SUMMERLAND

ANNUAL REPORT 2018

registered office

101 Molesworth Street
Lismore NSW 2480

Telephone
1300 802 222

Directors

Nicolas Harrison	Chairman
John Shanahan	
Graham Olrich	
Katrina Luckie	
Paul Spotswood	
David Bergmark	
Graeme Green (retired 3/11/17)	

Executive Team

Margot Sweeny	Chief Executive Officer
Susie Palmer	Chief Financial Officer
Sally-Anne Cumine	Chief Risk Officer
Donna Kildea	Chief Operating Officer
René Lange	Chief Information Officer
Andrew Tucker	Chief Customer Officer

Auditors
KPMG
Grant Thornton

contents

chairman's report

This last financial year has seen many changes in our industry, but with these significant challenges come opportunities which have led to some outstanding results of which the Board and management at Summerland can be tremendously proud.

Financial Performance and Market Conditions

We have seen some excellent growth as an organisation, so I am therefore pleased to report a net profit of $3m this last financial year. Given the continued challenging market place we experienced again this year, this result highlights the strength and efforts of our management teams and staff across the organisation.

It is particularly pleasing that while we have continued to shrewdly manage the finances of the organisation, we have still been able to introduce new technologies like our wearable devices that give our customers a whole new banking experience.

As the first customer owned financial institution on the Far North Coast to introduce a wearable payment method for its customers, it is a testament to our team at Summerland that we continue to be at the forefront of new technologies and initiatives within the market place.

In the last twelve months, our assets have grown by $23m to $689m overall.

With our loans portfolio continuing to enjoy substantial growth of 8%, despite APRA continuing to impose macroprudential standards which disproportionately affect the Mutual sector, we can be excited about what this new financial year brings. I will have more to say about the external forces affecting the Mutual sector later in this report.

I am pleased to report that we have been in the position to make a difference to over 570 families, couples and individuals by assisting them into home ownership by offering competitive rates and award-winning products and customer service from our staff.

I would like to take this opportunity to congratulate our Credit Team on the important role they continue to play by providing great customer service with their quick assessment of loan applications, in many instances in less than 24 hours, and with careful and empathetic consideration of a customer's circumstances to avoid financial hardship.

In September 2016 I was honoured to be elected as a director of COBA, the national peak body representing Mutual Banks, Building Societies and Credit Unions. I was particularly pleased to be able to follow in the footsteps of our CEO, Margot Sweeny who had just stepped down after serving a maximum nine year term as a COBA director.

It is crucially important to Summerland to be able to perform at that level, not only because it provides a forum in which Summerland's voice can be heard at the highest level, it is also a means by which the Summerland Board and management can be constantly kept up to date with developments in the Mutual sector.

COBA has been active in challenging some of the actions taken by APRA to take the heat out of the housing market. Whilst it is clear that the troublesome hotspots have been Sydney and Melbourne, the remedies which APRA imposed - a 10% limit on investment loan growth and flow limits on interest only lending of 30% - were applied across the entire banking sector. By their very nature they had a disproportionate effect on the smaller players and the mutual sector. In that way, the limits were seen as using a sledgehammer to crack a nut.

COBA has been constantly taking up these issues and others with both APRA and the Treasurer's Office. COBA has been successful in persuading Government that all members of the Mutual sector should be entitled to use the word "Bank" in their name and their promotional material.

Summerland has no plans at this time to become a Bank, by name or structure. Your Board remains to be convinced of the benefits.

Likewise, COBA has had success with submissions, to the Productivity Commission for introducing competition policies which might better achieve a level playing field for the Mutuals, and with moves to allow Mutuals to more easily raise capital.

For many years we have read stories of financial scandals and widespread failures within the larger banking sector. After years of stone-walling, the Government finally agreed last November that there should be a Royal Commission held into Misconduct in the Banking, Superannuation and Financial Services Industry.

The appointment of COBA's new CEO, Mike Lawrence coincided with that announcement so he really had to hit the ground running. Having had prior experience of two Royal Commissions (as a Government lawyer) I was pleased to be appointed to the COBA Royal Commission working party, to monitor the evidence and submissions given to the Royal Commission, so as to be in a position to ensure the Mutual voice is heard at the right time.

The fear yet again is that there may well be recommendations coming from the Royal Commission which are aimed at the larger institutions in the financial services sector, which might be applied across the board and disproportionately affect the Mutual sector, which has not been identified with a degree of malfeasance.

As a customer owned financial institution, we are in a position of strength. Our values, ethics and adherence to regulations ensures that even before any findings are released, we have always been acting in the best interests of our customers, who continue to be the owners of Summerland.

Come 1st February 2019, when The Royal Commission's final report and recommendations across the industry will be announced, we believe our strength, financial sustainability and values based culture over the past 54 years will be the recognised standard within the market place.

In closing I thank my fellow directors for their individual and collective contributions over the past 12 months and I congratulate our Chief Executive Officer Margot Sweeny, her senior management team and all of our staff for their outstanding commitment to the organisation and for the excellent results they have achieved under very challenging circumstances.

strategic pillars

people
customers
digital and data
strength and sustainability

vision

to make a difference

shared beliefs

embracing opportunities
empowering people
challenging the status quo
enabling individuals
supporting communities
celebrating diversity
caring for the environment

guiding principles

live our values
always act ethically
be worthy of trust
work and live cooperatively
assume and inspire leadership
be inclusive of others
take responsibility
show empathy

values

sustainability
community
ownership
respect
ethics

$3.1m
profit

$689m
assets

16.83%
capital adequacy ratio

we have returned more than
$1.05m
to our communities through direct & indirect support

ceo's report

Diversity is one of the many ideals within Summerland that we are extremely proud of and one that we encourage within our workforce and communities. We have an open and inclusive policy to all faiths, lifestyles, cultures and ethnicities.

The 70:30 ratio of female to male staff within the organisation is also a statistic which is extremely rare within our industry and illustrates our uniqueness as an organisation.

Externally, we are open and inclusive of all groups we engage with in the community regardless of whether you are a school looking for financial assistance for a book prize, the Bangalow Billy Cart Derby or a local football club seeking sponsorship. On a personal note, it was wonderful to celebrate the beginning of 2018 in Lismore with the New Year's Eve Tropical Fruits celebrations with our staff and our diverse local community.

Our community is at the heart of everything we do. That was why it was important last Christmas that Lismore Branch Manager, Graeme Herne, and I visited the various organisations that received financial assistance through the $40,000 in flood grants we made available; to wish them the very best for the Christmas period and the future ahead.

Going into the 2018/2019 financial year, we will continue to support our diverse communities by following our mission of providing advice you can trust by listening, thinking unconventionally and acting quickly.

At Summerland we believe that our purpose, why we all come to work every day, is to make a difference for our families, our staff, our customers, the environment and our communities.

our people

101
staff members

76%
full time

70:30
female to male ratio

5
whs incidents

1.65%
absentee rate

values

We believe in making a difference at both a local and international level. This belief in our ability and indeed our responsibility, to make a difference drives our actions, the partnerships we form and the experiences we deliver. What makes us different is the way we do things.

Everyone from the Board of Directors to our newest employee work and live to a common set of Shared Beliefs and Guiding Principles which are encapsulated in our Values. It's the Summerland way.

We are coming into our 12th year of living the values, through everything we do. The Shared Beliefs and Guiding Principles are encapsulated in our corporate values:

Sustainability – We are a values based organisation responsible for living off the earth's renewable resources.

Community – We have a strong presence in the community and support diverse groups, working collaboratively and cooperatively with them.

Ownership - As owners, our customers have the right to expect a level of service and assistance that provides more than what a bank offers.

Respect - We maintain an environment of full disclosure and transparency in reporting. We are committed to operating in a trusting, fair and equitable manner, accepting the diversity of our customers.

Ethics - Summerland's business model is based on being a socially responsible, ethical and prudent organisation. We share our community's values and communicate with them about how we live these values every day.

people

We aim to be seen as an employer of choice in our region, having been nominated for a number of awards within the region in the last 12 months including:

- Ballina Chamber of Commerce Business Excellence Awards - Professional Service
- Lismore Chamber of Commerce and Industry Business Excellence Awards - Employer of Choice
- Tweed Chamber of Commerce and Industry Business Excellence Awards - Excellence in Professional Services

We offer a number of initiatives to help support our staff depending on their circumstances, so they can achieve the best work-life balance to suit them.

At Summerland, we work hard to ensure we provide an environment where employees and others in the workplace are treated fairly, with respect, and are free from discrimination, harassment, vilification and victimisation.

Our customer, Stephen, is passionate about the Summerland region and all it has to offer.

This is one of the reasons why we are working towards White Ribbon Accreditation; complementing our values of Respect and Ethics, whilst strengthening our existing gender equality and diversity initiatives within all levels of the organisation.

We believe in providing our staff with the learning and development opportunities that allow them to grow the skills and knowledge they need to perform at the highest possible standard and this year we invested a significant amount of time and money on learning and development opportunities for all our staff.

customers

These last few years have seen shifts in the ways customers engage with us. Gone are the days that many of us would visit our local branch weekly to do our banking.

Customers are now engaging with us through multiple platforms, as I will discuss in Digital and Data.

To maintain a relevant and effective branch network, investments are being made in upgrading services in a number of Summerland branches to better meet the changing needs of our customers. This meant after a thorough review of our branch operations we made the decision to close our Alstonville and Ocean Shores branches in October 2017.

Summerland has operated a branch on campus at Southern Cross University (SCU) for many years providing staff and students access to make payments directly to the University for their Tuition and other fees. The contract between Summerland and SCU for the provision of these services expired in December last year and after some deliberation we decided to close the branch in July this year.

We are looking to make a difference to the lives of our customers everyday by providing advice they can trust, expert knowledge and a satisfying customer experience regardless of whether they contact us via Facebook, eBranch or visit us in branch.

Our support for organisations and events in the community which our customers are invested in is one of our key values. More information on our significant community partnerships during the last year are highlighted later in the report.

we were the first financial institution on the
Far North Coast to introduce a wearable payment
device and at no cost to our customers

Iconic Northern Rivers event, the Bangalow Billycart Derby.

digital & data

We want to give our customers as many opportunities to connect with us, be it face to face through our branch network, via telephone, email, website or our social media channels, so we can make their life easier when they need us.

We were the first financial institution on the Far North Coast to introduce a wearable payment device and at no cost to our customers. As technology changes, we are at the forefront of how this impacts the financial sector and how these new technologies like the Summerland Wearable can add value and offer new and satisfying experiences for our customers.

In keeping with our strategic goals, we have implemented Microsoft Office 365 across our entire work force to keep abreast of current technologies in the cloud. This has enabled us to keep capital costs down, removed the need for onsite infrastructure and enhanced organisational security. The platform has also enabled us to keep up-to-date with the latest software and increased opportunities for collaboration amongst our staff, regardless of where they are based.

Likewise, with the eBranch and our new cloud based telephone system, our staff can now work remotely from anywhere; for the greater benefit of our customers.

The eBranch is the one branch that can be contacted digitally via our website or telephone and it is for those people that are not close to a branch but still want to access their banking or the expertise and advice of our banking advisors and lenders. It doesn't matter if you're in Lismore, Canberra or Melbourne, you'll receive the same award-winning service from our digital eBranch as you would if you were stepping into one of our branches.

strength & sustainability

We have had a very good year and have come out stronger for it. We have a strong brand presence within the Northern Rivers and this is illustrated through the strength of our financial results.

As an organisation, this year has seen the introduction of Social Sustainability Month in September. This is a celebration of our investment in communities locally, nationally and internationally; be it through sponsorship of local events like the Bangalow Billy Cart Derby or Lismore Thistles through our Summerland Football products and services.

Our Cash 4 Clubs and Cash 4 a Cause programs enable customers to do their everyday banking and earn cash back for their local organisation or group.

Summerland Football Ambassador, Archie Thompson.

Support of the CUFA village entrepreneur program in South-East Asia and our staff volunteering in the local community is all part of our social sustainability story.

community

During the last financial year, Summerland has invested in many organisations and events. We are currently in the process of introducing a new volunteer program for our staff to give them more opportunities to get involved with organisations in our local community.

As in past years, we have returned over $1 million to our communities through direct and indirect support.

Significant Partnerships

During the last year, our staff have been actively involved in supporting a range of organisations and events in the community across the Northern Rivers, Queensland, Victoria and ACT.

Northern Rivers NSW

Ballina Meals on Wheels – In 2017/18, our Ballina branch staff have been making a difference by volunteering over 35 hours to the lives of older people and those with a disability by providing a smile, a conversation and a meal they can enjoy.

Bangalow Billy Cart Derby – We were the naming rights sponsor of the 2017 community event which attracted over 150 billy cart racers from across Northern NSW and Queensland. Our staff made a difference to the day by marshalling the finish line, commentating on the races and conducting a chalk art competition for kids.

Bangalow Blue Dogs – Having been a partner of the football club for almost 10 years, we gave over $300 back to the club through our Cash 4 Clubs program last financial year, and raised $500 for the club at a home match day through a BBQ run by Summerland staff volunteers. Our partnership grew this year as a major sponsor of the men's and women's premier teams.

Beef Meets Reef – This iconic event in Evans Head continues to draw over 7,000 people to the region. We were delighted to support the event through our sponsorship of the Street Parade and our chalk art competition.

Cudgen Headland Surf Life Saving Club – We continue to be a major supporter of the NSW Club of the Year through our Cash 4 Clubs program for club members and as a bronze club sponsor.

Dunoon United – Through our Summerland Football products and services we sponsor the 2017 Northern NSW Community Club of the Year's third grade women's side, and provide fundraising opportunities to the club and its members through our Cash 4 Clubs program.

East Lismore Bowling Club – We were the major sponsor of the Annual Classic Carnival, which attracted competitors from across the North Coast for this special event.

Surfing Far North Coast – This was the third year that we have supported the Regional Titles competition at Sharpes Beach; which showcased some of the region's best surfing talent.

Lismore Thistles – Our partnership with Thistles and the sponsorship of their women's premier side continued this year, with support for their junior gala day and junior end of season awards being a big part of our commitment to grassroots football and the Lismore community.

Mullum 2 Bruns Paddle – We were delighted to once again be involved in this wonderful community event as a principal sponsor and by providing kids in attendance the opportunity to take part in our chalk art competition.

Nimbin Headers – As a supporter of the club, we got behind the club's inaugural Mini Shield Tournament, with all the proceeds from the day being donated to charity.

Southern Cross University – We have been a supporter of the university and its students through the Rising Stars Scholarship program for over 25 years. This is a program we continue to be involved in this year through our sponsorship of three students with their studies.

Sustainable House Day – In keeping with our values, we supported this event that celebrates sustainable housing through our Eco Loans products; providing a 25% discount off the loan establishment fee and a charitable donation to an environmentally focused organisation.

The Salvation Army – As part of The Salvos annual Red Door Knock Appeal we were pleased to offer payWave terminals and traditional collection tins across our branch network that allowed customers to donate funds to help support a range of social and community services across the region.

Wollongbar Alstonville Rugby Club – As a Cash 4 Clubs beneficiary, the club has received $300 from us this year, through club member engagements with us.

Queensland

Gold Coast Champions Cup – The tournament invited over 100 teams from across Australia. We were delighted to be a supporter of the referees and ran a Score and Win engagement for players and parents to take part in.

Gold Coast Female Soccer Academy – We have been a major sponsor of the all-girls academy this year, and saw their u16 side take home the Kanga Cup in Canberra in July. Off the pitch, we have been working with the club with their ongoing growth towards becoming a fully-fledged club.

ACT

Canberra United – As the Official Banking partner of the W-League side, we gave away match day tickets during every home round to fans and provided opportunities to take part in our Score and Win competition at half time to win cash prizes. On our home match day in January, we supported the all-abilities Football Connect program by giving away wristbands for a gold coin donation from fans. The day raised $500 for the program.

Capital Football – We continued our partnership with the football federation for ACT by supporting their all abilities Football Connect program, which received a Commendation for Inclusion in Education and Training at the 2017 Chief Minister's Inclusion Awards. The introduction of the monthly Summerland Football Club Hero awards, which celebrates the contribution of volunteers in the community, has become a popular addition to the ACT football community.

Kanga Cup – This was the second year we have supported the biggest youth football tournament in the southern hemisphere, which attracts 175 teams. As part of our support for the week-long event, we sponsored the Athletes with a Disability Day.

Victoria

Geelong Galaxy United – We have continued to support the National Women's Premier League side through our sponsorship of the club and our passion for women's football.

Mazenod Victory – Following the merging of Mazenod United and Waverley Victory, we have been delighted to be a part of supporting the club through this exciting part of their future through our Cash 4 Clubs program.

RMIT University FC – We were the first external organisation to support a sporting team at the university and our partnership has continued to grow through our support of their men's and women's sides at the club through our Cash 4 Clubs program.

This last year has seen some changes in our industry but also many exciting new developments as an organisation. With the ever changing landscape of how our customers wish to engage with us and do their banking, we are forever evolving and introducing new technologies to meet those needs. Regardless of whether you live in Lismore, Grafton, Sydney or beyond, we have services and people to meet your every need. In the community our staff will be making a difference to events and organisations in our geographic footprint and beyond. We hope you will join us as we move forward into our 55th year as a credit union.

sustainability

As part of our ongoing commitment to environmental sustainability, we are actively working towards Gold Partner accreditation, as part of the NSW Government's Sustainability Advantage Program.

In November 2008, we joined the program and were the first business on the NSW North Coast to reach Silver Partner accreditation.

Since then, we have implemented over 200 separate initiatives to reduce our impact on the environment through reducing, recycling and changing behaviours within the organisation.

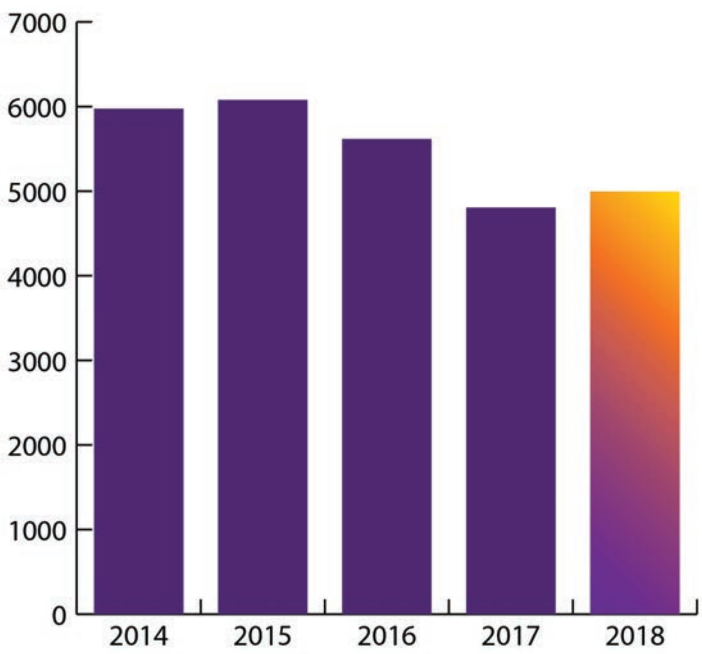
This includes our Board of Directors endorsing a no CSG/ fossil fuel investment position. Our Eco Loan products provide incentives for people to invest in environmentally-sustainable products, with part of the fees from those loans going back into the community to support environmental initiatives.

We have also installed 70 solar panels on our Head Office building in Lismore, which has significantly impacted our energy consumption and feeds energy back into the grid on weekends.

power

There was a 4% increase in energy consumption of Summerland owned and leased premises this year, with 4996 kWh consumed per FTE.

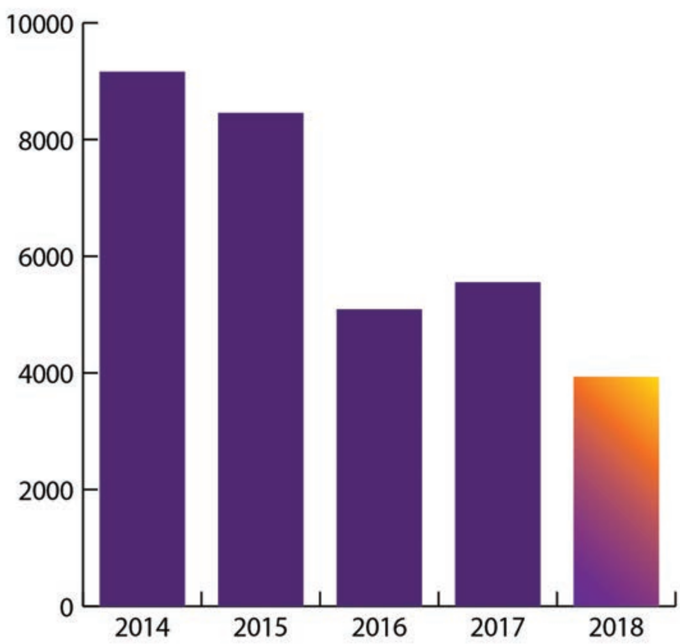
Accredited renewable energy take-up in electricity contracts is currently 10% pa.



paper

Internal paper usage for the 2017/18 year was 3,933 sheets of normal copy paper per FTE. This is a 29% drop on the previous year.

Improving the environmental impact of the paper we purchase and use in our marketing collateral and member communications, 100% of A4 copy paper and customer statement paper is certified carbon neutral under the National Carbon Offset Standard Carbon Neutral program.

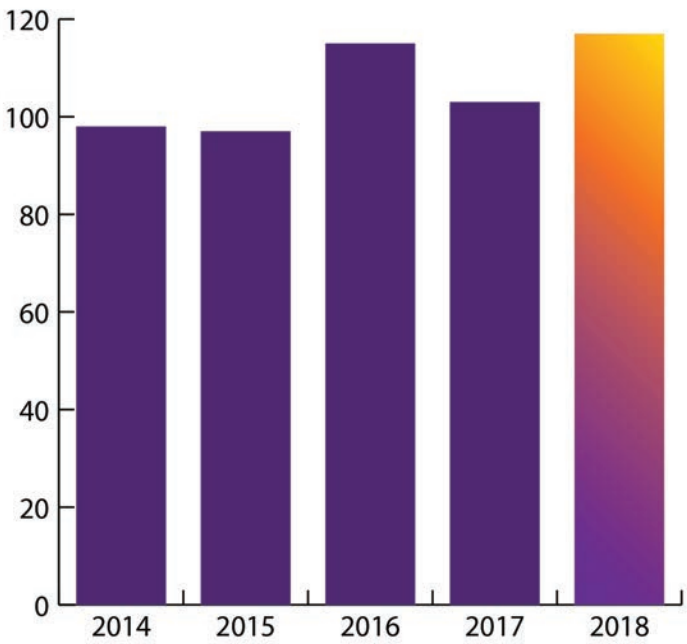


We have installed 70 solar panels at head office.

vehicles

The corporate vehicle fleet used 10,683 litres of fuel and 114 km per FTE. This is a 10% increase on the previous year.

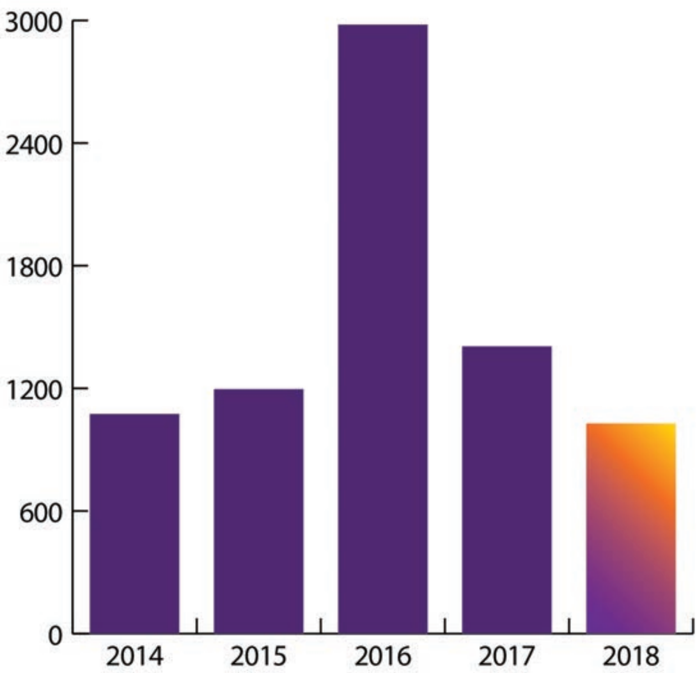
Utilising video or teleconferencing forms part of the assessment when making staff travel decisions.



air travel

Business travel by air in 2017/18 consisted of flights covering 93,868 kms, which equated to 1,009 km per FTE.

This is a 28% reduction on the previous year.



director's report

Your Directors present their report on the credit union for the financial year ended 30 June 2018.

Summerland Credit Union (the credit union) is a division of Summerland Financial Services Limited, a company registered under the Corporations Act 2001. The registered company name was changed from Summerland Credit Union Limited to Summerland Financial Services Limited on 1st July 2017.

Information on Directors

The names of the Directors in office at any time during, or since the end of the year are:

Nicolas Harrison

B.A, LL.B, FAICD, FGIA, FAMI, SA Fin

Director since 2003
Chair since 2008
Chair, Executive Committee
Member, Nominations Committee
Member, Governance Committee

Nicolas Harrison is a Barrister-at-law, Company Director, Director of the Customer Owned Banking Association and a Local Government Misconduct Investigator. He is actively involved in the not-for-profit sector, being a Director of Multi-task Human Resource Foundation, Lismore Challenge Limited and CASPA Services Ltd.

He is a former Deputy Senior Crown Prosecutor, Councillor of the NSW Law Society, Adjunct Professor at Southern Cross University, and RAAF Reserve Legal Officer.

John Shanahan

M.Com (Hons), FCA, MAICD, FCPA, SF Fin, MAMI

Director since 2008
Member, Executive Committee
Chair, Audit Committee
Member, Risk Advisory Committee
Member, Governance Committee

John Shanahan was formerly Deputy Chancellor of Southern Cross University. He is a recognised expert on financial reporting issues and the author of the textbooks *Guide to Accounting Standards* and *Guide to Accounting Regulation*. He was formerly an Audit Partner at Deloitte.

He has conducted training courses and seminars for many national and state organisations including ASIC, the ASX, CPA Australia, the Institute of Chartered Accountants, FINSIA and the Federal Judicial Commission.

Graham Olrich

Dip FS, Dip FS CUD, FAICD, FAMI

Director since 2010
Chair, Risk Advisory Committee
Member, Governance Committee

Graham Olrich currently runs his own management consultancy company.

He has had a distinguished career in banking including credit union executive and senior management experience.

He has held the top position in Australia's largest credit union and is currently the Chair of Regional Australia Bank Ltd; and a Director of The Capricornian Ltd and CUFA Ltd.

Paul Spotswood

B.Ec, MAMI, MAICD

Director since 2010
Member, Audit Committee

Paul Spotswood is a partner of Social and Digital Australia Pty Ltd, a media services company that concentrates on regional markets across Australia to assist businesses understand and utilise social media and digital marketing channels to generate business. Paul was formerly General Manager for APN Australian Regional Media (now News Regional Media) across a number of regional markets publishing newspapers, websites and associated publications for 15 years. Prior to this Paul was a publisher with Reed Business Information, Reed Elsevier, Australia for 9 years, publishing Business-to-Business information in the form of magazines, websites, e-commerce applications and other digital products to the financial, architecture, construction, entertainment and marketing industries.

Katrina Luckie

B.App Sc (Hons), MAMI, MEAINZ, GAICD, FIML

Director since 2010
Chair, Governance Committee
Member, Risk Advisory Committee

Katrina Luckie is the Executive Manager of Strategy and Engagement for Social Futures, one of the largest community service providers in Northern NSW. Katrina has strong skills in project concept development, research, strategy, insight and leadership. She is the former CEO of Regional Development Australia (RDA) Northern Rivers, and former Executive Director of the Northern Rivers Regional Development Board.

Katrina has an extensive background in developing regional strategy and environmental planning on the North Coast of NSW and a strong interest in social justice issues. Katrina champions and supports management with pursuing Summerland's environmental sustainability journey.

David Bergmark

BComm, MAICD, ICAA, F Fin, MAMI

Director since 2014
Member, Risk Advisory Committee
Member, Audit Committee

David Bergmark is a founding partner of the Protecht Group and consults on a variety of market, credit, liquidity and operational risk management issues to a wide range of corporates, financial services institutions and government agencies within Australia. He has been actively involved in audit and risk management within the banking sector since 1990.

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

Director's meeting attendance

Director	Board of Directors		Audit Committee		Risk Advisory Committee		Governance Committee	
	E	A	E	A	E	A	E	A
Nicolas Harrison	7	7	2	2			5	5
John Shanahan	7	6	4	3	4	3	5	4
Graham Olrich	7	7			4	4	5	5
Katrina Luckie	7	7			4	4	5	5
Paul Spotswood	7	7	4	4				
David Bergmark	7	7	2	2	4	4		
Graeme Green (Retired 3/11/17)	2	2	1	1				

E = Eligible to Attend A = Attended

Margot Sweeny OAM

MEc, BBus, FCPA, SF Fin, FAMI, MACS, MAICD, JP

Company Secretary

Margot has been the Company Secretary and Chief Executive Officer since 1999.

Margot Sweeny is an active community member and public speaker. Her numerous community positions include being the current Chair of Credit Union Foundation Australia (CUFA), the development agency for the Australian Credit Union Movement; and Director of Australian Securities Limited (ASL). Margot has strong connections with Southern Cross University and has just completed a 14 year term on the University Council, which was a combination of a two (2) year term as an elected staff representative and a 12 year term as an appointed independent financial expert. During her term she was Chair of the Audit Committee (2006 - 2010), and Chair of the Finance Committee (2010 - 2018). Margot received an Honorary Award - Doctor of the University (DUniv)(honoris causa) from Southern Cross University in 2017.

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the credit union, a subsidiary, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 7 of the Financial Report.

Indemnifying officer or auditor

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

No insurance cover has been provided for the benefit of the auditors of the credit union.

Financial performance disclosures

Principal activities

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

No significant changes in the nature of these activities occurred during the year.

Operating results

The net profit of the credit union for the year after providing for income tax was $3.09m (2017: $2.15m).

Dividends

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the Directors of the credit union.

Review of operations

The credit union's operations, being focused on the provision of financial services to its customers, did not change from the previous year.

Significant changes in state of affairs

There were no significant changes in the state of the affairs of the credit union during the year.

Events occurring after balance date

There were no matters or circumstances arising since the year end which significantly affected or may significantly affect the operations, or state of affairs of the credit union in subsequent financial years.

Environmental regulations

All activities have been undertaken in compliance with environmental regulations that apply to credit unions.

Likely developments and results

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

(i) The operations of the credit union;
(ii) The results of those operations; or
(iii) The state of affairs of the credit union

in the financial years subsequent to this financial year.

Rounding

The amounts contained in this financial report have been rounded to the nearest one thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191. The credit union is permitted to round to the nearest one thousand ($'000) for all amounts except prescribed disclosures that are shown in whole dollars.

Auditor's independence

The auditor has provided the following declaration of independence to the Board as prescribed by the Corporations Act 2001.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Mr Nicolas Harrison
Chair

Mr John Shanahan
Chair Audit Committee

Lismore 26 September 2018

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W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Summerland Financial Services Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Summerland Financial Services Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A Sheridan
Partner – Audit & Assurance

Lismore, 26 September 2018

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		$'000	$'000
REVENUE			
Interest income	2	26,549	25,537
Interest expense	2	(9,591)	(9,931)
NET INTEREST INCOME		16,958	15,606
Non-interest income	3	3,976	4,025
EXPENSES			
Impairment expense	12	(27)	(8)
Employee benefits expense	4	(8,282)	(8,108)
Occupancy expense	4	(473)	(491)
Depreciation and amortisation expense	4	(1,183)	(1,102)
Other expenses	4	(6,734)	(6,874)
Total Expenses		16,699	16,583
PROFIT BEFORE INCOME TAX		4,235	3,048
Income tax expense	5	(1,138)	(894)
PROFIT FOR THE YEAR NET OF TAX		3,097	2,154
OTHER COMPREHENSIVE INCOME NET OF TAX			
Items that may be reclassified to profit and loss			
Gain/(Loss) on cash flow hedges taken to equity		49	94
Items that will not be reclassified to profit and loss			
Movement in fair value of land and buildings		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		49	94
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,146	2,248
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE CREDIT UNION		3,146	2,248

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Balance sheet

AS AT 30 JUNE 2018

	Note	2018	2017
		$'000	$'000
ASSETS			
Cash and cash equivalents	8	17,291	18,532
Financial assets held to maturity	11	91,768	108,539
Trade and other receivables	9	5,122	3,400
Other assets	10	579	641
Loans and advances	12	563,329	523,337
Financial assets available for sale		2	2
Investment property	15	4,547	4,547
Property, plant and equipment	14	5,045	5,381
Current tax asset	5	102	147
Deferred tax assets	5	1,029	1,016
Intangible assets	16	336	527
TOTAL ASSETS		689,150	666,069
LIABILITIES			
Deposits	17	598,864	577,932
Trade and other payables	18	11,163	8,801
Derivatives	13	64	117
Borrowings	20	18,310	21,610
Deferred tax liabilities	5	724	732
Provisions	19	931	915
TOTAL LIABILITIES		630,056	610,107
NET ASSETS		59,094	55,962
MEMBERS EQUITY			
Redeemable preference share capital account	21	506	496
Reserves	22	6,834	6,678
Retained earnings		51,754	48,788
TOTAL MEMBERS' EQUITY		59,094	55,962

The above Balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2018

	Redeemable Preference Share Capital Account	General Reserve	Capital Profits Reserve	Hedging Reserve	Reserve for Credit Losses	Asset Revaluation Surplus	Retained Earnings	Total Members' Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
BALANCE AT 1 JULY 2016	482	1,376	860	(169)	1,855	2,509	46,801	53,714
Profit for the year	-	-	-	-	-	-	2,154	2,154
Other comprehensive income net of tax	-	-	-	94	-	-	-	94
Transfers to / from retained earnings:								
- Redeemable preference share account	14	-	-	-	-	-	(14)	-
- Reserve for credit losses	-	-	-	-	153	-	(153)	-
BALANCE AT 30 JUNE 2017	496	1,376	860	(75)	2,008	2,509	48,788	55,962
BALANCE AT 1 JULY 2017	496	1,376	860	(75)	2,008	2,509	48,788	55,962
Profit for the year	-	-	-	-	-	-	3,097	3,097
Other comprehensive income net of tax	-	-	-	35	-	-	-	35
Transfers to / from retained earnings:								
- Redeemable preference share account	10	-	-	-	-	-	(10)	-
- Reserve for credit losses	-	-	-	-	121	-	(121)	-
BALANCE AT 30 JUNE 2018	506	1,376	860	(40)	2,129	2,509	51,754	59,094

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		26,680	25,793
Other income		2,504	5,195
Interest paid		(9,441)	(10,389)
Payments to suppliers and employees		(13,594)	(15,338)
Movement in operating assets and liabilities			
Net movement in liquid investment balances		16,771	4,855
Net movement in loans		(40,001)	(51,455)
Net movement in deposits		20,932	23,139
		3,851	(18,200)
Income taxes paid		(1,112)	(1,282)
Net cash used in operating activities	30 (c)	2,739	(19,482)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(587)	(747)
Payment for intangibles		(93)	(177)
Proceeds - sale of non-current assets		-	9
Net cash used in investing activities		(680)	(915)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		(3,300)	10,000
Net cash provided by financing activities		(3,300)	10,000
Net (decrease) / increase in cash and cash equivalents held		(1,241)	(10,397)
Cash and cash equivalents at the beginning of the financial year		18,532	28,929
Cash and cash equivalents at the end of the financial year	30 (a)	17,291	18,532

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTE 1

Statement of Significant Accounting Policies

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Summerland Financial Services Limited (formerly Summerland Credit Union Limited) is a public company limited by shares, incorporated and domiciled in Australia. The nature of the credit union's operations and principal activities are disclosed in the Directors' Report. The credit union is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Basis of preparation

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. Compliance with Australian Accounting Standards ensures that the financial statements and notes information comply with International Financial Reporting Standards.

Except for cash flow information, this financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of land and buildings, and certain financial assets and financial liabilities for which the fair value basis of accounting has been applied. The balance sheet has been prepared in order of liquidity.

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

The financial report was authorised for issue on 26 September 2018 by the Board of Directors.

Significant accounting policies

The following is a summary of the material accounting policies adopted by the credit union in the preparation of the financial report. Except where stated, the accounting policies have been consistently applied.

(a) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the credit union.

KEY ESTIMATES

Provision for income tax – refer to Note 5
Impairment – refer to Note 12
Property – refer to Note 14
Investment property – refer to Note 15
Employee provisions – refer to Note 19

(b) Comparative figures

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

(c) Goods and services tax (GST)

As a financial institution the credit union is input taxed on all income except other income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced Input Tax Credits, of which 75% of the GST paid is recoverable.

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the 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 the expense. Receivables and payables are stated with the amount of GST included where GST is applicable. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(d) New or emerging Accounting Standards

The following Australian Accounting Standards issued or amended are applicable to the credit union but are not yet effective for the 2018 financial year and have not been adopted in preparation of the financial statements at reporting date. The known impacts of each Accounting Standard on the credit union's financial reporting in future periods is noted below.

AASB Reference	Nature of Change	Application Date	Impact on Initial Application
AASB 9 Financial Instruments (December 2014)	The new standard replaces AASB 139 and supersedes AASB 9 versions previously issued in December 2010. It amends the requirements for classification and measurement of financial assets. AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enables entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. Recognition of credit losses are to no longer be dependent on the credit union first identifying a credit loss event. The credit union will consider a broader range of information when assessing credit risk and measuring expected credit losses including past experience of historical losses for similar financial instruments.	Periods beginning on or after 1 January 2018.	The credit union has carried out a preliminary assessment of the impact of the new standard. The classification and measurement of financial assets is expected to remain largely unchanged with HTM investments to be reclassified to amortised cost and FVOCI categories and the AFS investments reclassified as FVOCI. The requirements for general hedge accounting have been simplified for hedge effectiveness testing and are not expected to impact materially the credit union based on its existing interest rate swap contracts. The new expected loss impairment model will require more timely recognition of expected credit losses. *The overall impact of applying AASB 9 has not yet been determined by the credit union.* Adjustments during the transition process will be recognised either in opening retained earnings or the general reserve for credit losses. *The range of potential outcomes are best estimates and actual outcomes will be based on the size and credit characteristics of the portfolio on adoption of the standard.*
AASB 15 Revenue from Contracts with Customers	Revenue from financial instrument is not covered by this Standard, but AASB 15 establishes a new revenue recognition model for other types of revenue. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard replaces AASB 118 Revenue, AASB 111 Construction Contracts and related revenue interpretations.	Periods beginning on or after 1 January 2018.	*Based upon a preliminary assessment, the Standard is not expected to have material impact upon the transactions and balances recognised when it is first adopted, as most of the credit union's revenue arises from the provision of financial services which are governed by AASB 9 Financial Instruments. Few revenue transactions of the credit union are impacted by the new standard.*
AASB 16 Leases Replaces AASB 117	AASB 16: replaces AASB 117 *Leases* and some lease-related Interpretations; requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases; provides new guidance on the application of the definition of lease and in sale and lease back accounting; and; requires new and different disclosures about leases.	Periods beginning on or after 1 January 2019.	*Based on a preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements.*

There were no new and amended Australian Accounting Standards adopted by the credit union during the year.

	2018	2017
	$'000	$'000

NOTE 2

Interest Income and Interest Expense

INTEREST REVENUE		
Cash and cash equivalents	220	260
Financial assets held to maturity	2,707	3,221
Loans and advances	23,398	21,784
Derivatives	224	272
TOTAL INTEREST INCOME	26,549	25,537
INTEREST EXPENSE		
Deposits	9,202	9,406
Borrowings	71	131
Derivatives	318	394
TOTAL INTEREST EXPENSE	9,591	9,931

NOTE 3

Revenue

INTEREST INCOME	26,549	25,537
NON-INTEREST INCOME		
Fees and commissions		
- fee income on loans - other than loan origination fees	802	769
- fee income from member deposits	867	910
- other fee income	737	865
- insurance commissions	290	336
- other commissions	651	619
	3,347	3,499
Bad debts recovered	14	44
Income from property (rent)	446	324
Fair value increase - investment property	-	-
Profit on sale of assets	34	1
Other	135	157
TOTAL NON-INTEREST INCOME	3,976	4,025
TOTAL REVENUE	30,525	29,562

Recognition and Measurement

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

Loan Interest Revenue

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the loan accounts on the last day of each month.

Non-Accrual Loan Interest

While still legally recoverable, loan interest is not brought to account if a loan is classified as non-accrual or generally if a loan has been transferred to a debt collection agency or a judgement has been obtained. However accrued interest may be recovered as part of the recovery of the debt.

Investment Interest Revenue

Investment interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Fees and Commissions Revenue

Fees and commissions are brought to account on an accrual basis once a right to receive consideration has been attained.

Loan Origination Fees Revenue

Loan origination fees are deferred as part of the loan balance and are brought to account as loan origination fee revenue over the expected life of the loan.

Fees on Loans

Fees charged on loans after origination of the loan are recognised as income when the service is provided or costs are incurred.

Net Gains and Losses

Net gains or losses on loans to the extent that they will arise from the partial transfer of business or on securitisation, do not include impairment write downs or reversals of impairment write downs.

	2018	2017
	$'000	$'000

NOTE 4

Profit Before Income Tax Expense

Profit before income tax expense has been determined after:

EXPENSES		
Interest expense	9,591	9,931
NON-INTEREST EXPENSES		
Impairment of assets		
- loans and advances	27	8
Employee benefit expenses		
- net movement in provisions for annual leave	(19)	(29)
- net movement in provisions for long service leave	(16)	92
- other employee expenses	8,317	8,045
	8,309	8,116
DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation expense		
- buildings	190	190
- plant and equipment	385	375
Amortisation expense		
- software	284	277
- leasehold improvements	324	260
	1,183	1,102
OTHER EXPENSES		
Fees and commissions	2,394	2,272
General and administration expenses	312	358
IT expenses	1,841	1,750
Loss on sale of assets	8	16
Occupancy expenses	473	491
Other operating expenses	1,790	2,034
Rental expense on operating leases	389	444
	7,207	7,365
TOTAL NON-INTEREST EXPENSES	16,699	16,583
TOTAL EXPENSES	26,290	26,514

	2018	2017
	$'000	$'000

NOTE 5

Income Tax

INCOME TAX EXPENSE

Prima facie tax payable on profit at 30% (2017: 30%)	1,271	914
ADJUST FOR TAX EFFECT OF:		
Capital allowance deduction	(20)	(20)
Adjustment for previous year	(113)	-
Income tax expense attributable to the entity	1,138	894
Applicable weighted average effective tax rate	30%	30%
THE COMPONENTS OF INCOME TAX EXPENSE COMPRISE		
Current tax	1,166	886
Deferred tax	(28)	8
	1,138	894
CURRENT AND DEFERRED TAX RECOGNISED DIRECTLY IN EQUITY		
Aggregate current and deferred tax arising during the reporting period and not recognised in profit and loss but directly debited or credited to equity:		
DEFERRED TAX		
Net movement on revaluation of cash flow hedges	(15)	(40)
	(15)	(40)
IMPUTATION CREDITS		
Balance of franking account imputation (franking) credits at year-end adjusted for franking credits or debits arising from payment of the provision for income tax or receipt of dividends available for subsequent reporting periods based on a tax rate of 30% (2017: 30%)	17,353	16,485

CURRENT TAX

Current income tax (receivable) / payable	(102)	(147)

DEFERRED TAX ASSETS

Deferred tax assets comprise temporary differences attributable to:		
AMOUNTS RECOGNISED IN PROFIT AND LOSS		
Plant and equipment	372	278
Provision for impairment	39	37
Provision for employee benefits	452	441
Accrued expenses	137	215
Deferred loan fee asset	12	13
	1,012	984
AMOUNTS RECOGNISED DIRECTLY IN EQUITY		
Hedge reserve	17	32
Total deferred tax assets	1,029	1,016

	2018	2017
	$'000	$'000

DEFERRED TAX LIABILITIES

Deferred tax liabilities comprise temporary differences attributable to:

AMOUNTS RECOGNISED IN PROFIT AND LOSS		
Investment properties	-	-
AMOUNTS RECOGNISED DIRECTLY IN EQUITY		
Land and buildings	724	732
Total deferred tax liabilities	724	732

Recognition and Measurement

CURRENT TAX EXPENSE

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or substantially enacted at balance date.

DEFERRED TAX

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the credit union will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTE 6

Remuneration of Auditors

Remuneration of the auditor for:		
Auditing or reviewing the financial report	74,175	72,791
Other services		
- taxation services	5,355	5,255
- compliance	25,985	25,500
	105,515	103,546

	2018	2017
	$'000	$'000

NOTE 7

Related Party Transactions

(a) Key management personnel

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the credit union, directly or indirectly, including any Director (whether executive or otherwise) of that entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

KMP has been taken to comprise the Directors and the six executive and senior management responsible for the day-to-day financial and operational management of the credit union.

The names of the Directors of the credit union who have held office during the financial year are:

- Nicolas Harrison
- Graham Olrich
- Paul Spotswood
- Graeme Green (Retired 3/11/17)
- John Shanahan
- Katrina Luckie
- David Bergmark

(b) Remuneration of key management personnel

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

	2018 $'000	2017 $'000
Short-term employee benefits	1,537	1,506
Post-employment benefits	122	135
Other long-term benefits	258	171
	1,917	1,812

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

All remuneration to Directors was approved by the members at the 2017 AGM of the credit union.

(c) Related parties

The other related parties include close family members of KMP and entities that are controlled or jointly controlled by those KMP, individually or collectively with their close family members.

(d) Loans to key management personnel and other related parties

The credit union's policy for lending to Directors is that all loans are approved and deposits accepted on the same terms and conditions that applied to customers for each class of loan or deposit. KMP who are not Directors receive a concessional rate of interest on their loans and facilities. These benefits, where subject to Fringe Benefits Tax, are included in the remuneration in Note 7(b) above.

There are no loans that are impaired in relation to the loan balances with KMP.

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

	2018	2017
	$'000	$'000
The aggregate value of loans to KMP and other related parties as at balance date amounted to	2,728	2,947
The total value of revolving credit facilities to KMP and other related parties as at balance date amounted to	1,366	951
Less amounts drawn down and included above	(177)	(163)
Net balance available	1,189	788
During the year the aggregate value of loans and revolving credit facilities approved and/or disbursed to KMP and other related parties amounted to	1,347	2,520
Interest and other revenue earned on loans and revolving credit facilities to KMP and other related parties amounted to	100	77

(e) Other transactions with key management personnel and other related parties

KMP and other related parties have received interest on deposits with the credit union during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to customers of the credit union.

Total value of term and savings deposits from KMP and other related parties	501	1,010
Total interest paid on deposits to KMP and other related parties	10	13

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

There are existing service contracts where KMP or their close family members are an interested party. These contracts see services being provided at arm's length on the same terms and conditions as other contracted services to the credit union. The total value of membership, settlement and system services provided during the year was $727k (2017: $712k).

NOTE 8

Cash and Cash Equivalents

Cash on hand	1,368	1,556
Deposits with ADIs	15,923	16,976
	17,291	18,532

Recognition and Measurement

Cash and cash equivalents include cash on hand and unrestricted short term highly liquid balances held in Authorised Deposit-taking Institutions (ADIs) with maturity less than three months or at call. They are carried at amortised cost which is equal to fair value in the balance sheet.

The effective interest rate on short-term bank deposits was 2.85% (2017: 3.86%).

	2018	2017
	$'000	$'000

NOTE 9

Trade and Other Receivables

Accrued interest	453	585
Other receivables	44	118
Sundry debtors	4,625	2,697
	5,122	3,400

Trade and other receivables are based on their carrying amount net of the specific provision for impairment.

NOTE 10

Other Assets

Prepayments	579	641

NOTE 11

Financial Assets Held to Maturity

Deposits with ADIs	91,768	108,539

Recognition and Measurement

HELD TO MATURITY INVESTMENTS

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the credit union has the intention and ability to hold them until maturity. The credit union currently holds Term deposits, Negotiable Certificates of Deposit (NCD), Floating Rate Notes, and Fixed Rate Notes in this category. If more than an insignificant portion of these assets are sold or redeemed early then the asset class will be reclassified as available-for-sale financial assets.

IMPAIRMENT OF FINANCIAL ASSETS

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss. The effective interest rate on financial assets held to maturity was 2.72% (2017: 3.09%); these deposits have an average maturity of 180 days.

	2018	2017
	$'000	$'000

NOTE 12

Loans and Advances

Gross loans and advances	563,501	523,503
Unamortised loan fees	(41)	(44)
	563,460	523,459
Provision for impairment	(131)	(122)
Net loans and advances	563,329	523,337

Recognition and Measurement

BASIS OF RECOGNITION

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in profit or loss over the period of the loans using the effective interest method.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the credit union at the reporting date, less any allowance or provision against impairment for debts considered doubtful. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the board of directors.

All loan transaction costs that are direct and incremental to the establishment of the loan are deferred and amortised as a component of the calculation of the effective interest rate. Loan transaction costs are brought to account as a reduction of interest income over the expected life of the loan.

(a) Provisions for impairment

Opening balance	122	125
Impairment expense	27	8
Bad debts written off	(18)	(11)
Closing balance	131	122

(b) Provision for impairment calculation

Provision prescribed by Prudential Standards	123	102
Additional impairment provision	8	20
Closing balance	131	122

Recognition and Measurement

A provision for losses on impaired loans is recognised when there is objective evidence that impairment of a loan has occurred. All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower.

Impairment loss is measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate.

Impairment losses are recognised in the statement of comprehensive income and reflected in a provision account against loans and advances. Interest on impaired loans and advances continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of the impairment loss to decrease the impairment loss is reversed through the statement of comprehensive income.

Key assumptions in determining the provision for impairment

The credit union assesses impairment at the end of the reporting period by evaluating conditions specific to the credit union that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Estimation has been exercised when applying the credit union's accounting policies with respect to determining the provision for impairment of loans as disclosed.

Provision for Impairment

The amount provided for impairment of loans is determined by management and the Board. The Prudential Standards issued by APRA enable the minimum provision to be based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears, and the security held. A further provision is made where there is any objective evidence that any loan or group of loans is impaired and unlikely to be recoverable.

General Reserve for Credit Losses

In addition to the provision for impairment, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolio. Movements in the general reserve for credit losses are recognised as an appropriation of retained earnings.

Restructured Loans

Restructured loans are loans which are subject to renegotiated repayment terms, generally in the process of extending hardship assistance to our customers. Arrears are not diminished and interest continues to accrue to income. Each restructured loan is retained at the full arrears position until the restructured repayment is maintained for 6 months. These loans can then be reinstated as a performing loan, subject to the loan being on the same risk terms as a new loan for its class.

Bad Debts

Bad debts are written off when collection of the loan or advance is considered to be remote. All write-offs are on a case-by-case basis, taking into account the exposure at the date of the write-off. On secured loans the write-off takes place on ultimate realisation of collateral value, or following claim on any lender's mortgage insurance.

Bad debts are written off against the provision for impairment where an impairment has previously been recognised in relation to a loan. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the statement of comprehensive income.

In the course of the preparation of the annual report the credit union has determined the likely impairment loss on loans which have not maintained loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances.

In identifying the impairment likely from these events the credit union is required to estimate the potential impairment using the length of time the loan is in arrears and the historical losses arising in past years.

Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment.

	2018	2017
	$'000	$'000

Prescribed Provisioning Ratios	**Overdrafts**	**Unsecured loans**	**Secured loans**
Period of impairment	% of balance	% of balance	% of balance
14 days to 89 days	40	-	-
90 days to 181 days	75	40	5
182 days to 272 days	100	60	10
273 days to 364 days	100	80	15
365 days or more	100	100	20

(c) Assets acquired from loan recovery

There were no material assets acquired by the credit union during the financial year. The policy of the credit union is to sell the assets via auction at the earliest opportunity after all measures to assist the customers to repay the debts have been exhausted.

(d) Loans and advances by impairment class

	2018	2017
Net impaired loans – refer 12(e)	827	852
Past due but not impaired – refer 12(f)	13,799	12,714
Neither past due or impaired – refer 12(g)	548,703	509,771
	563,329	523,337

(e) Impaired loans and advances

Credit Rating Analysis

	2018	2017
Household		
- Owner occupied housing loans	-	-
- Investment housing loans	-	-
- Overdrafts	-	-
- Credit cards	-	-
- Other personal purpose	116	88
Commercial	842	886
	958	974
Provision for impairment	(131)	(122)
Carrying amount	827	852

(f) Past due but not impaired loans and advances

These loans are not considered impaired as the value of the related security over residential property is in excess of the loan due. Refer to Note 12(h) for details of security held. Past due values are the 'on-balance sheet' loan balances.

Aging Analysis

	2018	2017
1 to 89 days	11,873	12,150
90 to 181 days	1,226	363
182 to 272 days	373	-
273 to 364 days	120	-
365 days or more	207	201
Carrying amount	13,799	12,714

	2018	2017
	$'000	$'000
CREDIT RATING ANALYSIS		
Household		
- Owner occupied housing loans	10,668	9,524
- Investment housing loans	1,796	915
- Overdrafts	363	593
- Credit cards	134	96
- Other personal purpose	130	225
Commercial	708	1,361
Carrying amount	13,799	12,714

(g) Neither past due nor impaired loans and advances

	2018	2017
Household		
- Owner occupied housing loans	359,400	329,426
- Investment housing loans	132,905	102,706
- Overdrafts	1,916	1,199
- Credit cards	1,741	1,292
- Other personal purpose	19,133	38,689
Commercial	33,608	36,459
Carrying amount	548,703	509,771

All loans and advances that are neither past due nor impaired are with customers who have a good credit history. The above values include the balance of restructured loans and advances.

(h) Loans and advances by impairment and security

	2018	2017
(i) Against individually impaired		
- Secured by mortgage over real estate	871	929
- Partly secured by goods mortgage	40	14
- Cash secured	-	4
- Unsecured	47	27
	958	974
(ii) Against past due but not impaired		
- Secured by mortgage over real estate	13,436	12,296
- Partly secured by goods mortgage	94	137
- Cash secured	17	20
- Unsecured	252	261
	13,799	12,714
(iii) Against neither past due nor impaired		
- Secured by mortgage over real estate	537,902	498,760
- Partly secured by goods mortgage	4,550	4,700
- Cash secured	1,411	1,767
- Unsecured	4,840	4,544
	548,703	509,771

	2018	2017
	$'000	$'000

It is not practical to value all collateral as at the balance date due to the variety of assets and conditions. A breakdown of the quality of the residential mortgage security on a portfolio basis is as follows.

Security held as mortgage against real estate is on the basis of loan to valuation ratio of:

	2018	2017
- less than 80%	486,061	443,690
- more than 80% but mortgage insured	52,849	48,075
- more than 80% and not mortgage insured*	13,299	20,220
	552,209	511,985

Where the loan to valuation ratio is less than 80% there is a 20% margin to cover the costs of any sale, or potential value reduction.

**At times, this category may include some interest only loans due to timing differences with interest charging and repayments.*

(i) Restructured loans

	2018	2017
Book value of restructured loans at balance date	9,034	10,631
Book value of restructured loans which are well secured	8,900	10,498
Book value of restructured loans which are not well secured	134	132

Loans are considered well secured where they are secured by a registered mortgage over real estate.

The value of restructured loans may include loans reported as past due or impaired.

NOTE 13

Derivatives

Liability

	2018	2017
Interest rate swap contracts - cash flow hedge	64	117

Recognition and Measurement

The credit union transacts interest rate swaps to manage interest rate risk. These are recognised at fair value at the date of the contract and are reported at fair value at subsequent reporting dates. Resulting gains or loss are recognised in profit or loss immediately unless the swap is determined to be an effective hedging instrument. Where the hedge is effective, fair value losses and gains are recognised in other comprehensive income. Interest rate swaps are designated as hedges of highly probable forecast transactions (cash flow hedges).

Derivative instruments used by the credit union

The credit union enters into derivative transactions in the normal course of business to hedge exposure to fluctuations in interest rates in accordance with the credit union's interest rate risk management policies. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

	2018	2017
	$'000	$'000

Interest rate swap contracts - cash flow hedges

The credit union's loans currently bear an average variable rate of interest of 4.39% (2017: 4.39%). It is the credit union's policy to hedge loans at fixed rates of interest by entering into interest rate swap contracts under which the credit union is obliged to receive interest at variable rates and to pay interest at fixed rates. Swaps currently in place are timed to expire as loan portfolio repayments fall due. Fixed interest rates range between 2.07% and 3.15% and variable rate ranges between 0.16% below and equivalent to the 90 day bank bill rate which at balance date was 2.11% (2017: 1.75%).

The notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2018	2017
Within 1 year	5,000	5,000
1 – 2 years	2,000	5,000
2 – 5 years	9,000	2,000
	16,000	12,000

The contracts require settlement of net interest receivable or payable each 90 days. Settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis. Below is a schedule indicating, at balance date, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss.

2018	**Within 1 year**	**1-2 years**	**2-5 years**
	$'000	$'000	$'000
Cash inflows	278	212	142
Cash outflows	(325)	(241)	(161)
Net cash flows	(47)	(29)	(19)

2017	**Within 1 year**	**1-2 years**	**2-5 years**
	$'000	$'000	$'000
Cash inflows	161	74	21
Cash outflows	(247)	(111)	(30)
Net cash flows	(86)	(37)	(9)

NOTE 14

Property, Plant and Equipment

LAND		
At fair value	315	315
BUILDINGS		
At fair value	3,708	3,898
LEASEHOLD IMPROVEMENTS		
At cost	1,419	1,580
Accumulated amortisation	(1,014)	(1,022)
	405	558

	2018	2017
	$'000	$'000
PLANT AND EQUIPMENT		
At cost	2,074	1,926
Accumulated depreciation	(1,457)	(1,316)
	617	610
Total Property, Plant and Equipment	5,045	5,381

Recognition and Measurement

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

PROPERTY

Freehold land and buildings are measured at their fair value, being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date, less subsequent depreciation. It is the policy of the credit union to have an independent valuation of land and buildings every three years in accordance with the requirements of Australian Accounting Standard 116 Property, Plant & Equipment.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation increment is credited to the asset revaluation surplus included within members' equity unless it reverses a revaluation decrement on the same asset previously recognised in the statement of comprehensive income. A revaluation decrement is recognised in the statement of comprehensive income unless it directly offsets a previous revaluation increment on the same asset in the asset revaluation surplus. On disposal, any revaluation surplus relating to sold assets is transferred to retained earnings.

PLANT AND EQUIPMENT

Plant and equipment are measured at cost less depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the asset's employment and subsequent disposal. Any decrement in the carrying amount is recognised as an impairment expense in the statement of comprehensive income in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

DEPRECIATION

The depreciable amount of all property, plant and equipment including buildings and capitalised leased assets but excluding freehold land, is depreciated over their useful lives to the credit union commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

Property, plant and equipment is depreciated on a straight-line basis. A summary of the rates used is:

Buildings	2.5%
Motor Vehicles	20.0%
Computer Hardware	16.7%-33.3%
Office Furniture and Equipment	33.3%
Leasehold Improvements	33.3%

Assets under $500 are not capitalised and are expensed directly to the statement of comprehensive income. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

Movements in carrying amounts

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

2018	Property	Plant & equipment	Leasehold improvements	Total
	$'000	$'000	$'000	$'000
Balance at beginning of the financial year	4,213	610	558	5,381
Additions	-	410	177	587
Disposals	-	(18)	(6)	(24)
Depreciation expense	(190)	(385)	-	(575)
Amortisation expense	-	-	(324)	(324)
Carrying amount at end of the financial year	4,023	617	405	5,045

2017	Property	Plant & equipment	Leasehold improvements	Total
	$'000	$'000	$'000	$'000
Balance at beginning of the financial year	4,403	653	409	5,465
Additions	-	333	414	747
Disposals	-	(1)	(5)	(6)
Depreciation expense	(190)	(375)	-	(565)
Amortisation expense	-	-	(260)	(260)
Carrying amount at end of the financial year	4,213	610	558	5,381

	2018	2017
	$'000	$'000
If land and buildings were stated at historical cost, amounts would be as follows:		
Cost	7,923	7,861
Accumulated depreciation	(3,980)	(3,783)
Net book value	3,943	4,078

Historical cost stated for land and buildings includes both owner-occupied and investment property.

NOTE 15

Investment Property

Investment property includes real estate properties in Australia, which are owned to earn rentals and capital appreciation. The fair values of investment properties were estimated using observable data on recent transactions and rental yields for similar properties. Changes to the carrying amounts are as follows:

	Total
	$'000
Balance at beginning of the financial year	4,547
Net gain / (loss) from fair value adjustments	-
Carrying amount at end of the financial year	4,547

Recognition and Measurement

Investment property, comprising freehold office complexes, is held to generate long-term rental yields. All tenant leases are on an arm's length basis. Investment property is carried at fair value, determined as stated below, and adjusted to reflect the current market value of the property in accordance with the requirements of Australian Accounting Standard 140 Investment Property. Changes in fair value of investment property are reflected in the statement of comprehensive income for the year.

Rental income and operating expenses from investment property are reported within revenue and other expenses respectively, and are recognised as described in Notes 3 and 4.

FAIR VALUE OF INVESTMENT PROPERTY

The credit union determines the fair value from:

- External valuations conducted by registered valuers; and
- Directors' valuations.

The fair value of the investment property located at 101 Molesworth Street Lismore and 256 Molesworth Street Lismore was independently valued by Mr Jeremy Rutledge AAPI, as at 30 June 2016. This valuation was conducted on the basis of market value and was performed through a review of sale and rental values of comparable properties within close proximity. The Directors have used the information contained within this report, in addition to other market data in order to assess the fair value as at 30 June 2018. The Directors have examined market conditions as at 30 June 2018 and have assessed that no fair value adjustment should be recognised.

Investment properties are leased out on operating leases. Rental income amounts to $446,420 (2017: $324,303) and is included within revenue. Direct operating expenses not recovered as outgoings from the tenants of the relevant property were reported within other expenses.

UNCERTAINTY AROUND PROPERTY VALUATIONS

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A 'willing seller' is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

The fair value of investment property has been adjusted to reflect market conditions at the end of the reporting period as disclosed. While this represents the best estimate of fair value as at the reporting date, the current market uncertainty means that if investment property is sold in future the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the financial statements.

	2018	2017
	$'000	$'000

NOTE 16

Intangible Assets

COMPUTER SOFTWARE		
At cost	2,735	2,690
Accumulated amortisation	(2,507)	(2,304)
	228	386
OTHER INTANGIBLE ASSETS		
At cost	294	294
Accumulated amortisation	(186)	(153)
	108	141
Total Intangible Assets	336	527

MOVEMENTS IN CARRYING AMOUNTS

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

	Computer Software	Other Intangible Assets	Total
	$'000	$'000	$'000
Balance at the beginning of the financial year	386	141	527
Additions	93	-	93
Disposals	-	-	-
Amortisation expense	(251)	(33)	(284)
Carrying amount at the end of the financial year	228	108	336

Recognition and Measurement

COMPUTER SOFTWARE

Items of computer software which are not integral to the computer hardware owned by the credit union are classified as intangible assets. Computer software is amortised on a straight line basis over the expected useful life of the software, typically linked to software contracts. These lives range from 3 – 5 years.

OTHER INTANGIBLE ASSETS

Other intangible assets include product development costs and other product establishment costs. Some establishment costs have an indefinite life and are not amortised by the credit union. Other intangible assets that are deemed to have a definite life are amortised over 3 – 5 years.

	2018	2017
	$'000	$'000

NOTE 17

Deposits

At call deposits (including withdrawable shares)	359,322	365,717
Term deposits	225,190	210,215
Wholesale deposits	14,352	2,000
	598,864	577,932

Recognition and Measurement

Deposits are measured at the aggregated amount of money owing to depositors. Interest on deposits is brought to account on an accrual basis. Interest accrued at balance date is shown as a part of payables.

CONCENTRATION OF DEPOSITS

There is no concentration of deposits in excess of 10% of total liabilities.

NOTE 18

Trade and Other Payables

Accrued interest payable on deposits and borrowings	2,002	1,853
Sundry creditors and accrued expenses	926	939
Employee benefits - annual leave	575	556
Trade creditors	129	29
Clearing accounts	7,531	5,424
	11,163	8,801

This includes interest payable and unrealised expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value.

Recognition and Measurement

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

SHORT-TERM OBLIGATIONS

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Short-term employee benefit obligations are presented as payables.

	2018	2017
	$'000	$'000

NOTE 19

Provisions

Employee benefits - long service leave	931	915
ANALYSIS OF LIABILITY		
Expected to be settled within 12 months	95	57
Expected to be settled after 12 months	836	858
	931	915

Recognition and Measurement

OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

The liability for long service leave which is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service, is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTE 20

Borrowings

Borrowings	18,000	20,000
Subordinated debt	310	1,610
	18,310	21,610

Recognition and Measurement

Borrowings and subordinated debt are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the credit union chooses to carry the liabilities at fair value through profit or loss. The Company has a borrowing facility with IOOF should it be required to maintain sufficient liquidity levels.

The subordinated debt instruments held were issued on the following terms and conditions:

- Issued in AUD
- Unsecured debt instruments
- Interest is payable quarterly in arrears based on a margin above the 90 day BBSW
- 10 year term

NOTE 21

Redeemable Preference Share Capital Account

Under the Corporations Act 2001 member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits.

The value of the shares that have been paid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated.

For values please refer to the statement of changes in equity.

	2018	2017
	$'000	$'000

NOTE 22
Reserves

General reserve

The general reserve records funds set aside for future expansion of the credit union.

Capital profits reserve

The capital profits reserve records non-taxable profits on sale of investments.

Asset revaluation surplus

The asset revaluation surplus records revaluations of non-current assets net of income tax.

Reserve for credit losses

The reserve for credit losses records amounts maintained to comply with the Prudential Standards as set down by APRA.

Hedging reserve

The hedging reserve records movements in the fair value of effective cash flow hedges net of income tax.

For values please refer to the statement of changes in equity.

NOTE 23
Commitments

Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and are amortised on a straight-line basis over the life of the lease term.

Lease income from operating leases is recognised in the statement of comprehensive income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying value of the leased asset and recognised as an expense over the lease term on a straight-line basis.

(a) Future capital commitments

At balance date the credit union has not entered into material contracts for the purchase of property, plant and equipment.

(b) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements, payable:

	2018	2017
Not longer than 1 year	541	566

Longer than 1 and not longer than 5 years	388	329
	929	895

	2018	2017
	$'000	$'000

The above amounts include $63k (2017: $61k) of GST which is expected to be recovered from the Australian Taxation Office.

Operating lease commitments relate to ATM leases which have terms of five years and repayments payable monthly.

Property leases are non-cancellable leases with a two to five year term, with rent payable monthly in advance. An option exists to renew some of the leases at the end of the term for an additional term of two to five years.

(c) Outstanding loan commitments

Loans and credit facilities approved but not funded or drawn at the end of the financial year:

Loans approved but not funded	11,927	14,356
Loan redraw facilities available	46,859	38,053
Undrawn overdraft and credit facilities	14,859	12,565
Total loan commitments	73,645	64,974

(d) Operating leases receivable

Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases:

Not longer than 1 year	502	447
Longer than 1 and not longer than 5 years	673	290
	1,175	737

Property leases are non-cancellable leases with a three to five year term, with rent payable monthly in advance. An option exists to renew the leases at the end of the relevant term for an additional term of one to five years.

NOTE 24

Contingent Liabilities

The credit union is party to CUFSS Limited. CUFSS is a voluntary emergency liquidity support scheme for Australian Mutual ADIs.

CUFSS is a company limited by guarantee, each participant's guarantee being $100.

As a party to the scheme, the credit union:

(i) may be required to advance funds of up to 3% (excluding permanent loans) of total assets to another Authorised Deposit-taking Institution (ADI) requiring financial support. There is a cap of $100 million (excluding permanent loans) on any requirement to advance funds to another ADI requiring financial support

(ii) may be required to advance permanent loans of up to 0.2% of total assets per financial year to another ADI requiring financial support

(iii) agrees, in conjunction with other participants, to fund the operating costs of CUFSS Limited.

The balance of the debt at 30 June 2018 was Nil (2017: Nil).

	2018	2017
	$'000	$'000

NOTE 25

Classes of Financial Assets and Liabilities

The following is a summary of the credit union's financial instruments by class.

(a) Financial assets - measured at amortised cost

	2018 $'000	2017 $'000
Cash and cash equivalents	17,291	18,532
Trade and other receivables	5,122	3,400
Financial assets available for sale - unlisted shares at cost	2	2
Loans and advances	563,329	523,337
Financial assets held to maturity	91,768	108,539
Total	677,512	653,810

(b) Financial liabilities - measured at amortised cost

	2018 $'000	2017 $'000
Deposits	598,864	577,932
Trade and other payables (excluding employee benefits)	10,588	8,246
Borrowings	18,310	21,610
Total	627,762	607,788

(c) Financial liabilities - measured at fair value

	2018 $'000	2017 $'000
Derivatives	64	117

Recognition and Measurement

Financial assets and financial liabilities are recognised when the credit union becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the credit union commits itself to either purchase or sell the asset (i.e. trade date accounting).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified as at 'fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Financial assets are de-recognised when the contractual rights to the cashflows from the asset expires or when all substantial risks and rewards are transferred. Financial liabilities are de-recognised when the contractual obligations are discharged or cancelled or when they expire.

For financial instruments traded in organised financial markets, fair value is the quoted market value for the asset. For investments where there is no quoted market value, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same.

NOTE 26

Risk Management

Risk management policy and objectives

The credit union's risk management focuses on the major areas of market risk, credit risk, liquidity risk and operational risk. Risk management within the credit union is designed to mitigate and minimise any unplanned or negative impacts on capital levels. Authority flows from the Board of Directors to the Board Risk Advisory Committee to the Executive Management Team, which are integral to the management of risk.

(a) Market risk and hedging policy

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the credit union's financial condition or results.

The credit union is not exposed to currency risk or other significant price risk and does not trade in the financial instruments it holds on its books. The credit union is only exposed to interest rate risk arising from changes in market interest rates in its banking book and manages this through various methods including the use of interest rate swaps.

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The credit union's exposure to market risk is measured and monitored using the Value at Risk (VaR) methodology of estimating potential losses.

VaR is a technique which estimates the potential losses that could occur on risk positions taken due to movements in market rates and prices over a specified time period to a given level of confidence. VaR, as set out in the table below, has been calculated using historical simulations, using movements in market rates and prices, a 99% confidence level and taking into account historical correlations between different markets and rates.

The credit union has a VaR limit to capital of 1.50%. The table below sets out the VaR position for the past two years.

	2018	2017
VaR after prepayments and hedges	$140,368	$213,038
VaR as % of capital	0.24%	0.38%

Repricing of financial assets and liabilities

The credit union's exposure to interest rate risk and the effective weighted average interest rate on classes of financial assets and financial liabilities is as follows:

	Floating Interest Rate $'000	Fixed interest rate maturing Within 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Non Interest Sensitive $'000	Total $'000	Weighted Average Effective Interest Rate
Repricing Period at 30 June 2018							
FINANCIAL ASSETS							
Cash and cash equivalents	15,923	-	-	-	1,368	17,291	2.41%
Trade and other receivables	-	-	-	-	5,122	5,122	
Financial assets available for sale	-	-	-	-	2	2	
Financial assets held to maturity	-	87,418	4,350	-	-	91,768	2.72%
Loans and advances	420,584	50,588	92,157	-	-	563,329	4.27%
TOTAL FINANCIAL ASSETS	436,507	138,006	96,507	-	6,492	677,512	
FINANCIAL LIABILITIES							
Deposits	359,024	213,678	11,513	-	297	584,512	1.52%
Trade and other payables	-	-	-	-	10,588	10,588	
Derivatives	-	-	-	-	64	64	
Borrowings	-	32,662	-	-	-	32,662	7.76%
TOTAL FINANCIAL LIABILITIES	359,024	246,340	11,513	-	10,949	627,826	
OFF BALANCE SHEET ITEMS							
Interest rate swaps	-	16,000	-	-	-	16,000	2.49%
Undrawn loan commitments	73,645	-	-	-	-	73,645	
Repricing Period at 30 June 2017							
FINANCIAL ASSETS							
Cash and cash equivalents	16,976	-	-	-	1,556	18,532	2.56%
Trade and other receivables	-	-	-	-	3,400	3,400	
Financial assets available for sale	-	-	-	-	2	2	
Financial assets held to maturity	-	104,189	4,350	-	-	108,539	2.69%
Loans and advances	385,780	31,284	106,273	-	-	523,337	4.40%
TOTAL FINANCIAL ASSETS	402,756	135,473	110,623	-	4,958	653,810	
FINANCIAL LIABILITIES							
Deposits	365,455	196,486	13,729	-	262	575,932	1.64%
Trade and other payables	-	-	-	-	8,246	8,246	
Derivatives	-	-	-	-	117	117	
Borrowings	-	23,610	-	-	-	23,610	7.34%
TOTAL FINANCIAL LIABILITIES	365,455	220,096	13,729	-	8,625	607,905	
OFF BALANCE SHEET ITEMS							
Interest rate swaps	-	12,000	-	-	-	12,000	2.64%
Undrawn loan commitments	64,974	-	-	-	-	64,974	

(b) Credit risk

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to the credit union which may result in financial losses. Credit risk arises principally from the credit union's loan book and investment assets.

Maximum credit risk exposure

The credit union's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the balance sheet.

Loans

In relation to loans, the maximum credit exposure is the value on the balance sheet plus the undrawn facilities (loans approved not advanced, redraw facilities, overdraft and credit card facilities). The credit union reduces the risk of losses from loans to customers by engaging responsible lending practices. This includes verifying a borrower's capacity to repay, reviewing financial position and performance, and making reasonable inquiries about the borrower's requirements and objectives. Loan security is generally taken to assist in the mitigation of credit risk.

The credit union maintains detailed policies relating to lending including: Loans Policy; Business Lending Policy; Credit Control; Large Exposures. Policy formation, credit control and lending compliance functions are segregated from loans origination to ensure credit quality.

Concentration risk

The credit union minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of customers. Credit risk is currently managed in accordance with the Prudential Standards to reduce the credit union's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement.

The geographical concentrations of credit risk on loans fall in the following categories:

	Maximum Credit Risk Exposure of Total Loans			
		2018		**2017**
Geographical Area	%	$'000	%	$'000
New South Wales	89	503,536	90	470,958
Queensland	9	47,979	8	41,904
Other	2	11,986	2	10,641

The credit union does not hold any loans to individual customers (including associated customers) with a value greater than 10% of capital.

Liquid investments

The credit union uses the ratings of reputable rating agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APS 112 Capital Adequacy: Standardised Approach to Credit Risk. The credit quality assessment scale within this Prudential Standard has been complied with.

The table below sets out limits on maximum holdings per rating and counterparty.

Short term S & P Rating	**Maximum Holding** *(As a percentage of total liquidity portfolio)*	**Maximum per Counterparty** *(As a percentage of total eligible capital)*
A-1+	100%	25%
A-1	100%	25%
A-2	80%	25%
A-3	15%	15%
Unrated	10%	10%
Unrated – Settlement accounts	15%	25%

The exposure values associated with each credit quality class for the credit union's investments are as follows:

Actual Rating	**2018** Balance $'000	**2018** Balance %	**2017** Balance $'000	**2017** Balance %
A-1+	45,082	42	36,086	29
A-1	18,106	17	21,472	17
A-2	22,927	21	39,747	32
A-3	2,992	3	10,442	8
Unrated	7,000	6	2,978	2
Unrated – Settlement accounts	11,585	11	14,790	12
Total	107,692	100	125,515	100

(c) Liquidity risk

Liquidity risk is the risk that the credit union may encounter difficulties raising funds to meet commitments associated with financial instruments e.g. loan funding or customer withdrawal demands. It is the policy of the Board of Directors that the credit union maintains adequate cash reserves and committed credit facilities so as to meet the customer withdrawal demands when requested.

The credit union manages liquidity risk by:

- Continuously monitoring actual and daily cash flows and longer term forecasted cash flows
- Monitoring the maturity profile of financial assets and liabilities
- Maintaining adequate cash reserves and liquidity support facilities
- Monitoring the prudential liquidity ratio daily

The credit union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under APS 210 Liquidity. The credit union's policy is to apply 13% as liquid assets to maintain adequate funds for meeting customer withdrawals. Should the liquidity ratio fall below this level then management and the Board are to address the matter and ensure that liquid funds are obtained from new deposits and the available borrowing facilities.

The ratio of liquid funds is set out below:

	2018	**2017**
Liquid funds to total adjusted liabilities:		
- As at 30 June	14.36%	17.94%
- Average for the year	16.08%	18.87%
- Minimum during the year	13.95%	16.68%
Liquid funds to total deposits:		
- As at 30 June	15.50%	20.96%

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans the repayment amount and frequency. The associated table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained. For term loans the dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied.

Maturity profile of financial assets and liabilities

This table reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity as well as management's expectations of the settlement periods for all other financial instruments. As such the amounts disclosed may not reconcile to the balance sheet.

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018							
FINANCIAL ASSETS							
Cash and cash equivalents	15,923	-	-	-	-	1,368	17,291
Trade and other receivables	5,122	-	-	-	-	-	5,122
Financial assets available for sale	-	-	-	-	-	2	2
Financial assets held to maturity	7,467	7,971	22,480	53,850	-	-	91,768
Loans and advances	4,367	7,008	23,309	64,024	454,726	9,895	563,329
TOTAL FINANCIAL ASSETS	32,879	14,979	45,789	117,874	454,726	11,265	677,512
FINANCIAL LIABILITIES							
Deposits	27,742	90,256	99,006	12,333	-	373,673	603,010
Trade and other payables	10,588	-	-	-	-	-	10,588
Borrowings	9,038	10,566	13,195	316	-	-	33,115
Derivatives	-	5	10	49	-	-	64
	47,368	100,827	112,211	12,698	-	373,673	646,777
Undrawn loan commitments	73,645	-	-	-	-	-	73,645
TOTAL FINANCIAL LIABILITIES	121,013	100,827	112,211	12,698	-	373,673	720,422
2017							
FINANCIAL ASSETS							
Cash and cash equivalents	16,976	-	-	-	-	1,556	18,532
Trade and other receivables	3,400	-	-	-	-	-	3,400
Financial assets available for sale	-	-	-	-	-	2	2
Financial assets held to maturity	8,857	14,919	24,413	60,350	-	-	108,539
Loans and advances	4,498	6,857	23,349	58,816	420,243	9,574	523,337
TOTAL FINANCIAL ASSETS	33,731	21,776	47,762	119,166	420,243	11,132	653,810
FINANCIAL LIABILITIES							
Deposits	29,710	76,119	95,586	14,757	-	365,716	581,888
Trade and other payables	8,246	-	-	-	-	-	8,246
Borrowings	10,013	5,049	5,091	356	1,863	-	22,372
Derivatives	-	-	22	95	-	-	117
	47,969	81,168	100,699	15,208	1,863	365,716	612,623
Undrawn loan commitments	64,974	-	-	-	-	-	64,974
TOTAL FINANCIAL LIABILITIES	112,943	81,168	100,699	15,208	1,863	365,716	677,597

(d) Operational risk

Operational risk is the risk of loss to the credit union resulting from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in the credit union relate mainly to those risks arising from a number of sources including legal compliance, business continuity, data infrastructure, outsourced services, fraud, and employee errors.

The credit union's objective is to manage operational risk so as to balance the avoidance of financial losses through the implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of policies and systems to monitor the likelihood of the events and minimise the impact.

(e) Capital management

Under the APRA Prudential Standards capital is determined in three components being Credit Risk, Market Risk (trading book) and Operational Risk.

The credit union is required to maintain a minimum regulatory capital level of 8% as compared to the risk weighted assets at any given time. The level of the capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets.

The market risk component is not required as the credit union is not engaged in a trading book for financial instruments.

To manage the credit union's capital, the credit union reviews the capital ratio monthly and monitors major movements in asset levels. Policies have been implemented which require reporting to the Board and APRA if the capital ratio falls below 13%. Further, a 5 year budget projection of the capital levels is maintained to address how strategic decisions or trends may impact on the capital level, as part of the annual Internal Capital Adequacy Assessment Process (ICAAP).

The capital required for any change in the credit union's forecasts for asset growth, or unforeseen circumstances, is assessed by the Board using capital forecasting models to assess the impact upon the overall capital position of the credit union.

The credit union's regulatory capital comprises two tiers:

TIER 1 CAPITAL

Tier 1 Capital consists of:

1. Common Equity Tier 1 Capital (CET1) - which comprise the highest quality components that satisfy the following characteristics:
   - Provide a permanent and unrestricted commitment of funds
   - Are freely available to absorb losses
   - Do not impose any unavoidable servicing charge against earnings
   - Rank behind the claims of depositors and other creditors in the event of winding-up the issuer

   It typically consists of retained earnings, accumulated income, other disclosed reserves and revaluation reserves.
2. Additional Tier 1 Capital – the only difference to CET1 is that these instruments provide for fully discretionary capital distributions and rank behind claims of depositors and more senior creditors.

TIER 2 CAPITAL

Tier 2 Capital includes other components of capital that fall short of the quality of Tier 1 capital but still contribute to the overall strength of an ADI and its capacity to absorb losses, such as subordinated debt and reserve for credit losses.

The capital structure as at the end of the financial year, for the past two years is as follows:

Capital structure	**2018**	**2017**
	$'000	$'000
Net Tier 1 Capital	56,363	53,217
Net Tier 2 Capital	2,128	3,308
Total Capital Base	58,492	56,525
Total Risk Weighted Assets	347,544	341,896
Total Capital Ratio	16.83%	16.53%
Tier 1 Capital Ratio	16.22%	15.57%

Full disclosure of the regulatory capital and the remuneration disclosure are available on the credit union website.

NOTE 27

Valuation of Financial Instruments

Fair value of assets and liabilities

The credit union measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the credit union would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets or liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in the highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

FAIR VALUE ESTIMATE FOR FINANCIAL ASSETS AND LIABILITIES

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

	2018		2017	
	Carrying value	**Net fair value**	**Carrying value**	**Net fair value**
	$'000	$'000	$'000	$'000
ASSETS				
Cash and cash equivalents	17,291	17,291	18,532	18,532
Trade and other receivables	5,122	5,122	3,400	3,400
Financial assets available for sale	2	2	2	2
Financial assets held to maturity	91,768	91,768	108,539	108,539
Loans and advances	563,329	563,131	523,337	523,525
LIABILITIES				
Deposits	598,864	585,430	575,932	576,796
Trade and other payables	11,163	11,163	8,801	8,801
Borrowings	18,310	18,310	23,610	23,610
Derivatives	64	64	117	117

FAIR VALUE HIERARCHY

The credit union measures fair values of assets and liabilities carried at fair value in the financial report using the following hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical asset or liability.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets or liabilities valued using:

- Quoted market prices in active markets for similar assets or liabilities
- Quoted prices for identical or similar assets or liabilities in markets that are considered less than active
- Other valuation techniques where all significant inputs are directly or indirectly observable from market data

Level 3: Valuation techniques using significant unobservable inputs. This category includes all assets and liabilities where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset's or liability's valuation. This category includes assets and liabilities that are valued based on quoted prices for similar assets or liabilities where significant unobservable adjustments or assumptions are required to reflect differences between them.

Fair values for financial instruments or non-financial assets or liabilities traded in active markets are based on quoted market prices at reporting date. The quoted market price for financial assets is the current bid price. The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. To the extent possible assumptions used are based on observable market prices and rates at the end of the reporting date.

The table below categorises financial instruments and non-financial assets, measured and recognised at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	$'000	$'000	$'000
2018				
Recurring fair value measurements				
Land and Buildings	-	4,023	-	4,023
Investment properties	-	4,547	-	4,547
Derivatives	-	64	-	64
2017				
Recurring fair value measurements				
Land and Buildings	-	4,213	-	4,213
Investment properties	-	4,547	-	4,547
Derivatives	-	117	-	117

There have been no significant transfers into or out of each level during the year ended 30 June 2018 or the prior year.

Disclosed fair values

The credit union has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

Cash and cash equivalents as well as receivables from other financial institutions are short-term liquid assets which approximate fair value.

The carrying value less impairment provision of receivables and payables is a reasonable approximation of their fair values due to their short-term nature. The fair value of fixed interest loans and advances for disclosure purposes is estimated by discounting the future contractual cash flows as the current market interest rate on similar loans offered in the market place. The carrying amount of variable interest loans and advances approximate their fair value.

The fair value of financial liabilities such as deposits for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the credit union for similar financial instruments.

VALUATION TECHNIQUES USED TO DERIVE LEVEL 2 FAIR VALUES RECOGNISED IN THE FINANCIAL STATEMENTS

Land & buildings and investment properties

Land and buildings are fair valued on an annual basis and independently valued every three years. At the end of each reporting period the credit union reassesses whether there has been any material movement to the fair value of land and buildings to determine whether the carrying amount in the financial statements requires adjustment. The credit union determines each property's value within a range of reasonable fair value estimates.

The best evidence of fair value in current prices is an active market for similar properties. Where such information is not available the credit union considers information from a variety of sources, including:

- Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- Discounted cash flow projections based on rental yields

Due to the nature of the credit union's property it is considered to have only level 2 valuation inputs.

NOTE 28

Economic dependency

The credit union has an economic dependency on the following suppliers of service:

(a) First Data Corporation

This company processes direct entry transactions and also operates the electronic switching network used to link customer card transactions on ATMs and other approved POS devices with merchants, and to the credit union's core banking system.

(b) Data Action Pty Ltd

This company provides and maintains the banking application software for the credit union (i.e. core banking system).

(c) Australian Settlements Ltd

This entity provides settlement services for BPAY, card transactions, direct entry, chequing and RTGS (high value irrevocable transactions).

NOTE 29

Events occurring after the reporting period

No matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the credit union, the results of those operations, or the state of affairs in subsequent financial years.

	2018	2017
	$'000	$'000

NOTE 30

Statement of Cash Flows

(a) Reconciliation of cash

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

	2018 $'000	2017 $'000
Cash and cash equivalents	17,291	18,532

(b) Cash flows presented on a net basis

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

(i) deposits into and withdrawals from savings, money market and other deposit accounts
(ii) sales and purchases of maturing certificates of deposit
(iii) short-term borrowings; and
(iv) provision of loans and the repayment of such loans

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

	2018 $'000	2017 $'000
Profit after income tax	3,097	2,154
Non-cash flows in profit after income tax:		
Net Profit / (Loss) on sale of assets	24	6
Depreciation and amortisation	1,183	1,102
Provision for loan impairment	9	(3)
Changes in assets and liabilities:		
Increase in provisions	16	92
Increase/(Decrease) in interest payable	149	(458)
Decrease in interest receivable	132	256
Increase/(Decrease) in income taxes payable	45	(229)
(Increase) in deferred tax assets	(13)	(125)
(Decrease) in deferred tax liability	(8)	(33)
Decrease in other assets	62	6
Increase in trade and other payables	2,195	355
(Increase)/Decrease in trade and other receivables	(1,854)	856
	5,037	3,979
Net movement in liquid investment balances	16,771	4,855
Net movement in loans	(40,001)	(51,455)
Net movement in deposits	20,932	23,139
Net cash provided by operating activities	2,739	(19,482)

NOTE 31

Company Details

The registered office of the credit union and the principal place of business is:
Summerland Financial Services Limited (formerly Summerland Credit Union Limited)
101 Molesworth Street Lismore NSW 2480

Declaration by Directors

The Directors of Summerland Financial Services Limited (formerly Summerland Credit Union Limited) declare that:

In the opinion of the Directors:

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

    i) giving a true and fair view of the financial position of the credit union as at 30 June 2018 and of its performance for the year ended on that date, and

    ii) complying with Accounting Standards and the Corporations Regulations 2001;

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

2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.

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

Mr Nicolas Harrison	***Mr John Shanahan***
Chair	*Chair Audit Committee*

Lismore 26 September 2018

Grant Thornton

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Independent Auditor's Report

To the Members of Summerland Financial Services Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Summerland Financial Services Limited (the Company), which comprises the balance sheet as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Grant Thornton

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' 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*. The Directors' responsibility also includes 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 preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A Sheridan
Partner – Audit & Assurance

Lismore, 26 September 2018

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Summerland Credit Union - a Division of
Summerland Financial Services Limited
ABN 23 087 650 806
AFSL 239 238
Australian Credit Licence 239 238