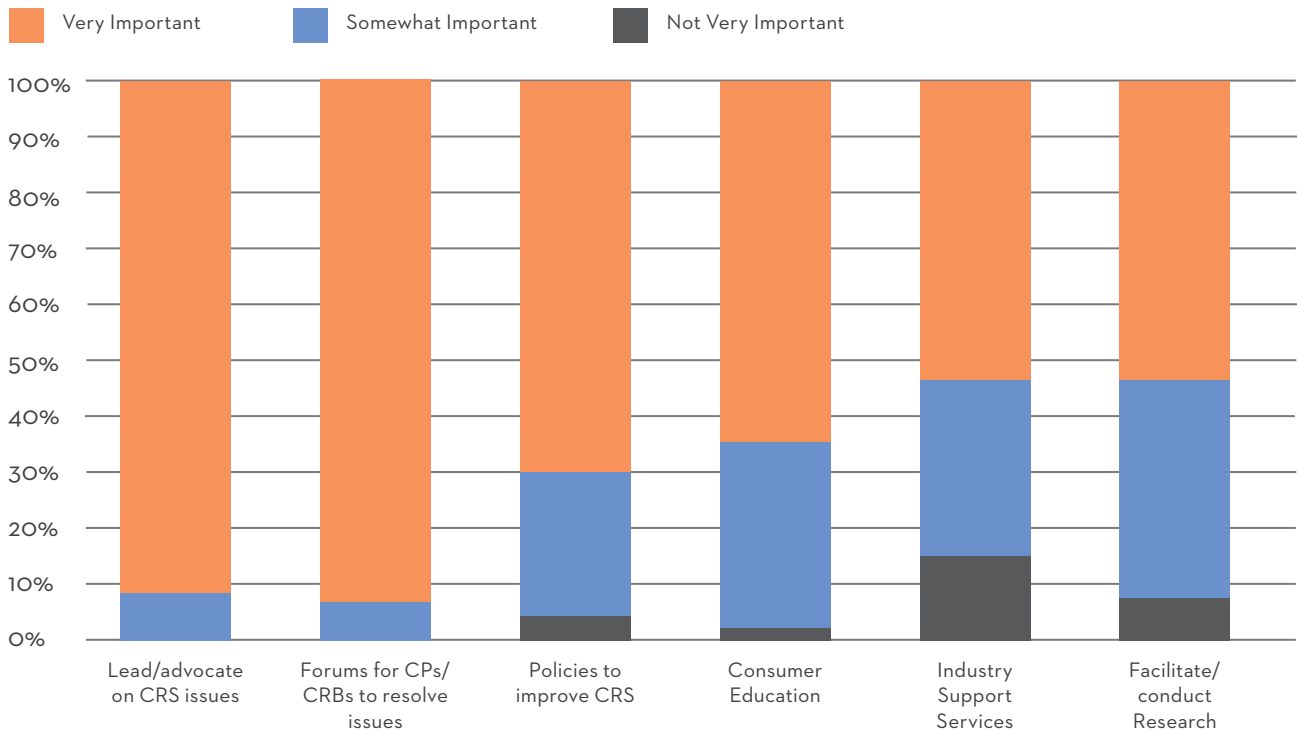
Members consider all six of the constitutional objects of ARCA membership to be important, with nearly all respondents rating each of them as 'Very Important' or 'Important'.

In terms of ARCA's effectiveness in delivering against these objects, the two most important, i.e. 'Leadership and advocacy on issues regarding the integrity of the credit reporting system', and 'Providing a forum for CPs and CRBs to discuss and examine retail credit issues and facilitate resolution of these issues' received very high ratings for

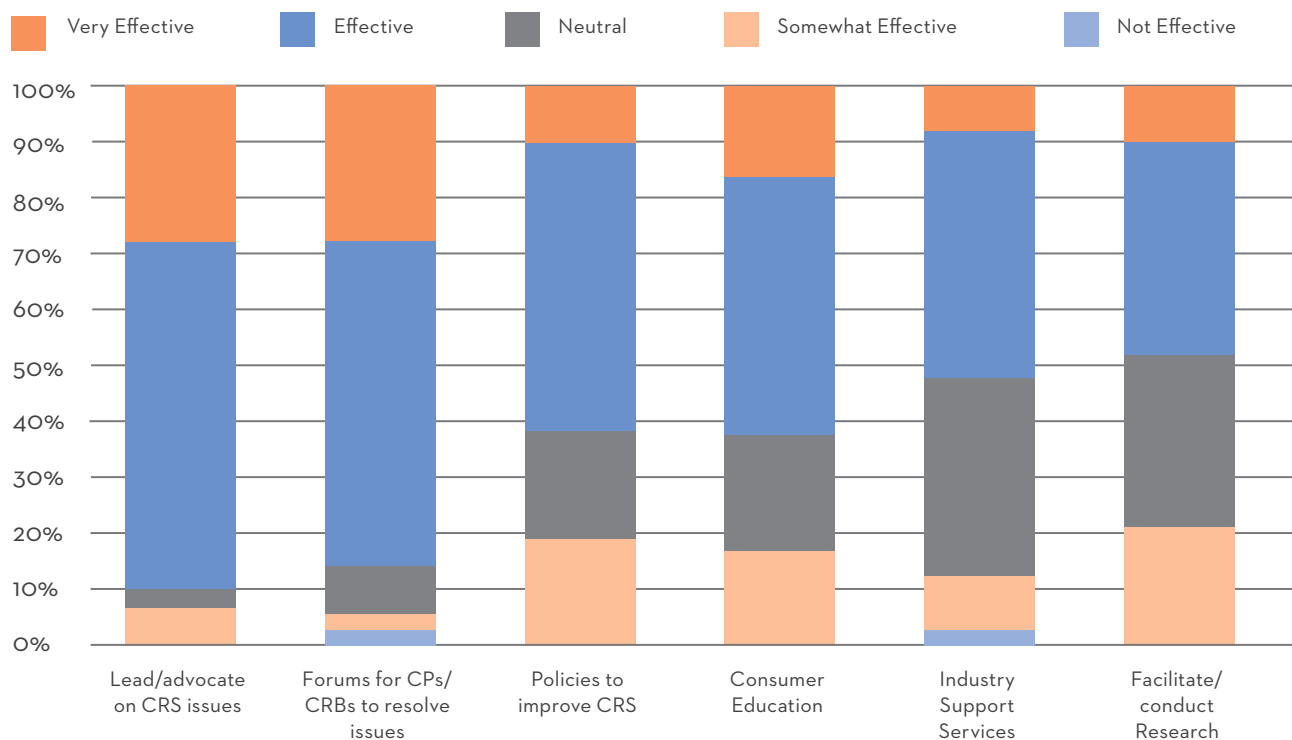
effectiveness, with 91% and 88% respectively rating them as 'Very effective' or 'Effective'.

Members believe ARCA is effectively delivering on the most important objects. Although there is room for improvement in delivering on the slightly less important objects, ARCA's resources seem to be appropriately allocated to Members' highest priority objects.

Importance of Constitutional Objects



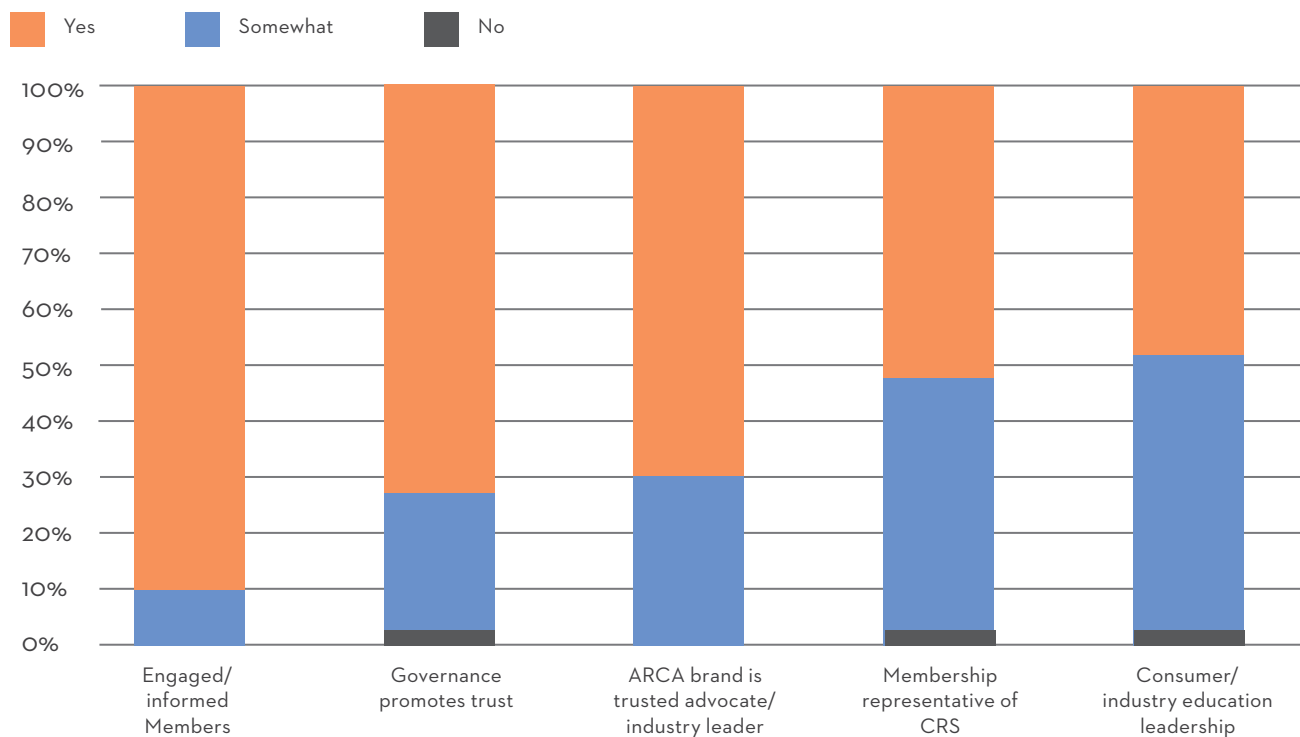
Delivery of Constitutional Objects



ARCA STRATEGIC THEMES

98% or more of Members believe that ARCA is either 'Delivering' or 'Somewhat Delivering' each of its strategic theme outcomes. This is a very strong result.

Delivery of Strategic Theme Outcomes



Looking at just the 'Delivering' scores, our strongest results are for:

- 'We keep Members informed and engaged'.
- 'Our governance promotes confidence, trust and support for the decisions and directions of the organisation'.
- 'The ARCA brand stands for 'trusted advocate' and 'industry leader'.

Our weaker results are for:

- 'Our membership is representative of the credit reporting system, with credit reporting bodies and major financial and non-financial Members'.
- 'We provide leadership in increasing consumer awareness and educating industry to improve the credit reporting system'.

These weaker strategic themes should receive some additional focus - as about half the respondents feel that ARCA is only 'Somewhat Achieving' them.

Overall, however, it is encouraging that Members believe that ARCA is either 'Achieving' or 'Somewhat Achieving' each of its strategic theme outcomes.

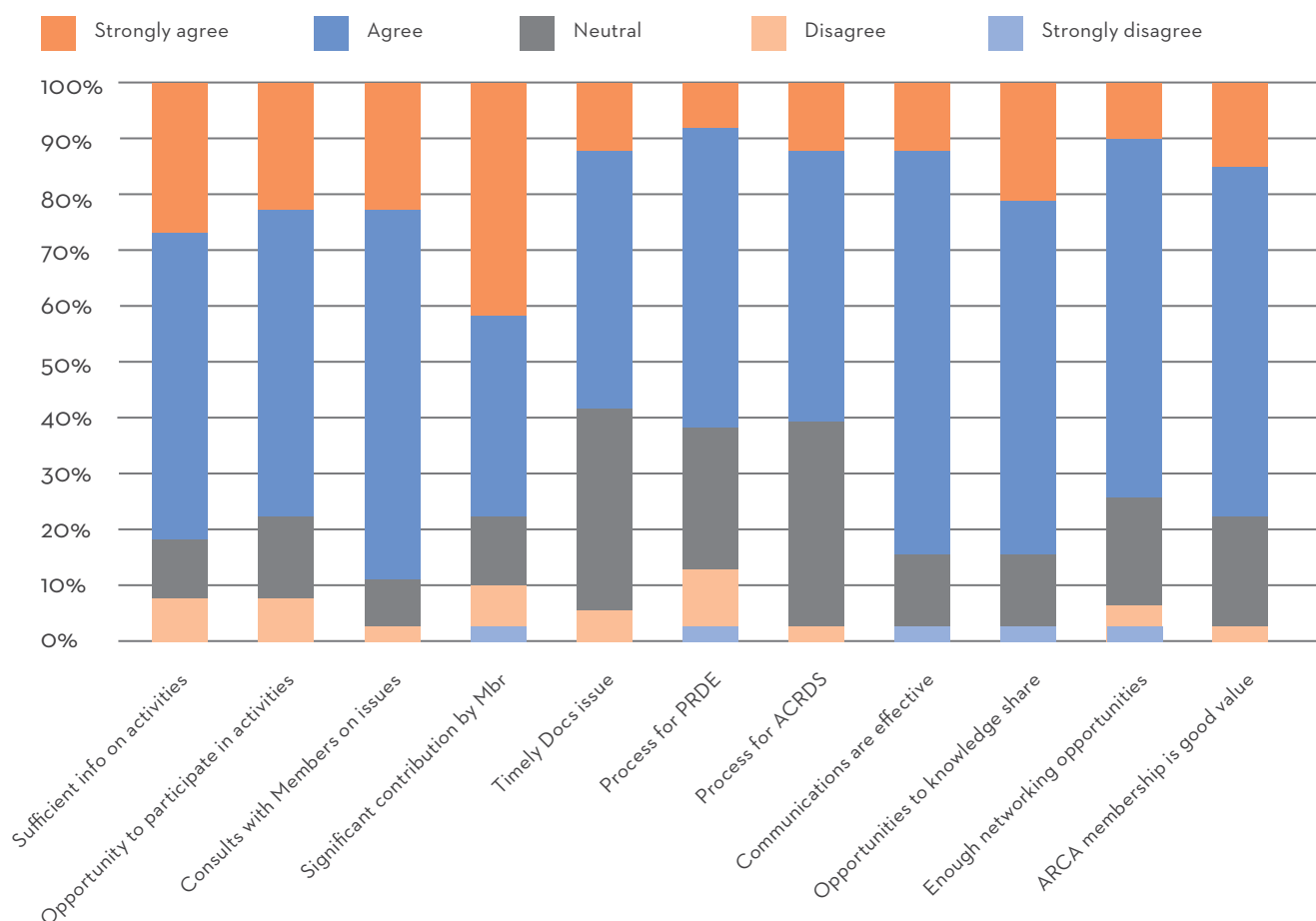
MEMBER ENGAGEMENT WITH ARCA

78% of Members agree or strongly agree with the statement 'Overall I believe that my organisation is getting good value from our ARCA membership', and only 2% disagree. Other measures of engagement are also very positive.

As noted previously, 91% of Members believe that ARCA 'Keeps Members informed and engaged' and there is a high correlation between the importance of the objects of ARCA membership and ARCA's effective delivery of those objects. Additionally, almost 80% of respondents feel that 'My organisation makes a significant contribution to the success of the working groups'.

These are very positive engagement results for an industry association - and reflect the reality that ARCA Members are actively involved in working groups and other joint activities oriented towards common objectives.

Level of Engagement with ARCA



CONCLUSIONS

The 2014 Member Survey demonstrated that ARCA Members:

- Are highly engaged with ARCA.

- Confirm the importance of ARCA's constitutional objects and strategic themes.
- Believe that ARCA is effective in delivering against these objects and strategic themes - particularly the most important ones.

- Would like ARCA to do more on consumer education and growing the membership base to be better representative of industry.

GOALS FOR 2014/15

As an industry association, ARCA strives to add value to the organisations that make up our membership. To this end, ARCA has articulated a range of goals that are relevant to delivering on the ARCA vision.

We aim to achieve these goals over 24 to 36 months.



**COMING TOGETHER IS
A BEGINNING, STAYING
TOGETHER IS PROGRESS,
AND WORKING TOGETHER
IS SUCCESS.**

– Henry Ford

WHAT WE WANT TO ACHIEVE WHY IT'S IMPORTANT

A functioning industry framework with broad subscription, supported by industry, regulators and government.

An effective framework for sharing credit information will lead to more data being contributed into the credit reporting system.

Transparent governance builds confidence and trust in the reciprocal supply of credit information and maximises participation.

Easy access to key decision makers in government, regulators and Members.

Improved understanding and support from both regulators and advocates will benefit Member relationships with these stakeholders.

Effectively advocate our forward policy agenda, supported by our Members, research and the wider industry.

Further reforms of the credit reporting system will improve access and financial inclusion, facilitate broader sharing of credit information across Australia/New Zealand, and better identify over-indebtedness.

Increase awareness of ARCA and its role in improving the credit reporting system.

Encourage greater participation and maximise allowable data to improve the credit system and increase predictive scoring through improved data.

Being recognised as an industry leader will support ARCA's ability to influence the evolution of the credit reporting system.

Improve the integrity of the credit reporting system through industry engagement and education.

Engagement and education of the industry will enhance understanding of the credit reporting system and lead to acceptance and endorsement of further reforms.

Education will lead to increased confidence in data sharing.

Improve consumer behaviour to improve consumer credit management.

Improving consumer behaviour will lead to more effective management of credit risk and associated costs of credit management.

Increasing consumer credit management will enable greater financial inclusion and identifying more creditworthy consumers.

Establish ARCA as a proactive and dynamic enabler of solutions, resources and networking opportunities.

Providing a 'first port of call' resource for Members will encourage information sharing and reduce the burden on internal resources.

Drive growth and Member retention.

Broader membership will support industry engagement to enhance participation in data sharing.

Be a reliable and respected source for educational services and resources for Members and industry.

Developing a broader understanding of the credit reporting system will strengthen and support each organisation's implementation of reforms.

Have an active and engaged Board.

A strong and effective association will better achieve organisational vision and goals.

Strong engagement between the staff, CEO, Chairman and the Board.

A good working relationship between the Executive and Board is essential to ensure that the goals and objectives of ARCA are successful.

Maintain and strengthen staff engagement.

Strong team engagement will lead to effective results.

INFLUENCE AND ADVOCATE

ACTIVELY AND PASSIONATELY ADVOCATING FOR A BETTER CREDIT REPORTING SYSTEM BY INFLUENCING THE KEY DECISION MAKERS.



FAR AND AWAY THE BEST PRIZE THAT LIFE OFFERS IS THE CHANCE TO WORK HARD AT WORK WORTH DOING.

- Theodore Roosevelt

Delivering on our Public Policy and Advocacy Commitments

ARCA has had an eventful and active year for our public policy and advocacy activities. Our key focus during the reporting period has been the Financial System Inquiry (FSI) and the development of the new *Privacy Regulations 2013* (the Regulations).

FINANCIAL SYSTEM INQUIRY

The FSI will establish a direction for the future of Australia's financial system. The FSI, which the Federal Treasurer, the Honourable Joe Hockey MP, launched shortly after the Abbott Government took office, will lay out a blueprint for the financial system over the next decade.

ARCA's submission to the FSI focused on our key long term public policy objectives for the credit reporting system, namely:

- Recognising credit reporting as a key economic activity and an essential component of a well-functioning financial system.
- Enabling Trans-Tasman exchange of credit reporting data.
- Making repayment history information available to non-ASIC licenced credit providers.
- Including additional government data, particularly debts to government agencies such as the Australian Taxation Office, in the credit reporting system.

- Including utilisation data (the balance of a credit account) in the credit reporting system.

ARCA wishes to extend our thanks to the Legislative Affairs Forum representatives who assisted in the development of our submissions to the FSI.

PRIVACY REGULATIONS


The new Regulations have been implemented to support the operation of the amended Act, including the changes to credit reporting. ARCA played a key role in advocating our Members' interests in the development of these regulations and the subsequent reviews of transitional regulations.

ADDITIONAL INITIATIVES

ARCA again focused on direct lobbying activities during the delivery of the Federal Budget in May 2014. ARCA met with a number of political stakeholders including the office of the Attorney General, Senator the Honourable George Brandis QC; the Minister for Human Services, Senator the Honourable Marise Payne; Shadow Minister for Financial Services and Superannuation, the Honourable Bernie Ripoll MP; Senator David Bushby, Chair of the Senate Economics Committee; and Ms Kelly O'Dwyer MP, Chair of the House Economics Committee.

We also met with key contacts at the Attorney General's Department and Treasury officials.

The May 2014 Budget was the first Budget of the Abbott Government. Announced as part of the Budget measures was



breaking up the credit reporting regulator, the OAIC, which in the context of credit reporting regulation, will be replaced by a stand-alone Australian Privacy Commissioner. This measure is proposed to be implemented by the end of the 2014 calendar year, and ARCA will continue to engage with our key contacts as these arrangements are finalised.

We also undertook a range of additional advocacy initiatives to support ARCA's public policy objectives, including:

- Advocacy to the OAIC on the draft research rules relating to credit reporting.
- Correspondence to key Ministers, including the Treasurer, the Honourable Joe Hockey MP, in support of continued funding for financial counsellors in the Budget.
- Meetings with key political stakeholders, including the Parliamentary Secretary to the Treasurer, the Honourable Steve Ciobo MP, in June 2014.
- Advocacy to the OAIC immediately prior to and after the commencement of the privacy and credit reporting reforms in March 2014, including on the approach to compliance and exchange of testing and verification data.
- Pushing for action on the implementation of trans-Tasman credit reporting data sharing.
- Responding to a review of hardship arrangements by ASIC.

Our key focus during the reporting period has been the Financial System Inquiry (FSI) and the development of the new Privacy Regulations 2013 (the Regulations).

COMMUNITY FOUNDATIONS

PROMOTING EDUCATION AND STRATEGIC PARTNERSHIPS THAT ENABLE OUR STAKEHOLDERS TO ACCESS A BETTER CREDIT REPORTING SYSTEM.



**WE NOW ACCEPT THE
FACT THAT LEARNING
IS A LIFELONG PROCESS
OF KEEPING ABREAST
OF CHANGE.**

– Peter Drucker

Industry Education

During the reporting period, ARCA developed an industry education strategy, with the goal of delivering on ARCA's education objectives of:

- Improving the integrity of the credit reporting system through industry engagement and education.
- Being a reliable and respected source of educational services and resources for Members.
- Improving consumer behaviour to improve consumer credit management.

To deliver on our industry education strategy, ARCA:

- Focussed on the completion of the PCCS training.
- Expanded the education model to incorporate new industry education delivery methods.

The PCCS training was undertaken in the lead up to the credit reporting and privacy law changes. ARCA, in conjunction with the AICM, developed a two day program, intended to educate industry and provide practical application of the reforms. In total, twenty-two seminars were undertaken, which were undertaken by approximately 300 AICM and ARCA Members.

The feedback was overwhelmingly positive. Attendees said the sessions were “informative” and “invaluable”, with one attendee commenting, “Fantastic-presented something that could be ‘dull’ rather excitingly”.

However, with the commencement of the privacy law reforms, it became apparent our Members needed more targeted industry education. ARCA's new industry education strategy includes a range of training solutions, including:

- Webinars.
- Creation of a joint venture with another registered training organisation (RTO) to expand instructional design capabilities and distribution.
- Executive breakfasts.
- ARCA National Conference.

In February 2014, a webinar on default listings created considerable interest from ARCA Members. In the reporting period, ARCA has also utilised Member briefing sessions to invite industry contacts, including representatives of the OAIC, to speak to Members.

During the 2014/15 financial year, ARCA will develop new online training programs in conjunction with a recognised web-based education trainer. The training will initially focus on the CreditSmart consumer and adviser education material. The benefit of online training programs for Members includes low cost and the ability to train more broadly than is possible with face-to-face instruction delivery.



ARCA National Conference 2013

In November 2013, ARCA held our inaugural National Conference over two and a half days at the Fairmont Resort in the Blue Mountains in New South Wales. The conference was held to assist ARCA achieve our goal of improving the integrity of the credit reporting system through industry engagement and education. This event was a success due to the enthusiastic support from Members and industry, and a good working partnership with RFI Roundtables who helped ARCA deliver a high quality event.

Attended by approximately 250 retail credit risk professionals, the conference received considerable positive feedback, with Members appreciating the educational content and highly valuing the networking opportunities. Verbatim comments included the following:

"Good organisation and overall a great event"

"Great vibe, happy campers"

"Great to meet other people from the industry and be able to network with them. We need to have more events like this on a regular basis"

"A job well done to the organisers. Looking forward to the next one!"

In addition, the conference provided a valuable opportunity for delegates to engage with external stakeholders, including ASIC, the OAIC and financial counsellors. Significantly, the major sponsors all indicated that they were satisfied with the 2013 conference and would sponsor again in 2014.

ARCA NATIONAL CONFERENCE 2014 PREPARATION

Given the strong positive feedback ARCA received from Members regarding the 2013 National Conference, ARCA again committed to a National Conference to be held in early November 2014.

The 2013 National Conference provided an invaluable opportunity to seek Member views regarding what they expected from the next conference. ARCA was able to identify the following Member needs as key objectives for the 2014 National Conference:

- Workshopping comprehensive credit reporting (CCR) implementation challenges.
- Providing highly valued networking opportunities for delegates.

- Providing high quality educational content.
- Addressing the future of the credit industry post CCR.

Enhancements to the 2014 National Conference planning included the agenda being designed by a Conference Advisory Group consisting of the ARCA Board and a number of senior industry leaders across the telecommunications and utilities sectors. The creation of the Conference Advisory Group has enabled ARCA to develop a sophisticated and comprehensive conference agenda.

At the close of Early Bird registrations, the 2014 Conference had already attracted over 250 delegates, and all of the major sponsorships were sold within an hour of them being made available.

The ARCA National Conference is now regarded as the premier annual event for the retail credit risk industry.



CreditSmart

To coincide with the reforms to the Act, consumer advocates, industry and the OAIC all strongly agreed that consumer education on the credit reporting changes was essential. The support for consumer education was due to both the increased need for consumers to manage their credit worthiness as a result of the additional information within the credit reporting system, and also to help consumers to understand their new rights.

According to independent research commissioned by ARCA in 2013, 59% of consumers had not heard of credit reporting. The ARCA research supported the development of a consumer-friendly website which provided a central source of impartial information that could be understood and accessed by 18 million Australians aged over 18 who were eligible for credit, particularly for consumers with lower incomes, the young, or those with low financial literacy levels who are all at risk of financial exclusion.

Countries that have implemented comprehensive credit reporting reforms have generally seen an increase in the availability of credit to disadvantaged groups. This increase is the result of consumers being able to clearly demonstrate good bill paying behaviour which, in some circumstances, may assist to overcome a lack of credit history or previous defaults. This new opportunity for young or disadvantaged consumers to access credit relies on their ability to understand the importance of paying their bills on time in the new credit reporting environment.

In mid-2013, following encouragement from the OAIC and ASIC, 17 ARCA Members voluntarily agreed to fund the development of a consumer website and media campaign. In early December 2013, ahead of the commencement of the reforms in March 2014, ARCA launched www.CreditSmart.org.au, which was supported by a media campaign.

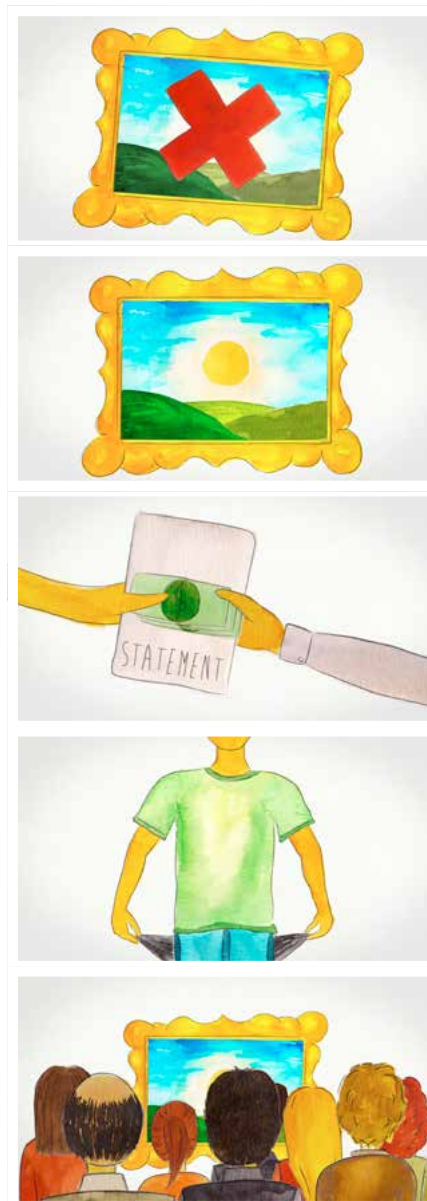
Objectives for the CreditSmart consumer education campaign were:

1. To create a consumer website that:

- Educates consumers in an engaging way on what they need to know about privacy law and credit reform.
- Reduces misinformation and consumer stress resulting from the credit reporting reforms.
- Is seen by all stakeholders as the central unbiased source of truth on credit reporting.
- Results in improved consumer bill paying behaviour that benefits both consumers and industry.

2. To create a media campaign that:

- Educates consumers on the credit reforms, through educating key journalists.
- Drives consumers to CreditSmart.org.au.
- Establishes ARCA with the media as a central source of truth on the credit reporting system.
- Minimises the opportunity for a scare campaign of misinformation run by credit repair agencies.





Above: from left to right, Rebecca Glenn, CEO, Financial Literacy Australia Ltd presents the MoneySmart Week 'Outstanding Achievement Award' to Rebecca Murray, Head of Member Services and Consumer Affairs, ARCA, and Damian Paull, CEO, ARCA.

SUCCESS AND AWARDS

With an impressive collaborative effort from Members, the Marketing Advisory Group and external stakeholders, the CreditSmart campaign was on track to achieve its calendar year KPIs at the end of June 2014.

Key Performance Measure	Target by December 2014	Results (as at 30 June 2014)
Endorsements from key stakeholders	5	4
Links from financial literacy sites	30	89
Unique visitors	50,000	26,000
Media coverage	50 significant pieces	120
Media articles % positive or neutral	80%	90%

A key achievement which has occurred outside the reporting period was ARCA being awarded the Financial Literacy Australia 2014 MoneySmart Week Outstanding Achievement Award in the industry category for the CreditSmart campaign. Judges noted the collaborative work completed in conjunction with other stakeholders.



NEXT STEPS FOR CREDITSMART

Moving forward, ARCA is seeking to increase CreditSmart awareness. New opportunities include:

- Developing consumer adviser training programs (for financial counsellors, consumer advocates, accountants, mortgage brokers, call centre staff of credit providers).
- Providing point of sale collateral to credit providers, including to clients of micro finance providers, so that consumers understand the importance of building their credit worthiness at critical events in their lives.
- Creating additional videos to add to the CreditSmart site, for example, explaining how a consumer can fix their own credit report.
- Ongoing research into consumer awareness of the reforms to the credit reporting system which will inform further consumer literacy projects.

ARCA will continue to seek feedback from consumers, consumer advocates, financial literacy experts, regulators, Members, and key industry stakeholders on improvements, modifications and additions to CreditSmart to ensure it remains relevant, useful and an important source of impartial and unbiased information on credit reporting for consumers.

Management Consulting - Putting bright minds to work

This year ARCA again hosted two teams of students from the University of Melbourne Management Consulting course. Management Consulting is a final-year Bachelor of Commerce subject that allows high-achieving students to directly engage with industry in a professional environment.

Student consulting teams work on a ten week project to apply their skills and collective knowledge in completing a project of strategic importance for ARCA. Placements commence in March and August of each year, and teams consult with key ARCA staff, Members and stakeholders to gain an insight into the credit reporting system and our identified research requirements. They then produce a professional consulting report analysing the business challenge and providing recommendations for ARCA to consider.

The reports completed during the 2013/14 financial year were:

- *International Comparison of Credit Reporting Consumer Controls* which was an examination of how other jurisdictions approach consumer control matters such as bans and pre-screening opt-outs, dispute resolution and consumer notifications.
- *Forecasting the Impacts: A Comprehensive Credit Reporting System in Australia* which looked at expected macroeconomic impacts that can be expected following the introduction of comprehensive credit reporting, alongside changes to the availability and allocation of credit.

All reports are made available to our Members through our intranet.

ARCA will again host consulting teams in 2015, bringing Members valuable insights into the credit reporting system and recommendations to build a better system for the future.

SUSTAINABLE SOLUTIONS

DESIGN, DEVELOP AND DELIVER SUSTAINABLE SOLUTIONS THAT ENABLE THE ORGANISATION TO SERVE ITS COMMUNITIES.



**ALONE WE CAN DO SO
LITTLE; TOGETHER WE
CAN DO SO MUCH.**

– Helen Keller

ARCA Workgroups: Working together with Members

ARCA has continued to engage our Members effectively through the workgroup structure, drawing on the skills and knowledge of Member representatives to deliver a range of positive outcomes. Workgroup representatives – whether as a delegated workgroup representative or on an ad hoc matter – are the backbone of the many successes ARCA has achieved this year.

ARCA was fortunate to have Ian Kaplan of GE Capital as Chair of the Implementation Workgroup (IWG) during this reporting period. Ian was an excellent Chair during a complex and challenging period, including for the commencement of the credit reporting changes on 12 March 2014.

The IWG was the key focus of Members for solving practical implementation issues as they began introducing the credit reporting changes. Matters such as the treatment of ‘inflight data’ at commencement, or even consumer notifications, were raised by Members, discussed by the IWG, and then tracked and researched further by the ARCA team. The IWG process has improved in efficiency during this period; it has become better able to understand and reach out to the experts in other ARCA workgroups to understand and resolve Member issues as they arise.

The Complaints and Corrections workgroup wound up at the end of 2013. This workgroup had been primarily charged

with the development of an ‘Industry Requirements Document’ (IRD) for the management of corrections and complaints for the new credit reporting system. Due to the development of a range of commercial solutions, Members felt there was little need for a finalised IRD and therefore there was no support for continuing with the workgroup.

This reporting period also saw the development and expansion of the innovative ARCA Huddle. The first Huddle was held on 17 June 2013 and was set-up to provide Members with an open forum to ask questions and seek additional information either from ARCA staff or other Members. These informal sessions are driven by Member priorities, delivering responsive Member support to emerging issues. Questions and answers are recorded from each weekly Huddle and made available to Members via the Members website, and the issues raised in these sessions will often be allocated to the appropriate workgroup for further consideration. For the 2013/14 financial year, approximately 50 meetings were held and over 200 questions asked and answered.

ENGAGEMENT WITH CREDIT REPORTING BODIES

As a credit reporting industry association, ARCA is in a unique position globally, in that our membership comprises both credit providers and credit reporting bodies. This provides us with an opportunity to bring together both types of major stakeholders in the credit reporting system, and is a distinctive value proposition we offer our Members.

However, ARCA has also worked hard to ensure our CRB Members are able to meet and discuss matters of special significance to them only. These matters included highly complex operational matters, through to more general public policy positions.

In particular, during the reporting period, ARCA's CRB Forum devoted extensive time to considering the development of a co-operative solution to the section 20N and 20Q audit requirements placed on CRBs by the amendments to the Act. Consideration of this matter proved very complex, particularly related to the operation of the risk-based framework, and the development of a shared set of audit rules.

After considerable debate during the year, further deliberation of this matter is now currently being undertaken as a commercial activity by the CRBs, rather than through ARCA.

Other matters that were considered by the ARCA CRB Forum included how best to respond to the rise of the credit repair sector; managing the process of providing a free credit report to consumers; and consideration of a centralised consumer website for their access to the credit reporting system.

ARCA RELEASE OF ACRDS PRODUCTION VERSION 1.0

The ARCA Data Standards workgroup has continued to lead the development of the ACRDS. After many years of development, this period saw the release of Production Version 1 of the ACRDS on 28 January 2014 along with the associated schemas.

ARCA facilitated industry-wide distribution of the ACRDS through an electronic distribution system that saw more than 120 individuals register to access Version 1. These individuals will automatically receive updated ACRDS versions and communications – and we continue to encourage all users of the data standards to directly register with ARCA to ensure they receive the most up-to-date version and information.

In order to manage the roll out of the first Production Version, ARCA established a change management committee to provide a 'rapid reaction' to manage ad-hoc issues as they arose. This committee was charged with maintaining a change control register for the initial period post-release of the Production Version, and developing flexible and practical solutions to a range of matters as they arose.

Development and Registration of the CR Code

A key role for ARCA in this reporting period has been the development and registration of the CR Code.

The registration draft of the CR Code was submitted to the OAIC on 1 July 2013. Following this submission, the OAIC conducted informal consultation with key stakeholders, including other industry associations and consumer advocate groups. ARCA had a critical role in responding to the feedback provided to the OAIC, and working with ARCA Members to ensure the CR Code obligations managed the competing interests of industry and consumers.

During this period, ARCA's role shifted from that of initial code drafter to code developer. This was consistent with the provisions in the Act, which enable the CR Code to either be varied further by the code developer (in consultation with the Privacy Commissioner) prior to registration, or alternatively, for the Commissioner to develop their own CR Code.

ARCA Members were agreed that it was in their best interests to work with the Commissioner to resolve any variations rather than have the Commissioner develop his own CR Code. Between July 2013 and 22 December 2013 (when the amended version of the CR Code was submitted to the OAIC), ARCA negotiated a number of variations to the CR Code. The amendments to the registration draft included amendments to deal with pre-commencement information, new definitions for destruction of information,

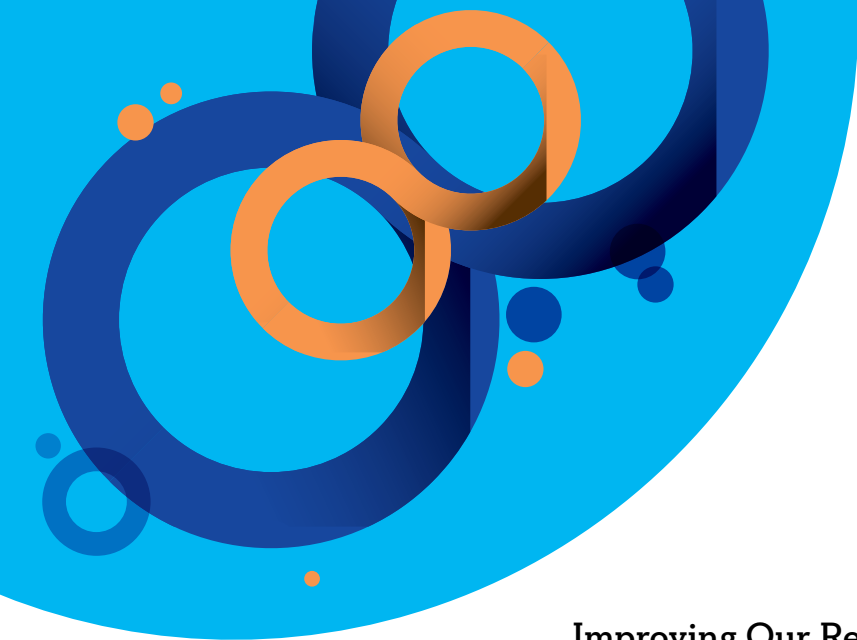
additional notification requirements, redrafting of the repayment history information (RHI) reporting, new drafting for updating default information, clarification on the direct marketing provisions, and refinement of the reporting requirements. There were also a series of minor amendments.

ARCA responded to these amendments by working closely with the OAIC and also, where necessary, seeking feedback from Members about these changes. ARCA particularly acknowledges the work of the RHI working group, formed as a subgroup of the IWG, which included Andrew Cutting of Westpac Banking Corporation, David Erving of Australia and New Zealand Banking Group, Wendy Barker and Hyeong Chu of GE Capital, Michael Hartman, and the ARCA team. The RHI subgroup devoted considerable hours to refining the RHI wording in an attempt to both satisfy the OAIC's requirements and to also deliver a solution which covered a range of industry reporting approaches.

ARCA also acknowledges the contributions particularly from CRB Members to the drafting of the pre-commencement and reporting provisions, which benefitted enormously from the insight CRBs were able to provide into the workings of each of their organisations.

On 22 January 2014, the CR Code was registered by the OAIC. In registering the CR Code, the Australian Information Commissioner, Professor John McMillan, noted the considerable contribution made by ARCA Members to ensuring that the CR Code was ready in time for the commencement of the new regime on 12 March 2014.

Since its initial registration, the CR Code has been varied on two occasions. The first variation occurred at the request of the Attorney-General, Senator the Honourable George Brandis QC. This variation resulted in a change of the grace period when reporting RHI from 5 days to 14 days. The second variation was a minor variation to some of the wording and references in the CR Code, at the request of the Office of the Parliamentary Council.



CR CODE GUIDELINES DEVELOPMENT

Given the CR Code has the force of legislation, it was quite deliberately drafted to include the minimum set of requirements and not place onerous and overly prescriptive requirements on industry - especially given a breach of any such requirements would be treated as a breach of the law.

As a consequence of this drafting, there is a lack of explanations and guidelines as to the practical effects of the CR Code provisions.

The initial submitted draft of the CR Code had an 'explanatory notes' column which was a means, in part, to redress this gap. When drafting these notes, it was intended they would then be used as the base for a more detailed set of guidelines, similar to the published Credit reporting code of conduct (1996) Explanatory Notes.

However, the Privacy Commissioner requested that the published version of the CR Code omit the 'explanatory notes' column.

In these circumstances, it is intended that ARCA publish CR Code Guidelines which achieve the original intent of providing the additional explanation, as set out in the 'explanatory notes' columns, but also provide more detail for each of those explanations and CR Code provisions.

ARCA is currently working to produce these guidelines for both Member use and industry education.

Improving Our Regulator Relationships

With the development of the CR Code, ARCA is firmly positioned as the key industry peak body dealing with credit reporting. This position is reflected in the close relationships ARCA has with industry regulators, predominantly the OAIC and ASIC.

ARCA worked closely with the OAIC on the development and subsequent registration of the CR Code and, since that time, has continued this close relationship including providing submissions on the Privacy Research Rule, providing feedback on the OAIC's privacy factsheets, facilitating discussions relating to CRB annual regulator reporting, providing briefings on the PRDE, and providing feedback and support for the reform of the OAIC.

ARCA's relationship with ASIC is similarly close and productive. In the reporting period, ARCA has regularly met with ASIC to discuss credit reporting and retail credit issues, and has also participated in ASIC discussions on how repayment information in the credit reporting system will interact with credit provider hardship arrangements. ARCA's relationship with these regulators has also been enhanced by the collaborative work undertaken to create the CreditSmart consumer education program.

With the authorisation application for the PRDE due to be submitted shortly and be determined during 2015, ARCA will also continue to foster our relationship with the Australian Competition and Consumer Commission (ACCC) which will be responsible for determining this authorisation.

ARCA has further engaged with the Attorney General's Department (AGD) during the reporting period. Although not strictly a regulator, the AGD has played a key role in developing regulations and identifying the need for possible further reforms to credit reporting.

Continuing work on the PRDE

ARCA Members have identified, through the development of the credit reporting reforms, that the success of the new credit reporting arrangements will largely depend on the effective flow of information between CPs (i.e. the entities that initially disclose credit information to CRBs and need to access credit reporting information from CRBs) and CRBs (i.e. the entities that collect credit information from CPs and disclose credit reporting information to CPs). However, the legislative changes to the Act did not provide for mandatory credit reporting or otherwise create the conditions necessary to encourage CPs to contribute comprehensive credit information. This was a matter left to the industry to address on its own.

The intention of the PRDE is to create a clear industry standard for the management, treatment and acceptance of credit related information.

The PRDE will facilitate the flow of information by relying on a principle of reciprocity - that is, the more credit information that CPs provide to CRBs, the more they will be able to access back from CRBs.

The development of the PRDE has required considerable involvement of ARCA Members. Between July 2013 and June 2014, ARCA's PRDE workgroup met on approximately 20 occasions to discuss and develop the provisions within the PRDE. The PRDE workgroup was particularly instrumental in the development of the reporting, monitoring and compliance regime contained within Principle Five of the PRDE.

ARCA has also consulted externally on the PRDE, including meeting and briefing Communications Alliance, the Mortgage and Finance Association of Australia, the Australian Collectors and Debt Buyers Association, the Insurance Council of Australia, Energy Retailers Association of Australia, the Australian Bankers Association, the Australian Finance Conference, and consumer advocates. These external consultations have been critical to raise industry awareness and understanding of the PRDE.

Moving forward, ARCA is seeking to have those provisions in the PRDE which may have an anti-competitive effect authorised by the ACCC. ARCA anticipates that the PRDE will be authorised and have commenced operation during 2015.

Our Employees

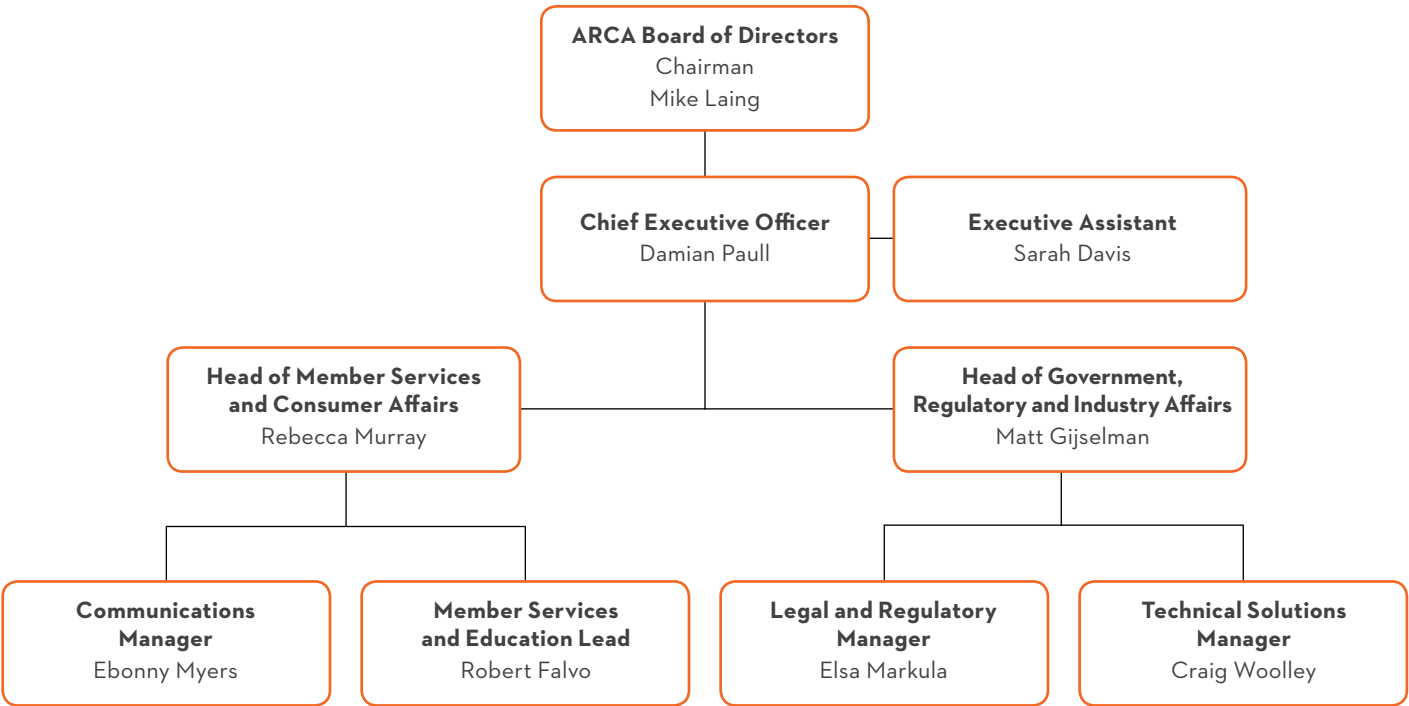
ARCA's strength as an organisation is our small but loyal and extremely committed workforce. By the end of the reporting period, ARCA had a total of eight employees, as well as two interns. Significantly, during the reporting period ARCA transitioned existing staff from fixed

term contracts to employment agreements. This reflects the maturity of ARCA as an organisation, and provides new security to our employees.

ARCA's employees are structured within three teams. Damian Paull, the Chief Executive Officer of ARCA, leads the executive team, ably assisted by his Executive Assistant, Sarah Davis.

Two teams report to Damian; the Government, Regulatory and Industry Affairs team, led by Matt Gijsselman, and the Member Services and Consumer Affairs team, led by Rebecca Murray. These two teams were formed during the reporting period, following staff changes and the need for ARCA's structure to continue to evolve to better meet Member needs.

ARCA ORGANISATIONAL CHART 30 JUNE 2014



ARCA has remained committed to Equal Employment Opportunity and anti-discrimination for all employees. In January 2014, in response to changes in the law, ARCA developed a new anti-workplace bullying and harassment policy and all employees undertook case study focussed training.

Workplace Health and Safety is an ongoing consideration at ARCA, given employees are often working offsite or travelling interstate, and are based in two office locations (Sydney and Melbourne). Environmental assessments are carried out when setting up new office spaces or home offices, and these are regularly reviewed in line with changing circumstances and

legislative updates. Injury management and return to work procedures are in place and are sufficiently detailed to provide an ongoing point of reference should they be required.

ARCA has also continued to demonstrate commitment to flexible workplace arrangements. ARCA provides employees with access to genuine flexible working arrangements, with the ability to work-from-home as the need arises, as well as the ability for staff to select hours which best suit their requirements and family circumstances.

ARCA is proud to offer a supportive and dynamic working environment. With staff in varied roles throughout ARCA, we recognise the importance of development plans being reflective of individual ambitions. These plans provide an opportunity to consider additional external training prospects, from short courses through to nationally accredited qualifications. Beyond this reporting period, ARCA aspires to remain an employer of choice, offering flexibility and providing a supportive and collaborative workplace culture.

ARCA INTERNS SHARE THEIR EXPERIENCES



**NEVER HAVE I WORKED
WITH SUCH A FRIENDLY,
ENTHUSIASTIC AND
ENCOURAGING TEAM.**

– Gabrielle Kilby-Dunn

Gabrielle Kilby-Dunn

Working as an intern with ARCA since October 2013 has been incredibly rewarding. Rebecca Murray, the Head of Member Services and Consumer Affairs, offered me the role and I accepted to gain more experience in communications and financial services.

Since then it has been an immense learning experience. From learning about best industry practice in credit reporting to how to educate consumers on financial literacy, the ARCA internship experience has definitely equipped me with transferable skills that I will be using throughout my career in professional communication.

The ARCA National Conference 2013 in November was particularly enjoyable. Three days in the Blue Mountains at a fabulous resort (not to mention a breakfast buffet!) added to the experience of meeting leaders in the credit reporting industry, representatives of major financial institutions, as well as credit reporting bodies and the event management team. The Gala Dinner was especially memorable, where everyone was able to relax and enjoy the night after a successful conference.

The Member Services and Consumer Affairs team commenced in January 2014 with a great start, focusing on launching ARCA's consumer education website, CreditSmart.org.au. It has been a pleasure working on this financial literacy campaign, which has taught me so much about personal finance. It has also given me a great sense of self-satisfaction that

the CreditSmart website can make a meaningful contribution to peoples' lives - when a person has the right information they will make better decisions. It has been a very rewarding experience.

The ARCA team have been wonderful. Never have I worked with such a friendly, enthusiastic and encouraging team. The experience I've gained has been invaluable and has also set me on the path to what I'm positive will be a fulfilling and successful career. After ten months as an intern for ARCA I am thrilled but also a bit sad to be leaving the team, but thanks to this experience I am moving on to bigger and better things.



THIS EXPERIENCE HAS GIVEN ME A FASCINATING INSIGHT INTO ORGANISATIONAL PROJECT PLANNING AND EXPOSURE TO HOW ORGANISATIONS ADAPT TO THE CHANGING NEEDS OF THE CREDIT MARKET.

– Jeri Fung

Jeri Fung

I've been an intern at ARCA since January 2014 and I have found the role to be fulfilling. I found the role through my colleague, Elsa Markula, ARCA's Legal and Regulatory Affairs Manager, and after a discussion with Matt Gijselman, the Head of Government, Industry and Regulatory Affairs, I was offered the intern role and I have not regretted accepting it.

My training and experience is mostly legally-orientated. While a lot of my experience is in community legal work, this does not give me many opportunities to explore the more commercially focused aspects of my qualifications. ARCA has been fantastic in allowing me to apply my skills for the benefit of ARCA and their Members.

My particular role at ARCA requires me to conduct research and prepare a report which will support an application for authorisation with the ACCC for the voluntary industry code (PRDE) that ARCA is developing. This research utilises my economic training to interpret economic data from discussion papers on comprehensive credit reporting, while my legal training allows me to contrast and apply that research in context of the Australian regulatory environment.

I joined ARCA at the perfect time. ARCA has been instrumental in facilitating the discussion and eventual introduction of comprehensive credit reporting in Australia. When I joined ARCA, industry was grappling with how to manage the

impending change in the law which allowed for new information to be included in credit reporting. After the law changed, the tone of the discussion shifted to how to implement systems for the new information the law now allowed. This experience has given me a fascinating insight into organisational project planning and exposure to how organisations adapt to the changing needs of the credit market.

ARCA's role has also taught me a lot about stakeholder engagement. During the development of the PRDE, ARCA consulted Members, consumer advocates, other industry associations and government on the potential impact that the PRDE may have on the industry. It was great to see that an organisation that is responsible for implementing such changes for their Members was proactive in its activity.

The ARCA team is a great bunch of people to work with, and I will always remember how we bonded over the stressful deadlines, our culinary adventures and the countless times I fixed the team's computer problems.

BUSINESS SYSTEMS AND GOVERNANCE

IMPLEMENT AND MAINTAIN BUSINESS SYSTEMS THAT ENABLE AND SUPPORT THE OBJECTIVES OF THE ORGANISATION.



I ALWAYS LIKE TO LOOK ON
THE OPTIMISTIC SIDE OF
LIFE, BUT I AM REALISTIC
ENOUGH TO KNOW THAT
LIFE IS A COMPLEX MATTER.

– Walt Disney

Principal Activities

In November 2013, ARCA Members voted on a number of significant changes to the Constitution, including a new set of objects:

- To lead and advocate on issues that either impact on the integrity and functioning of credit reporting, or are impacted by the credit reporting system.
- To provide a forum for credit providers and credit reporting bodies in Australia to identify, discuss and examine retail credit issues that directly or indirectly affect the credit reporting system and, where possible, to facilitate resolution of these issues.
- To develop and promote policies and Codes of Conduct to improve the practices of the retail credit industry and where appropriate provide advocacy and leadership to assist in achieving that outcome.
- To promote, through education and advocacy, responsible credit and best practice in consumer credit management as it relates to credit reporting.
- To facilitate the functioning of the credit reporting system by providing industry support services, systems and technology (so long as these do not duplicate or compete with services provided by Members or any organisation to which a substantial number of Members belong).
- To facilitate and conduct research into issues which impact upon responsible credit and credit reporting, as identified by Members.

Directors' Report

Your Directors present this report on the company (ARCA) for the year ended 30 June 2014.

DIRECTORS

The names of each person who has been a director during the year and to the date of this report are:

David Berry	(Resigned 14 Nov 2013)
Tim Brinkler	(Resigned 7 Mar 2014)
Steven Brown	(Appointed 14 Nov 2013)
Nigel Butler	(Resigned 7 August 2013)
David Grafton	
James Haviland	(Appointed 10 Mar 2014)
Kim Jenkins	(Appointed 7 Aug 2013; (Resigned Nov 2013)
Poli Konstantinidis	(Appointed 10 Mar 2014)
Mike Laing	
Fiona Lanach	
Rob Love	(Resigned 14 Nov 2013)
Richard Nevill	
Marcus Oakley	(Resigned 7 Mar 2014)
Susie Peacock	(Appointed 14 Nov 2013)
Nick Vamvakas	(Appointed 14 Nov 2014) (Resigned 7 Mar 2014)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

BUSINESS SYSTEMS AND GOVERNANCE

COMPANY SECRETARY

The company secretary and CEO, Mr Damian J. Paull commenced with ARCA on 2 May 2011 and was appointed as Company Secretary on 17 May 2011. He has previously worked as a CEO for the Code Compliance Monitoring Committee, as an Executive Manager at ANZ, where he was an Executive Director for three ANZ subsidiaries. Prior experience involves executive positions within the financial services industry and the Australian Securities and Investments Commission.

OPERATING RESULTS

The gains from operations for the year ended 30 June 2014 amounted to \$125,005 (2013: Loss of \$545,661).

REVIEW OF OPERATIONS

ARCA has continued to deliver on its objects and with respect to the credit reporting reforms, has achieved a great deal considering the financial resources it has available.

ARCA has improved its financial position over the last 12 months with the introduction of the new membership categories and associated fees. The financial reporting to the Board has continued to improve and ensure transparent and accountable financial reporting. This provides the Board with confidence in our ability to operate.

The overall picture is positive with the Association meeting its objective of income meeting expenses.

The primary activities regarding credit reporting reforms have continued to pose the greatest financial burden on ARCA's resources. This financial year with the introduction of the new membership structure and Constitution, ARCA's financial stability has been addressed, when compared with previous years where ARCA was relying on discretionary project funding.

The creation of financial stability has allowed ARCA to plan more strategically, with goals and objectives now focused on the next 18 to 36 months.

In the first six months of the 2013/2014 financial year, a number of ARCA Members made significant financial contributions to ensuring that ARCA continued to play a major role in the credit reporting reforms.

They are:

- Australia and New Zealand Banking Group Limited
- Commonwealth Bank of Australia
- Citibank
- GE Capital
- HSBC
- National Australia Bank
- Westpac Banking Group

The ARCA Board and staff would like to thank these Members for their ongoing financial support to ensure that ARCA can continue to take a leadership position in the credit reporting reforms.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year, ARCA changed its name from Australasian Retail Credit Association Limited to Australian Retail Credit Association Limited.

Other than the item listed above and disclosed elsewhere in the Directors' report and financial statements, there was no significant change in the state of affairs of the Company other than that referred to in the financial statements or notes thereto.

AFTER BALANCE DATE EVENTS

ACCC Authorisation

ARCA is anticipating that an application, to authorise certain activities and requirements of the Principles of Reciprocity and Data Exchange (PRDE), will be lodged with the ACCC.

ARCA has engaged the services of Gilbert + Tobin to manage the application and lodgment with the ACCC. The authorisation process involves public consultation, the duration of which, and number of respondents to, is unclear. ARCA has been advised as to an indicative cost, however the total cost is unclear and may exceed the estimate.

ARCA National Conference

The ARCA National Conference 2014 is scheduled for 6 and 7 November 2014.

The Conference has over 250 registered delegates and will be preceded by short Masterclass training initiatives scheduled for 5 November 2014.

Other than the above, there have not been any matters or circumstances arising since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of operation, or the state of affairs of the company in future financial years.

INFORMATION ON DIRECTORS

MICHAEL LAING

Qualifications

M. Com (Hons I)
Member of Chartered Institute of Arbitrators

Name of Organisation

Independent Chairman

Experience

Michael has significant Director experience including large financial services companies (Bank of New Zealand, MLC), small financial services companies (eChoice Home Loans, HICAPS), industry associations (Visa NZ, Visa Asia Pacific), and multi-retailer loyalty programmes (FlyBuys JVs in Australia and NZ).

DAVID BERRY

Qualifications

Bachelor of Business (Banking & Finance)
Master of Banking
GAICD

Name of Organisation

National Australia Bank

Experience

David is a seasoned executive with 20+ years experience across 2 major Australian banks, the last 6 years with National Australia Bank and subsequently the National Australia Bank representative on the ARCA Board. His experience includes leading and driving change in the financial services industry through senior roles in Risk Management, Global Operations, Product and Strategy.

TIM BRINKLER

Qualifications

MSc Operational Research (Birmingham, UK)

Name of Organisation

Australia and New Zealand Banking Group

Experience

Tim is a career retail credit professional originating in the UK with experience in multiple markets, supplier and user, negative and positive reporting environments.

Tim has broad industry experience and appreciation of the strategic importance of this change to all industry participants. His long term involvement in the industry dates back to 1990. He has been associated with ARCA as a representative for National Australia Bank, Australia and New Zealand Banking Group, and more recently, GE Capital.

INFORMATION ON DIRECTORS

STEVEN BROWN

Qualifications

Bachelor of Arts (University of Queensland),
Post Grad Dip Management (MGSM)

Name of Organisation

Dun & Bradstreet (Australia) Pty Ltd

Experience

Steven has worked in the credit reporting industry since 1989 and has held senior sales and marketing roles for the two leading credit reporting bodies in Australia. Over the last decade he has been involved in leading major changes to the credit reporting industry. These have included the development of a multi-bureau market place.

In his current role, Steven leads Dun & Bradstreet's Consumer Risk Solutions business across Australia and New Zealand. In this role Steven continues to lead Dun & Bradstreet's activities to support the industry's transition to comprehensive data sharing.

NIGEL BUTLER

Qualifications

Completed the Australian Institute of
Company Directors (AICD)

Name of Organisation

Experian

Experience

With over 20 years of retail credit risk management experience, Nigel is currently Head of Risk & Analytics products for RPData. In this role he is responsible for data driven products such as automated valuation models, fraud detection algorithms, valuation assessment tools and propensity models. He has been supporting RPData for the last year although he also worked alongside RPData as a business partner for many years while at the Commonwealth Bank of Australia and Experian.

While at Commonwealth Bank of Australia, Nigel was General Manager of unsecured lending, responsible for the credit risks associated with their Home Loan portfolio. At Experian, Nigel was Director of the Decision Analytics division which supplied application processing, collections and fraud software to all of the major lenders across Australia and New Zealand.

DAVID GRAFTON

Qualifications

BA PhD GAICD

Name of Organisation

Veda

Experience

David joined Veda Group in May 2012. David has held senior executive positions across the banking and credit industries in Australia, the UK, USA and Europe for more than 25 years.

Prior to joining Veda, David was the Chief Risk Officer for the Commonwealth Bank of Australia's Retail Bank, responsible for all aspects of credit and operational risk management and compliance.

David is a Director and former chairman of the then Australasian Retail Credit Association and has for many years been an industry leader in advocating the move to comprehensive credit reporting.

Before joining Commonwealth Bank of Australia, David was CEO and Director of Data Advantage/Baycorp and also had considerable international credit bureau, analytics and software experience in previous roles with Experian and Equifax in the UK, USA and Europe.

JAMES HAVILAND

Qualifications

Bachelor of Commerce, Bachelor of Economics, Graduate Diploma Applied Finance and Investment

Name of Organisation

ME Bank

Experience

At ME Bank James has held the positions of Acting Chief Risk Officer and General Manager of Internal Audit. His key experience includes Risk operating model reviews, annual audit planning and delivery.

Prior to joining ME Bank, James had over 12 years with Ernst & Young, including holding the position of Executive Director within the Advisory practice. Experience included a vast number of projects within the banking sector, both in Australia and the UK, focusing on remediation programs to improve operations. Projects focused on Risk disciplines and practices, as well as Compliance and Internal Audit.

KIM JENKINS

Qualifications

MBA from Brunel University - UK
Master of Science (MSc) in Zoology and Marine Biology - University of Cape Town

Name of Organisation

Experian

Experience

Kim has an extensive history working in financial services in South Africa, and India, including strategic delivery, channel management and customer acquisition, retention and expansion. Kim has worked for a number of major international organisations including FirstRand, Citi and Nedbank.

Kim was the Managing Director, Experian A/NZ during her time as an ARCA Director, and has worked at Experian since 2008.

POLI KONSTANTINIDIS

Qualifications

BSc (Hons - Statistics & Operations Research) from RMIT University

Name of Organisation

GE Capital

Experience

Currently the Head of Risk Infrastructure at GE Capital Australia and New Zealand, Poli is responsible for defining and managing GE Capital wide Risk strategies in the areas of bureau initiatives, decision systems planning, scoring and other model development. In addition, he championed GE's project relating to changes to the Privacy Act/Code relating to credit reporting in Australia & New Zealand.

Poli has extensive risk management experience, having been in the credit risk and financial services industry for the last 14 years. During this time has held numerous senior risk roles at GE Capital, across a variety of consumer products. Prior to his time at GE Capital, Poli spent 4.5 years at Ford Motor Credit in roles such as Consumer Risk Manager for Australia and New Zealand and Portfolio Performance Manager for Asia-Pacific. Over his 14 years, Poli has also had opportunity to work on initiatives in markets such as China, Japan and New Zealand.

INFORMATION ON DIRECTORS

FIONA LARNACH

Qualifications

Masters in Banking & Finance
Certified Practising Accountant

Name of Organisation

Commonwealth Bank of Australia

Experience

Fiona is Chief Risk Officer of Retail Bank Services and started with the Retail Bank in November 2011. Fiona's team is responsible for advising and supporting the Retail Bank Services in making risk decisions through strategies and policies which aim to optimise returns within the bank's risk appetite.

Fiona has extensive international risk experience gained in a number of global organisations including Citibank and GE. Fiona's Australian experience was most recently as a Partner in Ernst & Young specialising in risk management. Prior to this, Fiona was the CRO of Westpac's Business & Retail Bank.

ROB LOVE

Qualifications

Bachelor of Business, Business
Administration

Name of Organisation

Westpac Banking Group

Experience

Rob has been involved with Consumer Risk management within the Australian, South African and United Kingdom marketplaces. Rob is currently responsible for The Westpac Group's Consumer Unsecured Risk environment and also the Group's Financial Crime Management function. Rob leads Westpac's comprehensive reporting reform agenda. Rob has been involved in ARCA since 2006, and was appointed as a Director in November 2010.

RICHARD NEVILL

Qualifications

Statistics & Mathematics at University
of Brighton UK

Name of Organisation

HSBC Bank Australia

Experience

Richard is currently the Head of Risk for Retail Banking & Wealth Management at HSBC Bank Australia with responsibility for the full credit lifecycle on all secured and unsecured portfolios including Acquisition, Account Management and Collections.

Richard has been at HSBC for 11 years since arriving from the UK in 2003. Prior to HSBC Australia, he worked for Lloyds TSB (now Lloyds Banking Group) in a range of risk management roles including Scorecard development, Fraud scoring, Credit Underwriting & Collections strategies.

MARCUS OAKLEY

Qualifications

BSc (Honours) - University of Manchester, UK

Name of Organisation

GE Capital

Experience

For 17 years, Marcus has worked in senior Risk roles across the United Kingdom, Asia and Australia. In his most recent role as CRO for the Consumer businesses of GE Capital Australia and New Zealand he was responsible for the Risk Management and oversight of multiple business units and functional areas.

SUSIE PEACOCK

Qualifications

Bachelor of Commerce, Sydney University.
Executive MBA, AGSM

Name of Organisation

Westpac Banking Group

Experience

Susie brings a wealth of experience spanning more than 15 years in the Australian financial services market.

Since January 2014, Susie's current role sees her responsible for the strategy, policy and systems process, and detection for Fraud within the Westpac Group, in addition to risk management of the Unsecured portfolios (Credit Cards, Auto Finance, and Personal Loans).

Susie joined The Westpac Group from previous roles with the Commonwealth Bank of Australia, Genworth Financial and Citibank working in risk management, analytics and database marketing. Her previous roles at The Westpac Group have included risk management and credit operations of The Westpac Group mortgage portfolio spanning all brands (Westpac, St George and RAMS). Upon the purchase of RAMS Home Loans Susie was appointed the Head of Risk and Operations, and following this was also the driving force as Head of Risk Transformation with the St. George / Westpac Risk merger programme.

Susie was a former board Director of Banking Financial Services (BFSO) and a former advisor of the Banking Advisory Board for the Financial Ombudsman Service (FOS). Susie is a former chairperson of the Mortgage Risk Manager Round Table.

NICK VAMVAKAS

Qualifications

Bachelor of Economics (Monash), Bachelor of Business (Marketing), Diploma of the Securities Institute of Australia, Senior Fellow - FINSIA

Name of Organisation

ME Bank

Experience

A senior financial markets executive with over 30 years in funds management and banking businesses. Nick was part of the original team which established ME Bank which grew from \$1 billion to over \$20 billion with a profit of over \$50 million. During his time at AXA and ME Bank he held roles as CFO, CRO and a period as CEO immediately following the GFC.

MEETINGS OF DIRECTORS

During the year, fourteen meetings of Directors were held. Attendances by each Director were as follows:

Directors' Meetings	Number eligible to attend	Number attended
David Berry	5	4
Tim Brinkler	9	8
Steven Brown	9	8
Nigel Butler	1	1
David Grafton	14	14
James Haviland	5	3
Kim Jenkins	6	5
Poli Konstantinidis	5	4
Mike Laing	14	14
Fiona Larnach	14	7
Rob Love	5	4
Richard Nevill	14	9
Marcus Oakley	9	6
Susie Peacock	10	7
Nick Vamvakas	5	2
Damian Paull (Company Sec)	14	13

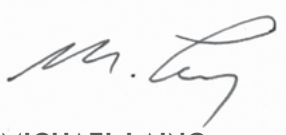
MEMBERSHIP GUARANTEE

The company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the company is wound up, the constitution states that each Member is required to contribute a maximum of \$2 each towards meeting any outstanding obligations of the entity.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 41.

Signed in accordance with a resolution of the Board of Directors.



MICHAEL LAING

Director and Chairman

Dated this 31st day of October 2014



DAMIAN PAULL

Chief Executive Officer and Company Secretary

Dated this 31st day of October 2014

The Board of Directors
Australasian Retail Credit Association Limited
Suite 736 / 1 Queens Road
MELBOURNE VICTORIA 3004

Dear Board Members

Australian Retail Credit Association Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Australian Retail Credit Association Limited.

As audit partner for the audit of the financial report of Australian Retail Credit Association Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



CROWE HORWATH SYDNEY



ASH PATHER
Partner

Dated this 31 October 2014

STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

	Note	2014	2013
		\$	\$
Revenue	2	2,029,813	1,371,095
Other income	2	12,164	22,860
Contractor expenses		(1,271,069)	(1,414,209)
Dues and subscriptions		(4,860)	(5,144)
Legal expenses		(88,804)	(118,697)
Insurance		(5,768)	(5,896)
Professional fees		(69,585)	(71,172)
Website expenses		(135,583)	(24,211)
Occupancy Expenses		(49,874)	(43,691)
Training and development		(27,391)	(29,318)
Board and Governance expenses		(4,246)	-
Project specific expense		(103,424)	(93,109)
Marketing and media		(101,235)	(12,187)
Other expenses		(48,191)	(116,209)
(Loss) / Profit before income tax		131,947	(539,888)
Income tax expense	4	(6,942)	(5,773)
(Loss) / Profit for the year		125,005	(545,661)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:		-	-
Items that may be reclassified subsequently to profit or loss:		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		125,005	(545,661)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

	Note	2014	2013
			\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	981,298	684,602
Trade and other receivables	6	221,048	152,025
Other current assets	7	18,493	14,740
TOTAL CURRENT ASSETS		1,220,839	851,367
NON-CURRENT ASSETS			
Property Plant and Equipment		16,019	16,019
TOTAL NON-CURRENT ASSETS		16,019	16,019
TOTAL ASSETS		1,236,858	867,386
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	1,086,627	874,650
Provisions	9	53,060	16,796
Tax payable	10	(2,074)	1,700
TOTAL CURRENT LIABILITIES		1,137,613	893,146
TOTAL LIABILITIES		1,137,613	893,146
NET (LIABILITY) / ASSETS		99,245	(25,760)
EQUITY			
Retained Earnings		99,245	(25,760)
TOTAL EQUITY		99,245	(25,760)

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

2014	Retained Earnings	Total
	\$	\$
Balance at 1 July 2013	(25,760)	(25,760)
Surplus attributable to the Members of the Group	125,005	125,005
Other comprehensive income for the year	-	-
BALANCE AT 30 JUNE 2014	99,245	99,245
2013	Retained Earnings	Total
	\$	\$
Balance at 1 July 2012	519,901	519,901
(Deficit) attributable to the Members of the Group	(545,661)	(545,661)
Other comprehensive income for the year	-	-
BALANCE AT 30 JUNE 2013	(25,760)	(25,760)

The accompanying notes form part of these financial statements.

STATEMENT OF CASHFLOWS

for the year ended 30 June 2014

	Note	2014	2013
		\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		2,500,942	1,434,229
Payments to suppliers		(2,205,694)	(1,852,323)
Income tax paid		(10,716)	(7,865)
Interest received		12,164	4,132
NET CASH GENERATED FROM OPERATING ACTIVITIES	16(b)	296,696	(421,827)
Net increase in cash held		296,696	(421,827)
Cash and cash equivalents at beginning of the year		684,602	1,106,429
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	5	981,298	684,602

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

The financial statements are for Australian Retail Credit Association Limited and consolidated entities (ARCA or the Group), incorporated and domiciled in Australia. Australian Retail Credit Association Limited is a company limited by guarantee.

The separate financial statements of the consolidated entity, Australian Retail Credit Association Limited have not been presented within this financial report as permitted by the Corporations Act 2001.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. The Group is a not-for-profit group for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The accounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on 31st October 2014 by the Directors of the Group.

Accounting Policies

a. Principles of Consolidation

The consolidated financial statements

incorporate the assets, liabilities and results of entities controlled by Australian Retail Credit Association Limited at the end of the reporting period. A controlled entity is any entity over which Australian Retail Credit Association Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 19 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The

business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase

b. Revenue

Subscription revenue is recognised in the statement of comprehensive income when the group obtains control of the subscription and it is probable that the economic benefits gained from the subscription will flow to the group and the amount can be measured reliably.

Project revenue is recognised in the statement of comprehensive income when the group obtains control of the project funding and it is probable that the economic benefits gained from the funding will flow to the group and the amount can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

When subscription revenue or project revenue is received whereby the group incurs an obligation to deliver economic value directly back to the subscriber, this is considered a reciprocal transaction and the subscription revenue is recognised in the statement of financial position as a liability until the service has been delivered to the subscriber, otherwise the subscriptions recognised as income on receipt.

Subscription revenue or project revenue relating to periods beyond the current financial year are shown in the statement of financial position as unearned revenue.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer. All revenue is stated net of the amount of goods and services tax (GST).

c. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less.

d. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

GST is paid to the ATO on a cash basis.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

e. Income Tax

A provision for income tax has been raised as the group for interest income. No provision for income tax has been raised as the group is exempt from income tax (for membership based revenue only) under

Division 50 of the *Income Tax Assessment Act 1997*.

f. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

g. Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

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

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, any amounts included in the revaluation reserve relating to that asset are transferred to retained earnings. No assets have been revalued to date.

h. Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the group during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

i. Accounts Receivable and Other Debtors

Accounts receivable and other debtors include amounts due from Members. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

j. New Accounting Standards and Interpretations

The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the group from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group.

The following Accounting Standards and Interpretations are most relevant to the group:

(i) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The group has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

(ii) AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

The group has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

(iii) AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The group has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

(iv) AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The group has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for

more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

k. New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2014. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

(i) AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting

requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The group will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the group.

(ii) AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the group.

(iii) AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the group.

(iv) AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The adoption of these amendments from 1 July 2014 will not have a material impact on the group.

(v) Annual Improvements to IFRSs 2010-2012 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a

material impact on the group.

(vi) Annual Improvements to IFRSs 2011-2013 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not materially impact on the group.

i. Going Concern

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe that the Group's ability to pay its debts is dependent on continued support from its Members, and recognising unearned revenue in accordance with the recognition criteria outlined at note 1(b). Additionally, the Group will re-evaluate the budget and prioritise activities until 2015 in order to reduce the level of outgoings.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

NOTE 2: REVENUE	2014	2013
Revenue	\$	\$
<i>Revenue from subscription and special projects</i>		
– subscription	1,669,158	1,275,625
– projects	360,655	95,470
	2,029,813	1,371,095
<i>Other revenue</i>		
– interest received	12,164	22,860

NOTE 3: PROFIT FOR THE YEAR		
a. Expenses		
Superannuation	73,767	31,372
Auditor Remuneration		
– audit services	17,000	20,500
– GST advice	1,500	-
– Preparation of tax return	2,000	2,000
	20,500	22,500

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

NOTE 4: INCOME TAX EXPENSE	2014	2013
a. The components of tax expense comprise:	\$	\$
Current Tax	6,940	5,937
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prime facie tax payable on income from interest at 30% (2013: 30%)	37,501	6,858
Add:		
– Non assessable	48,303	-
Less:		
– PAYG income tax	10,802	1,085
Income tax attributable to the Group	6,940	5,773

NOTE 5: CASH AND CASH EQUIVALENTS

CURRENT			
Cash at bank	14(a)	981,298	684,602
Total cash and cash equivalents as stated in the statement of financial position		981,298	684,602
Total cash and cash equivalents as stated in the cash flow statement		981,298	684,602

NOTE 6: TRADE AND OTHER RECEIVABLES

CURRENT			
Trade debtors		221,048	152,025

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

(i) Credit Risk – Trade and other Receivables

The group does not have any material credit risk exposure to any single receivable or group of receivables.

The following table details the group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross Amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			<30 days	31-60	61-90	>90	
	\$	\$	\$	\$	\$	\$	\$
2014							
Trade and term receivables	221,048	-	-	-	-	221,048	221,048
TOTAL	221,048	-	-	-	-	221,048	221,048
2013							
Trade and term receivables	152,025	-	-	-	-	152,025	152,025
TOTAL	152,025	-	-	-	-	152,025	152,025

The group does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

NOTE 7: OTHER CURRENT ASSETS

	2014	2013
	\$	\$
CURRENT		
Other receivables	9,013	9,013
Prepayments	9,480	5,727
	18,493	14,740

NOTE 8: TRADE AND OTHER PAYABLES

CURRENT		
Trade payables	99,376	200,316
Unearned revenue	898,750	583,530
GST payable	51,747	22,008
Accruals	36,754	68,796
	1,086,627	874,650

NOTE 9: PROVISIONS

CURRENT	53,060	16,796
Annual leave provision	53,060	16,796

Employee Provisions

Employee provisions represent amounts accrued for annual leave. These amounts must be classified as current liabilities since the group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

NOTE 10: TAX

CURRENT		
Income tax (receivable)/payable	(2,075)	1,700
	(2,075)	1,700

NOTE 11: CONTINGENT LIABILITIES AND ASSETS

There are no commitments or contingencies of the company for capital or otherwise.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

NOTE 12: EVENTS AFTER THE REPORTING PERIOD

ACCC Authorisation

ARCA is anticipating that an application, to authorise certain activities and requirements of the Principles of Reciprocity and Data Exchange (PRDE), will be lodged with the ACCC.

ARCA has engaged the services of Gilbert + Tobin to manage the application and lodgement with the ACCC. The authorisation process involves public consultation and the duration of and number of respondents is unclear. ARCA has been advised as to an indicative cost, however the total cost is unclear and may exceed the estimate.

ARCA National Conference

The ARCA National Conference 2014 is scheduled for 6 and 7 November 2014.

The Conference has over 250 registered delegates and will be preceded by short Masterclass training initiatives scheduled for the 5 November 2014.

Other than the above, there have not been any matters or circumstances arising since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of operation, or the state of affairs of the group in future financial years.

NOTE 13: RELATED PARTY TRANSACTIONS

a. Key Management Personnel

Any person(s) having authority and responsible for planning, directing and controlling the activities of the group, directly or indirectly, any Director (whether executive or otherwise) is considered key management personnel.

	2014	2013
	\$	\$
Payments made to entities controlled by key management personnel:		
Compensation	144,472	56,575

b. Other Related Parties

Other related parties include close family member of key management personnel, and entities that are controlled or jointly controlled by those key management personnel individually or collectively with their close family members.

	2014	2013
	\$	\$
Payments made to entities controlled by key management personnel:		
Payments made to Caldene Pty Limited	180,000	288,000

No Director of the group, other than those disclosed at note 13(a), has received or become entitled to receive a benefit by reason of a contract made by the group or a related corporation with a Director or with a firm of which they are members, or with a group in which they have a substantial financial interest.

Transactions between related parties are on normal commercial terms and at conditions no more favourable than those available to other persons unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

NOTE 14: CASH FLOW INFORMATION	Note	2014	2013
a. Reconciliation of Cash		\$	\$
Cash at bank	5	981,298	684,602
b. Reconciliation of Cashflow from Operations with Profit after Income Tax			
(Loss) / Profit after income tax		127,705	(545,661)
Changes in assets and liabilities			
(Increase)/decrease in trade and other receivables		154,966	(24)
(Increase)/decrease in prepayments		(3,753)	(498)
Increase/(decrease) in trade and other payables		(100,940)	156,010
Increase/(decrease) in unearned revenue		99,220	(93,970)
Increase/(decrease) in accruals		(32,042)	4,478
Increase/(decrease) in provisions		29,369	16,796
Increase/(decrease) in GST		28,644	27,404
Increase/(decrease) in income tax		(6,474)	13,638
NET CASHFLOW FROM OPERATING ACTIVITIES		296,695	(421,827)

NOTE 15: LEASE COMMITMENTS

During the year, a lease was renewed for 12 months for a new office located at Suite 349/1 Queens Road, Melbourne Victoria 3004.

	Note	2014	2013
		\$	\$
12 months or less		29,847	28,339
1-5 years		-	-
Over 5 years		-	-
Total minimum lease payments		29,847	28,339

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

NOTE 16: FINANCIAL RISK MANAGEMENT

The group's financial instruments consist of deposits with banks; trade debtors and other accounts receivables; and accounts payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2014	2013
Financial Assets		\$	\$
- Cash and cash equivalents	5	981,298	684,602
- Trade and other receivables	6	221,046	152,025
TOTAL FINANCIAL ASSETS		1,202,344	836,627
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables including provisions	8	1,086,627	874,650
TOTAL FINANCIAL LIABILITIES		1,086,654	874,650

Financial Risk Management Policy

The finance board is responsible for monitoring and management of the group's compliance with its risk management strategy and consist of Board Members.

Specific Financial Risk Exposures And Management

The main risks the group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and equity price risk.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss for the group.

The group does not have any material credit risk exposure as its major source of revenue is the receipt of subscriptions.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 6.

The group has no significant concentration of credit risk exposure to any single counterparty or group of counterparties. Details with respect to credit risk of Trade and Other Receivables are provided in Note 6.

Credit risk related to balances with banks and other financial institutions is managed by the Board of Directors in accordance with approved Board policy.

b. Liquidity risk

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations in relation to financial liabilities. The group does not have any borrowings at 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

NOTE 16: FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 5 Years		Over 5 Years		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
		\$		\$		\$		\$
Financial liabilities due for payment								
Trade and other payables	1,086,627	874,650	-	-	-	-	1,086,627	874,650
TOTAL EXPECTED OUTFLOWS	1,086,627	874,650	-	-	-	-	1,086,627	874,650
Financial assets – cash flows realisable								
Cash and cash equivalents	981,298	684,602	-	-	-	-	981,298	684,602
Trade and other debtors	221,048	152,025	-	-	-	-	221,048	152,025
Total anticipated inflows	1,202,346	836,627	-	-	-	-	1,202,346	836,627
NET (OUTFLOW)/INFLOW ON FINANCIAL INSTRUMENTS	115,719	(38,023)	-	-	-	-	(115,719)	(38,023)

c. Market Risk

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The group is also exposed to earnings volatility on floating rate instruments. Volatility on floating rate instruments is disclosed below

At 30 June 2014 the group has no external debt other than those disclosed in note 8.

ii. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held.

As at 30 June 2014 ARCA is not exposed to price risk.

Sensitivity Analysis

The following table illustrates sensitivities to the group's exposures to changes in interest. The table indicates the impact on how profit reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit	
	2014	2013
	\$	\$
+/-1% in interest rates	+/- 5,492	+/- 8,822

No sensitivity analysis has been performed on foreign exchange risk as the group is not exposed to foreign currency fluctuations.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

NOTE 16: FINANCIAL RISK MANAGEMENT (CONTINUED)

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

	Footnote	2014		2013	
		Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
		\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	(i)	981,298	981,298	684,602	684,602
Trade and other receivables	(i)	221,048	221,048	152,025	152,025
TOTAL FINANCIAL ASSETS		1,202,346	1,202,346	836,627	836,627
Financial liabilities					
Trade and other payables	(i)	1,086,627	1,086,627	874,650	874,650
TOTAL FINANCIAL LIABILITIES		1,086,627	1,086,627	874,650	874,650

The fair values disclosed in the above table have been determined based on the following methodologies:

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

NOTE 17: CAPITAL MANAGEMENT

Board of Directors controls the capital of the group to ensure that adequate cash flows are generated to fund its mentoring programs and that returns from investments are maximised.

The group's capital consists of financial liabilities, supported by financial assets.

The Board effectively manages the group's capital by assessing the group's financial risks and responding to changes in these risks and in the market.

As at 30 June 2014 the group had no debt.

NOTE 18: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.

BALANCE SHEET	2014	2013
Assets	\$	\$
– Current Assets	1,220,839	851,367
– Non-Current Assets	16,019	16,019
TOTAL ASSETS	1,236,858	867,386
Liabilities		
– Current Liabilities	1,132,614	1,275,625
– Non-Current Liabilities	-	893,146
TOTAL LIABILITIES	1,132,614	893,146
Equity		
– Share Capital	-	-
– Related Earnings	99,245	(25,760)
TOTAL EQUITY	99,245	(25,760)
Statement of Comprehensive Income		
– Profit for the year	125,005	(545,661)
TOTAL COMPREHENSIVE INCOME/(LOSS)	125,005	(545,661)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

Guarantees

At 30 June 2014 there were no guarantees held by Australian Retail Credit Association Limited.

Contingent Liabilities

At 30 June 2014 there were no contingent liabilities (2013: \$nil).

Contractual Commitments

At 30 June 2014 Australian Retail Credit Association Limited had not entered into any contractual commitments (2013: \$nil).

Significant Accounting Policy

The accounting policies of the parent entity are consistent with those of the consolidated group as disclosed in noted 1.

NOTE 19: CONSOLIDATED ENTITIES

Consolidated entities at the year-end is as follows:

Subsidiary	Country of Incorporation	Ownership Percentage 2014	Ownership Percentage 2013
CreditSmart Pty Limited*	Australia	100%	-

*registered during the year

NOTE 20: MEMBERS' GUARANTEE

Australian Retail Credit Association Limited is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the company is wound up, the constitution states that each Member is required to contribute a maximum of \$2 each towards meeting any outstanding and obligations of the company. At 30 June 2014 the number of Members was 20.

NOTE 21: COMPANY DETAILS

The place of business of the group is:

Australian Retail Credit Association Limited
Suite 349/ 1 Queens Road
MELBOURNE VICTORIA 3004

The registered office of the company is:

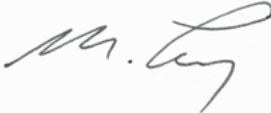
Australian Retail Credit Association Limited
Level 24,
275 Kent Street
SYDNEY NSW 2000

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 12 to 39, are in accordance with the *Corporations Act 2001*:
 - a. comply with Australian Accounting Standards; and
 - b. give a true and fair view of the financial position for the year ended 30 June 2014 and of the performance for the year ended on that date of the Group.
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



MICHAEL LAING

Director and Chairman

Dated this 31st day of October 2014

Australian Retail Credit Association Limited

Independent Auditor's Report to the Members of Australian Retail Credit Association Limited

Report on the Financial Report

We have audited the accompanying financial report of Australian Retail Credit Association Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements* that the financial statement 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company'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 company'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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Retail Credit Association Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

- a. the financial report of Australian Retail Credit Association 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 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

Ash Pather

ASH PATHER

Partner

Dated this 31 October 2014

ANNUAL REPORT GLOSSARY

COMMON ACRONYMS

ACCC – Australian Competition and Consumer Commission

ACRDS – Australian Credit Reporting Data Standard

AICM – Australian Institute of Credit Management

AGD – Attorney General's Department

ALRC – Australian Law Reform Commissioner

APRA – Australian Prudential Regulation Authority

ARCA – Australian Retail Credit Association

ASIC – Australian Securities and Investments Commission

CCR – Comprehensive credit reporting

CP – Credit provider

CRB – Credit reporting body

FSI – Financial System Inquiry

IRD – Industry Requirements Document

IWG – Implementation Workgroup

OAIC – Office of the Australian Information Commission

PCCS – Privacy Credit Compliance Solutions

PRDE – the Principles of Reciprocity and Data Exchange

RHI – Repayment history information

RTO – Registered Training Organisation

KEY LEGISLATION

Privacy (Credit Reporting) Code 2014 – the CR Code

Privacy Act 1988 – the Act

Privacy (Enhancing Privacy) Amendment Act 2012 – the Amendment Act

Privacy Regulations 2013 – the Regulations



CONTACT DETAILS

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