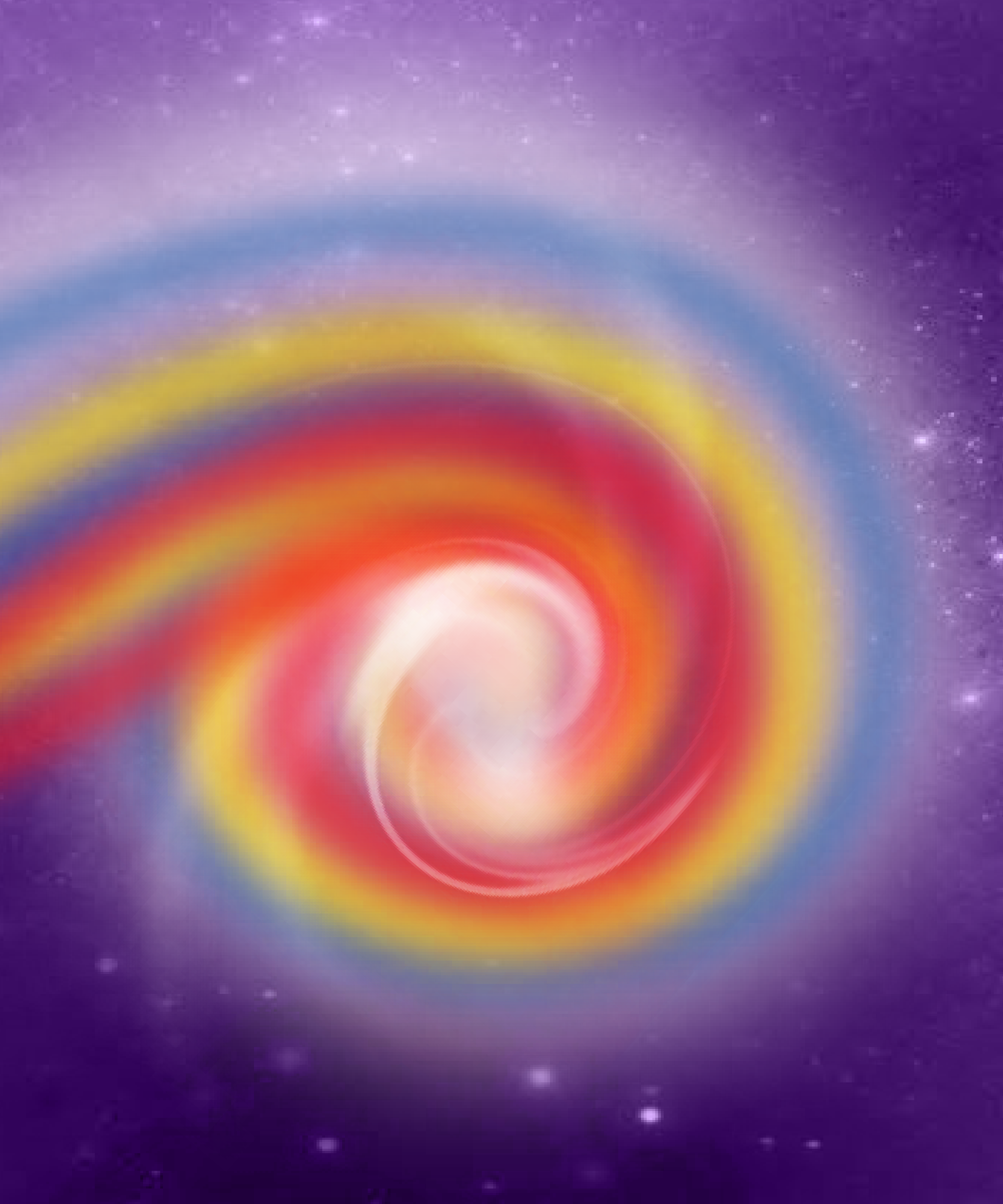


2015 ANNUAL REPORT

SUMMERLAND

Front and Back Cover:
Earth, Water, Air & Fire are generally known as the ancient elements of nature; they are interconnected and interdependent; and together they are also inseparably interwoven with our natural environment. For our future, the preservation of our natural environment must be a focus for us all.

At Summerland, we pursue a sustainability approach where the links between our environment, economy and communities are recognised. Our customers, who entrust us with their financial assets, are assured that we combine responsible economic management with strong environmental values.

The ethics which drive Summerland include a belief in valuing and preserving what we have so that future generations will also be able to continue to share, and connect with, these ancient elements of nature.

2015 ANNUAL REPORT

REGISTERED OFFICE

101 Molesworth Street
Lismore NSW 2480

Telephone

1300 802 222

Directors

Nicolas Harrison	Chairman
Graeme Green	Vice Chairman
John Shanahan	
Graham Olrich	
Katrina Luckie	
Paul Spotswood	
David Bergmark (Appointed 7 Nov 2014)	
Rebekka Battista (Retired 7 Nov 2014)	

Executive Team

Margot Sweeny	Chief Executive Officer
Sally-Anne Cumine	Chief Financial Officer
Donna Kildea	Chief Operating Officer
Andrew Tucker	Head of Sales

Legal counsel

Baker & McKenzie
Bright Law
COBA Legal
Daniels Bengtsson Pty Ltd
Maxwell & Co
Riley & Riley
Purcell Partners

Bankers

Australian Settlements Limited
Australia and New Zealand Banking Group Limited

Auditors

KPMG
Thomas Noble & Russell

Affiliations

Australasian Mutuals Institute
Credit Union Foundation Australia (CUFA Ltd)
CUFSS Limited
Customer Owned Banking Association (COBA)
The Australian Credit Union Historical Co-operative Ltd
World Council of Credit Unions

Acknowledgements

Summerland Credit Union Limited recognises the following organisations and individuals for the assistance they have provided on behalf of the credit union and its customers:

Our employer groups
Australian Prudential Regulation Authority (APRA)
Bridges Financial Services
CGU Insurance
Data Action Pty Ltd
First Data Corporation
Football Federation Victoria
Fellow credit unions, building societies and mutual banks

CHAIRMAN'S REPORT

A year of continued strong performance

It is pleasing to report that, given the challenging market conditions of recent years, your credit union has continued to grow and can report a profit for the 2015 year of $3.3 million.

This highlights Summerland's ability to adapt to changing economic conditions while maintaining worthwhile value for our customers.

Our asset strength, at $603 million, sees us well prepared for both emerging opportunities and challenges.

Economic outlook

The performance of the global economy over the last year has seen below-trend growth continue, and Australia continues to be heavily reliant on the Chinese economy. While Australian exports will contribute to reasonable growth in GDP with the fall in the Australian dollar, a still hesitant consumer and wary business sector will continue to influence the relatively weak domestic demand and credit outlook in the coming year.

Against this backdrop, the financial services industry in Australia is operating in an increasingly competitive environment, with further regulatory changes to be faced, as well as adapting to an evolving digital landscape.

We expect 2015-16 to present similar market conditions for Summerland to those in 2014-15, with a continuation of stable credit indicators in the current low interest rate environment.

Strategy for the future

The Board and management continued the focus on innovation and the reinvestment into products and services for our customers once again this year. With the rapid evolution of digital technologies, changing customer preferences and significant regulatory change, there has been much to consider.

The Board remains confident about Summerland's ability to respond and adapt to the financial environment, manage regulatory change and innovate for our customers. We have a strong management team and a clear strategy for the future.

Ethics and business conduct

Summerland's social, environmental and ethical performance is anchored by the strategic direction as endorsed by the Board. As well, the ethical and environmental issues that matter to our customers and their communities are echoed in Summerland's core values.

Being owned by our customers, the delivery of value to customers is achieved in a number of ways, one of which is continuing a strong commitment to the Environmental, Social and Governance (ESG) performance by your Board.

Summerland's robust governance framework underpins effective decision making and accountability across the business. It is a basis on which the Board can steer the credit union's future of operations, practices and culture.

This year the Board has separated its audit and risk committees to comply with prudential requirements and to further enhance our governance.

Board strength

Your directors possess a valuable depth and broad range of expertise. They share one element in common however; they are all dedicated to steering the credit union toward a sustainable future on behalf of all our customers.

At the 2014 AGM Director Graeme Green was re-elected for a third term (a term is 3 years). Graeme also serves as Vice Chairman. David Bergmark joined as a casual director appointed by the Board as a replacement for Director Rebekka Battista, whose term ended in November 2014. Rebekka was farewelled and acknowledged for her support of Summerland during her tenure.

I extend my thanks to my fellow directors for their valued contribution throughout the year. We look forward to another successful year working together for the benefit of our customers.

Nicolas Harrison

Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Creating strong customer relationships is at the heart of everything we do – Summerland is 100% customer owned and we continue to look for ways to deliver an even better customer experience.

Our relationships with customers have been achieved by sticking to our core principles of value, ethics, service and community support. This is the 'Summerland way' and we welcome both long term and new customers to experience this difference in banking.

More mobile, digital and self-service options

Successful upgrades to our technology infrastructure and operating systems this year have delivered major improvements to the way we're doing business. Our customers will benefit from our ability to provide a more integrated customer experience.

More and more we also perceive the need to provide convenience as our customers change the way they do their banking. Enhancing the customer experience, with the ability to do banking anywhere, anytime - is achieved through improved efficiency in our banking processes, ensuring that customers can organise their financial affairs simply and easily.

The momentum for innovation that is underway, combined with the disciplined way we manage the business, ensures that we continue delivering improved value for customers.

Protecting our customers

Fraud prevention continues to be a significant focus, with the best defence being personal vigilance from each individual with added assistance from Summerland's security systems. Security and protection is provided via technology, account monitoring and customer education.

Through the industry-wide PINwise campaign, the mandatory PIN on all debit cards has increased security around card usage. The upcoming year will also see further measures for eftpos cards with the EMV chip to be applied.

Assistance for Sporting Clubs

Summerland provides significant support for all types of sporting clubs at the grassroots level through our Cash4Clubs program. Further information on this community support is outlined in later pages of this report.

Summerland has also developed an innovative and integrated experience for individuals that have a passion for soccer/football through the Banking on Football brand, also known as BOF.

Building the Future

Profits are invested back into the business to build capacity and improve assets for the future on behalf of the owners of Summerland, our customers.

This year the refurbishments of Ocean Shores branch and our Lismore flagship branch are utilising up-to-date technology to digitise simple banking transactions. This approach allows us to build banking relationships through education, assistance and advice given personally. A number of our branches have now been refurbished and we will continue the upgrades in coming years.

Our sustainability program also continues to strengthen the future for Summerland. We recognise the need to live off the earth's resources that are renewable, in other words - to live off the interest, not the capital - so that future generations can benefit. Our environmental program, which has been in place for the past seven years, puts Summerland in an award winning leadership position.

Valued Support

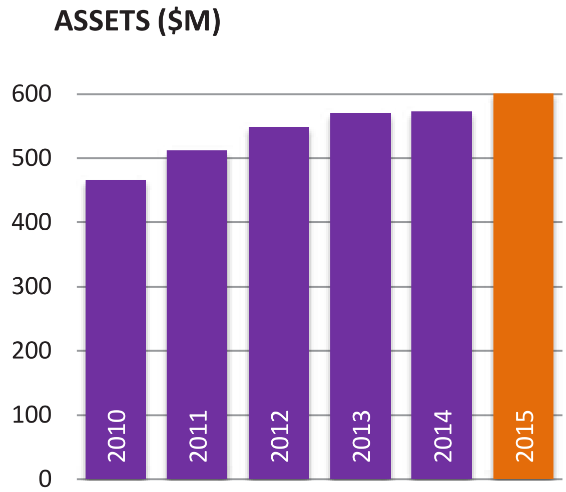
I would like to recognise the support of Summerland Directors and staff who work tirelessly to build a better credit union and are focused on making banking simpler and quicker for you. I thank them for their dedication and professionalism.

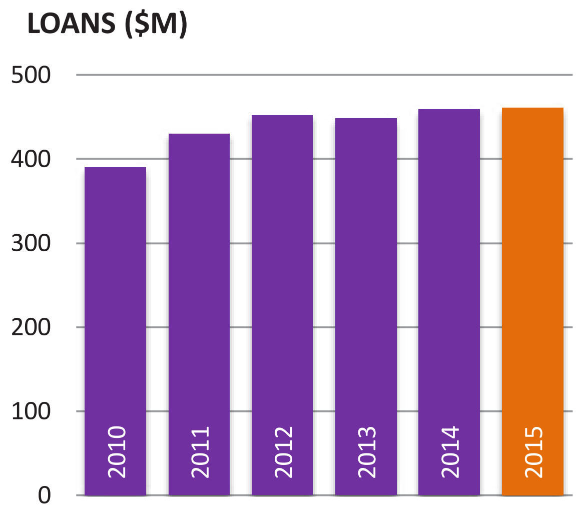
I also wish to express my appreciation to our customers for coping with the disruptions to their branch experience during the various renovations throughout the year. I also thank you for the trust you have placed in management and staff, who are dedicated to providing you with 'more than just banking'.

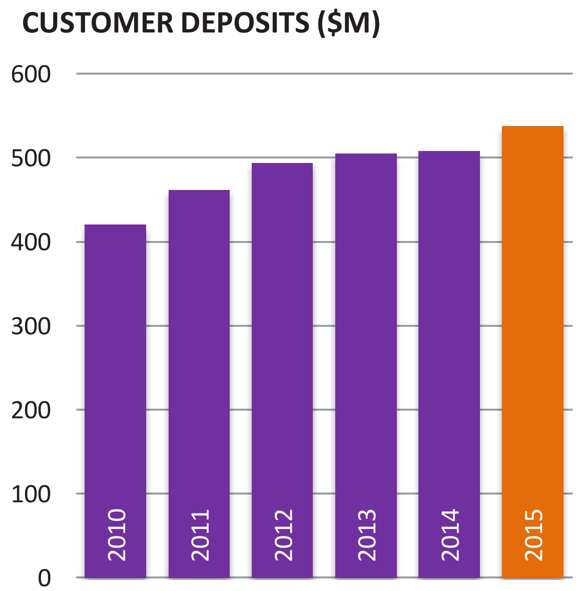
Margot Sweeny

Chief Executive Officer

Key Statistics: Financial







Community & Service

- Community support given by Summerland of $1.2m (direct and indirect) including sponsorship, donation, scholarship, Random Act of Kindness and Cash4Club / Cash4aCause payments
- In-kind support given to community organisations and groups – marquees loaned, volunteer hours donated
- Milestone celebrations for Summerland's 50th anniversary held through the year
- Winner of the NSW Business Chamber 'Excellence in Sustainability' Award - for Northern Rivers
- Chamber of Commerce Business Excellence Awards - Professional Services Award winner at the Lismore Business Awards for two years in a row and runner up in Sustainable Business Category
- Professional Services Award winner at the Grafton Business Chamber Awards
- Summerland represented the Northern Rivers region at the state finals of the NSW Business Chamber Awards for Excellence in Sustainability
- Ocean Shores branch opened in a new location, with 'Branch of the Future' design
- Refurbishment of the Nimbin, University and Alstonville branches
- Lismore 'Branch of the Future' redevelopment project
- iOS & Android smartphone apps launched
- Reductions in paper usage assisted by customers increased use of internet banking and electronic statements
    - internet banking users has increased 13% in the last 4 years
    - take-up of eStatements has increased 15% in the last 4 years
- Summerland's Environmental Values are an important factor in attracting new customers. Ranking as the 3rd highest reason given by new customers (2014/15)

2015 SUSTAINABILITY REPORT

'Sustainability provides a way for us to achieve environmental, economic and social outcomes, without limiting resources for future generations'

Summerland is a customer owned financial institution. As our customers are our owners, they and their communities must benefit from high service levels and ethical treatment through our delivery of financial services.

Our ethical and community values are reflected through a strong commitment to sustainability. We believe that sustainability requires a holistic approach and must recognise the links between our environment, our economy and our communities. Our customers entrust us with their financial assets, and our business combines responsible economic management with strong environmental management processes. We want our customers to know that their assets are not being used to actively damage or impact our environment.

Through our dedicated people and rigorous procedures we endeavour to meet or exceed high standards of service to our customers. Summerland's core business is retail banking. We also provide insurance, financial planning and other ancillary products through agreements with a number of other organisations.

This sustainability report is presented to be read in conjunction with the financial report.

Our Sustainability Principles

Summerland strives to incorporate sustainable development as a fundamental aspect of sound business management. This approach supports our corporate Vision.

Our Summerland Values also acknowledge the importance of sustainability as a fundamental aspect of sound business management.

Summerland's corporate Vision and Values act as a guide for the effective integration of environmental sustainability principles into our business operations.

Our Vision

Customer owned and more than just banking

Our Mission

'As a values based organisation, we enhance the individual customer experience through personal engagement, identifying customer needs and providing tailored financial solutions'

Our Values

Sustainability

Summerland is a values based organisation which is responsible for:

- Living off the earth's resources that are renewable, drawing upon its interest not its capital
- Ensuring our workforce is informed and engaged
- Ensuring the good reputation of Summerland with its stakeholders

Community

Summerland has a strong presence in and supports our diverse communities, working collaboratively and co-operatively.

Ownership

Our customers enjoy the rights of ownership of a values based organisation.
As owners, our members have the right to expect a level of service and assistance that provides more than what a bank offers.

Respect

As owners, our customers can feel confident that Summerland maintains an environment of full disclosure and transparency in reporting.
Summerland is committed to operating in a trusting, fair and equitable manner, accepting the diversity of our customers.

Ethical

Summerland's business model is based on being a socially responsible, ethical and prudent organisation.
Summerland shares our community's values, and communicates to our community about how we live these values.

Engaged Customers

Customer Profile

Age Profile	% of customers
17 & under	9.8
18 - 29	12.1
30 - 39	8.5
40 - 49	12.7
50 - 59	17.9
60 - 65	9.2
65 +	22.0
Non-personal	7.8

Customers as owners

Summerland is a community based 100% customer-owned financial institution. Our customers are members of the credit union and are also the owners of our business.

Our business decisions, all made locally, are made to benefit our customers and profits are returned to customers through fairer fees and improved service levels.

Summerland aims to conduct its business in sustainable and responsible ways, and therefore also reinvests part of its annual profit back into the credit union to ensure its strength and development.

Our branch staff are equipped as a point of contact for customers requiring information and assistance, including details, on and at special events.

In all communications with customers we ensure that information about our products and services is readily available, well presented and written in plain language.

A customer newsletter 'Summerland Lifestyle' is published every six months. Connections with customers also occur via:

- Our desktop and mobile websites
- Our internet and phone banking platforms
- Direct mail
- Personal contact from our contact centre, branches and Business Development Managers
- Email contact
- Our free seminar series

Fair and ethical

Summerland supports and promotes the principles of the Customer Owned Banking Code of Practice. The ten principles are:

- We will be fair and ethical in our dealings with you
- We will focus on our members
- We will give you clear information about our products and services
- We will be responsible lenders
- We will deliver high customer service and standards
- We will deal fairly with any complaints
- We will recognise customers' rights as owners
- We will comply with our legal and industry obligations
- We will recognise our impact on the wider community
- We will support and promote the Customer Owned Banking Code of Practice

Summerland encourages customers to make responsible choices when borrowing or investing. In addition, our lending practices engage the principles of responsible lending.

If customers experience financial difficulty we always work co-operatively and constructively to try to resolve any problems they have in meeting their financial commitments.

We comply with laws relating to the retention of customer personal information and actively promote awareness of security issues.

Customer service, safety and security

As an Authorised Deposit-taking Institution, the Australian Government Financial Claims Scheme automatically applies to Summerland customers' deposits up to the Government-specified limit of $250,000.

Summerland is committed to ensuring our products and services are easily accessible, safe and secure.

Our customers can bank with Summerland no matter where they live in Australia using electronic means.

Customers can also continue banking with Summerland while overseas.

Extra services are available to borrowers such as the Free Property Analysis Report and Free Money Health Check to assist people to save up for a deposit.

Summerland's branch network provides face-to-face service to all customers in a safe, friendly and comfortable environment. We also have the contact centre allowing customers a full branch service via phone and online.

Our branch staff are selected to provide outstanding service and receive ongoing training to enhance their skills. Staff are trained to deal with medical and security emergencies which may arise at a branch using comprehensive policies and procedures.

Engaged Staff

Staff profile

The benefit of the relationship Summerland has with its staff is reflected in productivity levels and internal culture, which directly contribute to customer value.

Employee Profile	% of total staff
Full time	72
Part time	24
Casual	4
Employee Age	
30 & under	15
31 – 50	52
51 +	33
Executive & Senior Management Team	
Female	70
Male	30

Work Health and Safety Committee (WHSC)

Summerland is committed to protecting the health and safety of all workers (employees) and 'others' (contractors, visitors) in the workplace.

Worker consultation is considered an integral component of Summerland's WHS program and involvement from all levels of the organisation is critical in ensuring our workplaces are safe. Summerland's WHSC meets quarterly, providing a forum to discuss matters affecting the health and safety of all individuals in the workplace with representation from all branches and management.

The 2015 WHSC Operational Plan has actively increased the awareness of WHS-related matters across the organisation including: responsibilities of all stakeholders; improved reporting and compliance; information regarding upcoming events e.g. Diabetes Awareness Week, R U OK? day and regular communications and/or training via various mediums such as our weekly staff bulletin, quarterly staff newsletter, Tuesday morning training sessions, staff induction, Board meetings and management meetings.

The total number of workplace injuries resulting in a Workers Compensation claim for the 2014/15 financial year was six, however, only one of those resulted in 'time lost'.

Learning and development

At Summerland we are committed to providing learning and development opportunities that allow our staff to develop the skills and knowledge they need to perform to the highest possible standard. We also believe in supporting our leaders and devoted effort to developing people management skills for staff with leadership and coaching responsibilities.

Complementing our face-to-face training, we offer a comprehensive ongoing learning environment with both online and paper-based learning focusing on:

- Induction and orientation
- Products and services
- Systems
- Sales
- Compliance
- Leadership and management
- Industry-based and 'role specific' seminars and conferences
- Traineeships
- External management programs

Summerland also supports learning and development through the provision of study leave.

Staff benefits

Additional to the statutory benefits outlined in the *Banking, Finance & Insurance Award 2010* and relevant industrial relations legislation, Summerland provides the following benefits:

- Employee Assistance Program (EAP)
- Flexible working arrangements
- Career breaks of up to twelve months - unpaid leave
- Salary sacrificing
- Uniform allowance
- Incentive scheme for staff performance
- Subsidised wellness programs
- Above award wages
- Social activities
- 5 days 'additional leave' per year
- Fee and interest rate concessions

Staff volunteering program

To support the communities in which we work, we have established a staff volunteering program. The program is designed to foster awareness amongst staff of the value of their skills, personal contributions and the need within the community to support understanding and acceptance. Staff are able to undertake volunteering without having to use their own leave entitlements.

In the last financial year our staff participated in excess of 124 hours of volunteering (during work time) with staff also contributing a large number of hours in the evenings and on weekends. This is an increase of 24 hours on the previous financial year.

Volunteer support has been provided for a variety of organisations including:

- Credit Union Foundation Australia (CUFA Ltd)
- St Vincent De Paul
- Young and Well Cooperative Research Centre
- Southern Cross University Council
- Summerland House With No Steps
- Bangalow Billy Cart Derby
- Ocean Shores Art Expo
- Tweed Shire Council Eco Day
- Brunswick Heads Marine Rescue
- Meals on Wheels
- Rotary clubs
- Lions clubs
- Local schools
- Local shows / show societies
- Surf Lifesaving Australia / local surf clubs
- Blood donation
- Various sporting groups

Workplace equality

Summerland provides an environment where employees and others in the workplace are treated fairly and with respect, and are free from discrimination, harassment, vilification and victimisation.

All employees are respected, with recognition of their differences accepted in a safe, positive, nurturing environment.

This commitment is supported by Summerland's Human Resources policies such as:-

- Equal Employment Opportunity
- Work Health and Safety
- Work Life Balance
- Code of Conduct
- Whistleblowing
- Bullying

Summerland has a 'zero tolerance' stance on any workplace harassment.

Summerland submits an annual report to the Workplace Gender Equality Agency (WGEA) detailing actions taken in the previous twelve months to enhance access to equal opportunities at work.

Supporting human rights

Summerland is a Gold Supporter of CUFA Ltd (CUFA), an organisation which works to help poor communities in the Asia Pacific region access affordable financial services and improve their livelihoods. Summerland is also one of the founding members of CUFA and Summerland's CEO, Margot Sweeny, has been the Chair of CUFA for the past five years.

2014/15 has been another successful year for CUFA, with some of the key highlights of the year being:

- CUFA was successful in securing significant funding from the Australian Government to commence a two year youth-focused project in Bougainville, an autonomous region of Papua New Guinea.
- Successful completion of the Reaching an Independent Economic Life project that worked with resettled communities in Cambodia. The financial position of resettled households increased, on average, by 435%.
- Participation of 12 Pacific Island countries in the Pacific Credit Union Technical Congress in Nadi, Fiji; where delegates came together to learn and discuss the credit union movements in each country.
- CUFA's scope of projects in Myanmar expanded, providing the opportunity for 3,000 men and women to have access to financial services for the first time in their lives.
- The Village Entrepreneur program continued to expand in Cambodia and Timor-Leste, with more entrepreneurs having the opportunity to start or expand a small business in their community. This year CUFA saw a 121% increase in the number of Village Entrepreneurs graduating from the program, and by their final year of the program Village Entrepreneurs are starting to increase their profit margins by up to 130% since they joined.
- Taught 12,034 children in Cambodia financial literacy and money management skills, resulting in more than 7,600 children being able to

increase their savings and save for a brighter future.
- Over the last 12 months fundraising has occurred to send one Summerland staff member to Cambodia to assist in the financial literacy program run by CUFA, with $5,400 raised.

Community Benefit

Contributing to the community is a major focus of credit unions and of Summerland in particular. Summerland provides funds directly to various organisations, supplies equipment free of charge, and donates valuable staff skills and time which is utilised by community groups.

In 2014/15 Summerland provided direct investment of 3.5% of after tax profit.

Summerland is a founding scholarship provider of the Southern Cross University's *Rising Star Scholarship Program*. The scholarship gives financial assistance to recipients, allowing them to concentrate on their studies. Currently, there are three recipients completing degree studies at the university.

The Random Acts of Kindness program has been running for several years, and in that time the credit union has responded with assistance for people who find that life has thrown them a predicament. Assistance has been in the form of either goods or financial assistance.

Management and staff at Summerland assist a range of community organisations by donating their time and serving on the executive of a range of sporting, and community groups. Some of these include Toastmasters, NSW Business Chamber, Southern Cross University Council, CUFA Ltd and the Northern Rivers Conservatorium.

Community accounts are provided to community organisations free of monthly membership fees.

Summerland's Cash4Clubs and Cash4aCause community donation programs provide an opportunity for Clubs or Not for Profit Organisations to generate funding as their relationship with Summerland develops over time.

Community and sporting groups are assisted by Summerland providing marquees for use at their many outdoor carnivals and events. A range of promotional items are also provided to clubs and groups to assist in their fundraising, festivals and events.

Just a few of the events to benefit from our funds and volunteering includes the Tweed Valley Banana Festival, Beef Meets Reef Festival, Bangalow Billycart Derby, Opera at the Channon and the Oz Grom Open.

Summerland provides opportunities for businesses to promote their organisation or club in our branches through our Business Boost Program.

Summerland, through our Banking on Football brand, was able to provide direct and indirect support to a number of sporting clubs and organisations within NSW and Victoria.

Under the Banking on Football brand, we are also able to offer our Cash4Clubs program, where a number of local football clubs have enjoyed the benefits of the scheme.

Environmental Benefit

> ***'The credit union's values and strategic direction commit us to leadership and continuous improvement in environmental sustainability'***

Based on Summerland's corporate vision and values, an environmental sustainability program is in place throughout the organisation.

The program is constructed, reviewed and revised annually around our approach to sustainability.

Summerland communicates commitment to environmental sustainability on our website with the *Environmental Sustainability Approach* and *Environmental Investment Position Statement*. These documents state the ethical environmental stance of our business operations.

Summerland continued to partner with the NSW Office of Environment & Heritage in the Sustainability Advantage Program. Progress has been consistent in: integrating environmental strategies with business planning; using resources more efficiently; engaging staff to become an employer of choice; enhancing customer, supplier and community relationships; measuring and managing our carbon footprint; managing environmental risk and ensuring compliance. Flowing from that work:

- Summerland obtained the first level of recognition, *Bronze Partner*, in 2011
- We achieved the second level of recognition, *Silver Partner*, in 2013

We are now working toward the next level of recognition, *Gold Partner*. This will take 2-3 years to achieve.

In achieving government recognition in this program Summerland has:

- Demonstrated leadership and commitment to sustainability
- Established planning and management systems for environmental practice, including processes for continuous improvement
- Demonstrated engagement by promoting sustainability activity. Internally this includes involving staff, and externally, involving suppliers, customers and industry
- Demonstrated environmental outcomes each year since 2008

Summerland has also been recognised by our peers and awarded the following:

- Abacus National Sustainability Award, 2011 - from all customer-owned banking organisations in Australia
- NSW Business Chamber Northern Rivers Region, 'Excellence in Sustainability' Winner 2014

Benefits for our customers flow from specific purpose ECO loan products which have discounted interest rates and establishment fees. For every ECO loan established a donation is made by Summerland toward an environmentally focused organisation.

Summerland conducts an annual environmental sustainability month with various activities highlighting our environmental sustainability program for staff and customers. Included in the activities is a focus on encouraging customers away from paper statements to electronic statements, identifying ways to reuse paper in offices and ways of reducing paper and power usage.

The take-up of electronic statements by customers has increased 15% over the last 4 years.

Reporting against benchmarks

The changes achieved against our benchmarks in power, fuel, air travel, paper, toner and waste management contributed to cost to income improvements in 2014/15.

Power

In 2014/15 Summerland used a total of 545,848 KwH of electricity (6,078 KwH per Full Time Employee) which was an increase of 2% on the previous year. Currently, all our electricity comes from non-renewable sources.

Equipment due for replacement is updated with current standard energy efficiency selection criteria. LED based lighting is progressively replacing higher energy halogen and fluorescent lighting in Head Office and branches. Sensor controlled lighting was also installed in Head Office.

Vehicles

The corporate vehicle fleet used 8,735 litres of fuel. This equated to 97 litres per Full Time Employee (FTE), a reduction of 1% per FTE from the previous year.

All corporate fleet vehicles are now more fuel efficient hybrid or diesel vehicles.

AirTravel

Business travel by air in 2014/15 consisted of flights covering 107,442 kms, which equated to 1,196 kms per FTE. This was an increase of 9% per FTE and was indicative of the increased level of business activity generated from the Banking on Football brand in a greater geographical spread throughout Australia.

Paper

Total paper usage for the 2014/15 year (including paper statements to customers) was 8,456 sheets of normal copy paper per FTE staff member. This was a 10% decrease on the previous year.

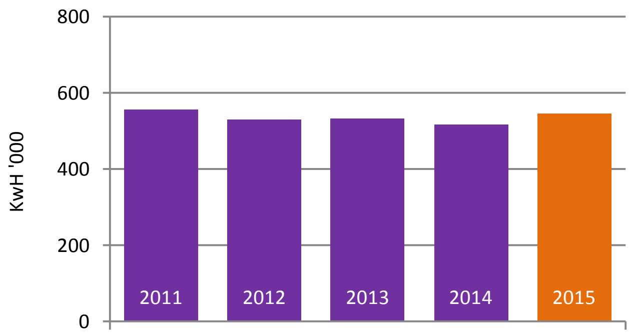
Toner usage for inhouse printing during 2014/15 saw a 2% decrease per FTE on the previous year.

Facilities

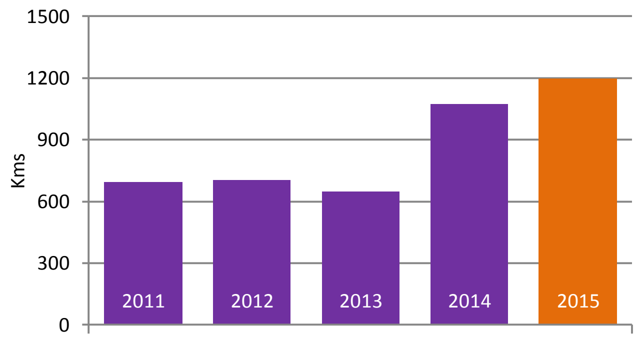
As normal procedure, sustainability features have been utilised in the refurbished Lismore Branch, and the new Ocean Shores Branch:

- all local contractors used in construction
- lower footprint features - examples include
    - Carpet - ECS Level 4, the top grading in the ACCS Environmental Certification Scheme for the environmental performance of carpet
    - Acoustic wall fabric – accredited under ISO 9001 & ISO 14001 Quality & Environmental Management systems. Has low embodied energy, minimum 60% recycled content from PET bottles, supports safer indoor air quality
    - Floor Tiles – rated A+ for ISO 16000, Low VOC emissions (volatile organic compounds) and CMR compounds (toxic emissions)
    - Lights – High efficiency LEDs used throughout
    - All board material and laminate used in the refurbishment is certified and rated E0 meaning it has extremely low toxic emissions including VOC's (volatile organic compounds)

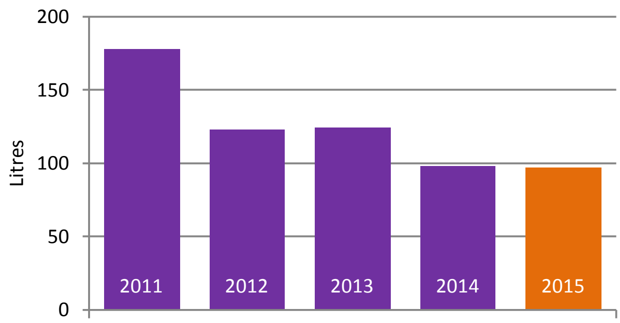
Environmental Indicators



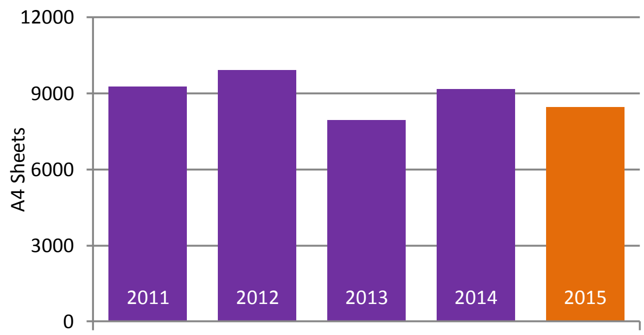
Energy Consumption Total



Air Travel FTE



Fuel Consumption FTE



Paper FTE

2015 FINANCIAL REPORT

DIRECTORS' REPORT

Your Directors present their report on the credit union for the financial year ended 30 June 2015.

The credit union is a company registered under the Corporations Act 2001.

Information on Directors

The names of the Directors in office at the end of the year are:

Nicolas Harrison

B.A, LL.B, FAMI, FAICD, AIMM

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

Nicolas Harrison is a Barrister-at-law and a Local Government Code of Conduct Reviewer.

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.

Graeme Green

Dip FS, FAMI

Director since 2008
Member, Executive Committee
Member, Audit Committee

Graeme Green has had 36 years of credit union experience, including 27 years as a credit union Chief Executive Officer and 3 years in a credit union Senior Management role. He has served on numerous management boards and working committees within the credit union industry.

John Shanahan

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

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

John Shanahan is a recognised expert on financial reporting issues and the author of the textbooks *Guide to Accounting Standards* and *Guide to Accounting Regulation*.

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

Graham Olrich

Dip FS, Dip FS CUD, FAICD, FAMI

Director since 2010
Member, Audit Committee
Member, Risk Committee
Chair, 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 also on the Board of Community Mutual Ltd.

Paul Spotswood

B.Ec, MAMI

Director since 2010
Member, Audit Committee

Paul Spotswood is currently General Manager, Community Publishing for APN Australian Regional Media across Northern NSW. Paul has formerly held General Manager positions across regional Australia forming part of the network of APN's multi-media assets. Paul has published B2B information in the form of magazines, websites and other digital products to the financial, architecture, construction and marketing industries as a former publisher with Reed Business Information, Australia.

Katrina Luckie

B.App Sc (Hons), B.App Sc (Coastal Management), MAMI, MEAINZ, GAICD

Director since 2010
Member, Risk Committee

Katrina Luckie currently runs her own consultancy company, specialising 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.

She 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.

Margot Sweeny

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

Chief Executive Officer since 1999
Company Secretary since 1999

Margot Sweeny is an active community member and public speaker. Her community positions include: Member of Southern Cross University Council; Chair of the Southern Cross University Finance Committee; Chair of Credit Union Foundation Australia (CUFA Ltd), the development agency for the Australian Credit Union Movement.

Margot is also the patron of the Friends of the Koala Inc in the Far North Coast of NSW.

David Bergmark

BComm, ICAA, F Fin, MAMI

Director since 2014
Member, Risk 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 industries within Australia. He has worked in audit and risk management within the banking sector since 1990.

Director's meeting attendance

Director	Board of Directors		Audit Committee		Risk Committee		Governance Committee		Horizons Committee	
	E	A	E	A	E	A	E	A	E	A
Nicolas Harrison	7	6					4	4	3	3
Graeme Green	7	6	4	4					3	3
John Shanahan	7	6	4	4	6	5	4	3	3	3
Graham Olrich	7	6	4	3	6	6	4	4	3	3
Katrina Luckie	7	7			6	6			3	3
Paul Spotswood	7	6	3	2					3	3
David Bergmark (Appointed 7/11/14)	4	4			5	5			2	2
Rebekka Battista (Retired 7/11/14)	3	3	1	1						

E = Eligible to Attend A = Attended

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 credit union 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 $3.3m (2014: $3.4m).

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

Contracts were exchanged on 30th June 2015 for the sale of an investment property which was settled on the 28th July 2015. The disposal of this property will be captured in the 2015-16 financial year.

No other matters or circumstances have arisen since the end of the financial year 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 the financial statements have been rounded to the nearest one thousand dollars in accordance with ASIC Class Order 98/100. 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.

Auditors' independence

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

Thomas Noble & Russell
Accountants | Auditors | Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Summerland Credit Union Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Dated at Lismore this 28th day of September 2015.

THOMAS NOBLE & RUSSELL

CHARTERED ACCOUNTANTS

....

A J BRADFIELD (Partner)

Registered Company Auditor

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CORPORATE GOVERNANCE DISCLOSURES

Corporate governance

Corporate governance describes the practices and processes adopted by an organisation to ensure sound management of the organisation within the legal framework under which it operates.

The key principles are:

- Accountability
- Disclosure
- Transparency
- Independence

Summerland Credit Union Limited is an Authorised Deposit-taking Institution (ADI) supervised by the Australian Prudential Regulation Authority (APRA) under the Banking Act 1959. The credit union is also supervised by the Australian Securities and Investment Commission (ASIC) under the Corporations Act 2001.

Framework

Directors and management are committed to high standards of corporate governance and continue to apply principles of good corporate governance as recommended by the Australian Stock Exchange Corporate Governance Council.

Board of directors

The Board's primary role is to protect and enhance long-term member value.

To fulfil this role, the Board is responsible for the overall corporate governance of the credit union including the following:

- Providing strategic direction and adopting a corporate strategy
- Identifying and monitoring the principal risks of the credit union's business
- Monitoring the conduct and overall performance of the credit union and of senior management
- Appointing and appraising the Chief Executive Officer and ensuring there are adequate plans and procedures for succession
- Monitoring policies and procedures in place to ensure the credit union's operations are conducted in an open, honest and ethical manner

To assist in this process the Board has established a number of key committees, each with its own terms of reference. They are:

- Board Audit Committee
- Board Risk Committee
- Governance Committee
- Horizons Committee

The full Board currently holds seven scheduled meetings each year in addition to planning meetings and any extraordinary meetings that may be required from time to time.

To assist the Board governance process, the Board has adopted a Code of Conduct and a clear statement of responsibilities between the Directors and the Chief Executive Officer.

Board audit committee

The Board has established an Audit Committee that consists of four Directors. Members of the committee are appointed annually following the Annual General Meeting (AGM). The members of the committee as at the date of this annual financial report are:

- John Shanahan (Chairman)
- Graham Olrich
- Paul Spotswood
- Graeme Green

The principal responsibilities of the Committee are to assist the Board of Directors in fulfilling its responsibilities in relation to the credit union's corporate governance framework, by way of monitoring the following areas:

- Compliance with prudential and statutory requirements
- Maintenance of an effective and efficient internal and external audit programme
- Management and external reporting

The committee also provides recommendations to the Board on the appointment of internal and external auditors, independent assessment of auditor performance and the level of audit fees.

The Board has overall responsibility for the appropriate reporting of the credit union's results. In order to effectively carry out this function, the committee monitors the effectiveness of the credit union's systems and internal financial controls and regularly meets with the internal and external auditors.

Board risk committee

The Board Risk Committee provides independent oversight of the risk profile and risk management framework, including:

- Assisting the Board by providing an objective oversight of the implementation and operation of the Risk Management Framework. This includes oversight of all of the key risks facing Summerland, including but not limited to:
  - Credit Risk
  - Market Risk
  - Liquidity Risk
  - Operational Risk
  - Strategic Risk
- Advising the Board on the current and future risk appetite and risk management strategy (RMS)
- Challenge management's proposals and decisions on all aspects of risk management
- Reviewing whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings
- Reviewing the consequences of the credit union's risk management framework on its control environment and insurance arrangements
- Ensuring the credit union has followed a sound and effective approach in establishing the credit union's business continuity plan (BCP). Annual BCP testing results are reviewed by the Committee
- Reviewing the credit union's fraud control plan

The committee, which meets at least seven times a year, comprises:

- John Shanahan (Chair)
- Graham Olrich
- Katrina Luckie
- David Bergmark

Governance committee

The responsibilities of the Governance Committee are to:

- Make annual recommendations to the Board on the remuneration of the CEO and senior management of the credit union, as required by (Australian Prudential Standard) APS 510 Governance
- Coordinate the Board of Directors and the CEO performance assessment process
- Develop training needs analysis for Directors
- Complete succession planning for the Board
- Oversee the Board Nomination process as required in APS 520 Fit and Proper

The committee, which meets as required, comprises:

- Graham Olrich (Chairman)
- Nicolas Harrison
- John Shanahan

Horizons committee

The responsibility of the Horizons Committee is to make recommendations to the Board about the strategic direction of the credit union.

The committee, which meets as required, comprises:

- Nicolas Harrison (Chairman)
- Graham Olrich
- John Shanahan
- Graeme Green
- David Bergmark
- Paul Spotswood
- Katrina Luckie
- Chief Executive Officer
- Chief Financial Officer
- Chief Operating Officer
- Head of Sales

Composition of the Board

The composition of the Board is determined in accordance with the Constitution of the credit union which specifies that the Board shall comprise a minimum of five member elected Directors and a maximum of eight Directors with a term of office of three years.

Currently the Board is comprised of independent non-executive Directors, meaning each Director is not a member of management or staff.

As the credit union is a customer-owned organisation, Directors must also be members. Members elect Directors by way of a ballot at the Annual General Meeting (AGM). In the event of a casual vacancy the Board may appoint a replacement; however this Director is subject to re-election at the following AGM. The Constitution allows for the appointment of up to two appointed Directors. We currently have two appointed Directors to the credit union, being John Shanahan and Graham Olrich.

The names of the Directors of the credit union in office at the date of this statement are set out in the Directors' Report.

Casual vacancy

The Board may appoint a person, who is eligible under Rule 13.4 of the Constitution to be a Director, if a Director's office becomes vacant or if the Board wishes to appoint the maximum number of Directors, which is not more than eight Directors.

a) A person appointed to fill a casual vacancy under Rule 13.4 shall be treated, for the purpose of determining the time at which that person is to retire, as if that person had become a Director on the day on which the person in whose place that person is appointed was last elected a Director.

b) A person appointed to fill a casual vacancy under Rule 13.4 must be endorsed by a resolution of members at the next Annual General Meeting and is taken to have retired by rotation at that meeting if endorsement is not given.

Board responsibilities

As the Board acts on behalf of the members and is accountable to the members, the Board seeks to identify the expectations of the members, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the credit union is delegated by the Board to the Chief Executive Officer and the Executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Chief Executive Officer and the Executive team.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved.

Strategic planning

The Board approves the Strategic Plan, which encompasses the credit union's vision, mission and strategy statements, designed to meet customer needs and manage business risks. The Strategic Plan is a dynamic document and the Board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the credit union.

As part of the strategic planning process the Board develops a Risk Appetite Statement which provides a framework on the level of risk they will accept for the credit union.

Operating plans and budgets

Implementation of operating plans and budgets by Management, and Board monitoring of progress against budget, includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes.

Board remuneration

The Board receives remuneration from the credit union in the form of allowances which is agreed to each year at the AGM. They are also reimbursed for any out of pocket expenses.

Fee concessions are available to both credit union employees and Directors on deposit accounts. Directors are not eligible for interest rate concessions.

There are no other benefits received by the Directors from the credit union.

Independent professional advice

Procedures exist to allow the Board, in the furtherance of their duties, to seek independent professional advice at the credit union's expense.

Each Director has the right of access to all relevant information and to the credit union's management and, subject to prior consultation with the Chairman, may seek to have independent professional advice received by the Director made available to all other members of the Board.

Board assessment

The Board has adopted an assessment program, which consists of an assessment every three years by an external expert. For the other years, an internal assessment is completed by each Board member which includes a self-evaluation for individual Directors (using a questionnaire) and a Board performance review based on the essential criteria for the effective governance of the credit union.

Disclosure of information

The credit union has an objective of honest and open disclosure in dealing with stakeholders, subject to appropriate commercial considerations associated with competitive and sensitive information.

Monitoring

The performance of the credit union is monitored on a monthly basis via annual operating and capital budgets, as established by relevant senior management and approved by the Board, in addition to the use of extensive Key Risk Indicators and Key Performance Indicators

Internal Audit is also used extensively to ensure internal controls are monitored, particularly in relation to areas of greatest risk as identified by the credit union's annual risk assessment.

External Audit review and test the internal controls to the extent necessary for an opinion on the financial report.

Ethics and code of conduct

The credit union's Codes of Conduct are based on the principle that all the credit union's business affairs will be conducted legally, ethically and with strict observance of the highest standards of integrity. They provide guidance on how to resolve uncertainties and how to deal with suspected breaches of the codes by others. In addition, a Fit and Proper assessment of all Directors and Senior Management is performed on an annual basis. The Director assessments are also examined by the Board Nomination Committee comprised of two external independent members and one Director representative.

Workplace health and safety (WH&S)

WH&S policies have been established for the protection of customers and staff and are reviewed annually. The WH&S committee which is comprised of both management and staff elected representatives meet on a quarterly basis to assess reports received and ensure corrective action is taken where necessary. Secure cash handling procedures and policies are in place and the credit union, as required, engages the services of an industry specialist to provide guidance on best practice in this area. In addition, all staff have access to counsellors where required following an incident which has impaired their feelings of safety within the workplace.

Conflict of interest

The Board is committed to the avoidance of any conflict of interest in the operation of the credit union.

In accordance with the Corporations Act 2001 and the credit union's Constitution, Directors must keep the Board advised of any interest that could potentially conflict with the interests of the credit union. The Board has developed guidelines to assist Directors in disclosing potential conflicts of interest.

Transactions between Directors and the credit union are subject to the same terms and conditions that apply to customers. Details of Director related entity transactions with the credit union are set out in Note 7.

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	***Mr Graeme Green***
Chairman	*Vice Chair*

Lismore 28 September 2015

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015	2014
		$'000	$'000
REVENUE			
Interest income	2	28,744	29,193
Interest expense	2	(14,393)	(15,668)
NET INTEREST INCOME		14,351	13,525
Non-interest income	3	4,669	4,783
EXPENSES			
Impairment expense	13	264	(182)
Employee benefits expense	4	(7,332)	(6,625)
Occupancy expense	4	(573)	(551)
Depreciation and amortisation expense	4	(695)	(632)
Other expenses	4	(5,838)	(5,561)
PROFIT BEFORE INCOME TAX		4,846	4,757
Income tax expense	5	(1,420)	(1,407)
PROFIT FOR THE YEAR		3,426	3,350
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit and loss			
Gain/(Loss) on cash flow hedges taken to equity		(87)	37
Items that will not be reclassified to profit and loss			
Movement in fair value of land and buildings		(55)	(18)
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		(142)	19
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,284	3,369
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE CREDIT UNION		3,284	3,369

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

BALANCE SHEET

AS AT 30 JUNE 2015

	Note	2015	2014
		$'000	$'000
ASSETS			
Cash and cash equivalents	8	22,067	20,404
Trade and other receivables	9	4,080	2,844
Other assets	10	574	472
Financial assets held to maturity	11	102,961	78,672
Financial assets available for sale	12	1	1
Loans and advances	13	460,848	457,864
Investment property	16	5,671	5,506
Property, plant and equipment	15	5,142	4,197
Deferred tax assets	17	800	799
Intangible assets	18	643	785
TOTAL ASSETS		602,787	571,544
LIABILITIES			
Deposits	19	538,329	508,114
Trade and other payables	20	9,614	9,920
Derivatives	14	141	14
Current tax liability	21	12	572
Deferred tax liabilities	22	669	758
Provisions	23	743	688
Borrowings	24	2,910	4,410
TOTAL LIABILITIES		552,418	524,476
NET ASSETS		50,369	47,068
MEMBERS EQUITY			
Redeemable preference share capital account	25	468	451
Reserves	26	6,404	6,576
Retained earnings		43,497	40,041
TOTAL MEMBERS EQUITY		50,369	47,068

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	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 2013	430	1,376	860	(46)	1,870	2,497	36,712	43,699
Profit for the year	-	-	-	-	-	-	3,350	3,350
Other comprehensive income	-	-	-	37	-	(18)	-	19
Transfers to / from retained earnings:								
- Redeemable preference share account	21	-	-	-	-	-	(21)	-
- Reserve for credit losses	-	-	-	-	-	-	-	-
BALANCE AT 30 JUNE 2014	451	1,376	860	(9)	1,870	2,479	40,041	47,068
BALANCE AT 1 JULY 2014	451	1,376	860	(9)	1,870	2,479	40,041	47,068
Profit for the year	-	-	-	-	-	-	3,426	3,426
Other comprehensive income	-	-	-	(87)	-	(55)	-	(142)
Transfers to / from retained earnings:								
- Redeemable preference share account	16	-	-	-	-	-	(16)	-
- Reserve for credit losses	-	-	-	-	(29)	-	29	-
- Retained Earnings on Investment Property	-	-	-	-	-	-	17	17
BALANCE AT 30 JUNE 2015	467	1,376	860	(96)	1,841	2,424	43,497	50,369

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 2015

	Note	2015	2014
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		28,523	29,227
Other income		3,943	4,647
Interest paid		(14,796)	(16,820)
Payments to suppliers and employees		(14,148)	(15,813)
Movement in operating assets and liabilities			
Net movement in loans		(2,579)	(9,677)
Net movement in deposits		30,216	2,680
		27,637	(6,997)
Income taxes paid		(2,052)	(904)
Net cash provided by/(used in) operating activities	34 (c)	29,107	(6,660)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for investments		(24,290)	310
Payment for property, plant and equipment		(1,416)	(468)
Payment for intangibles		(182)	(134)
Proceeds - sale of non-current assets		(56)	(18)
Net cash used in investing activities		(25,944)	(310)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1,500)	(1,350)
Net cash used in financing activities		(1,500)	(1,350)
Net increase/(decrease) in cash and cash equivalents held		1,663	(8,320)
Cash and cash equivalents at the beginning of the financial year		20,404	28,724
Cash and cash equivalents at the end of the financial year	34 (a)	22,067	20,404

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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 and the Corporations Act 2001.

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 Australian Accounting Standards Board (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.

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) Income tax

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 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.

(b) Financial Instruments 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. Financial liabilities are de-recognised when the contractual obligations are discharged or cancelled or when they expire.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and unrestricted short term highly liquid balances held in Authorised Deposit-taking Institutions (ADIs).

Cash and cash equivalents are carried at cost which is equal to fair value in the balance sheet.

(d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the credit union's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(e) Loans and advances

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the credit union does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the credit union chooses to carry the loans and advances at fair value through profit or loss.

(f) Equity investments

Investments in shares are classified as available for sale financial assets where they do not qualify for classification as loans and receivables, or investments held for trading. Investments in shares not listed on the stock exchange or, which do not have a ready market or are not capable of being readily valued, are recorded at the lower of cost or recoverable amount.

(g) Deposits

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.

(h) Borrowings and subordinated debt

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.

(i) Revenue

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

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.

(j) Loan transaction costs - effective interest method

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.

(k) Impairment - loans and advances

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.

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 as determined by management and the Board. 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.

(l) Securitisation

The credit union has participated in a loan securitisation programme whereby housing mortgage loans are sold as securities to a Trust, thus removing the asset from the credit union's balance sheet. The contractual arrangements of this programme meet the criteria for transferring assets off balance sheet.

The credit union acts as an agent to promote and complete loans on their behalf, for on-sale to an investment trust. The credit union bears no risk exposure in respect of these loans.

The credit union is not obliged to support any losses incurred by investors in the Trust and does not intend to provide such support. The credit union has no right to repurchase any of the securitised loans.

In addition the credit union is able to assign mortgage secured loans at the book value of the loans, subject to acceptable documentation criteria. During the year the credit union assigned $0.02m (2014: $0.25m) in loans. These loans qualify for de-recognition on the basis that the assignment transfers all the risks and rewards associated with the loan and there is no residual benefit to the credit union. The credit union receives a management fee to recover the costs of ongoing administration of the processing of loan repayments and the issue of statements. The amount of securitised loans under management at 30 June 2015 is $0.10m (2014: $3.44m).

(m) Property, plant and equipment

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 each year.

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 decrease 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 on the cost basis 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 assets 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.

(n) Investment property

Investment property, principally comprising freehold land and office buildings, is held for long-term rental yields and is not occupied by the credit union. Investment property is carried at fair value, representing open market value determined annually by independent external valuers. Changes in fair values are recorded in the statement of comprehensive income.

(o) Property revaluations

The valuations of freehold land and buildings were based on the assessment of their current market value. The independent revaluations on 30 June 2015 were carried out by Mr Jeremy Rutledge AAPI. The revaluation increase, net of applicable deferred income taxes, was credited to an asset revaluation surplus in equity for owner occupied property and to the statement of comprehensive income for investment property.

The revaluation was made in accordance with a policy to revalue land and buildings every year and based on the following assumptions:

- The property is free of encumbrances, restrictions or other impediments of an onerous nature
- The property has been valued on the basis of capitalisation of estimated net rental income
- The values assume that the credit union would enter into lease arrangements for the areas it occupies in the building
- Increased rental value has been factored in the value of the property for lease renewals
- Outgoings for the property have been estimated and on the assumption it is owned by an independent investor

(p) Intangible assets

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 at 33.3% or 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 definitive life are amortised over 3 – 5 years.

(q) 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.

(r) Employee benefits

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.

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.

(s) Superannuation contributions – accumulation fund

Contributions are made by the credit union to employee superannuation funds and are charged as expenses when incurred.

(t) Derivative instruments held for risk management purposes

The credit union uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations.

Derivatives used for risk management purposes are measured at fair value in the balance sheet. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, interest rate swaps are classified as a cash flow hedge as they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

For further details of interest rate swaps used by the credit union refer to Note 14.

When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of the changes in the fair value of the derivative are recognised directly in equity. The amount recognised in equity is removed and included in the statement of comprehensive income, in the same period as the hedged cash flows affect profit or loss, under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the statement of comprehensive income.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised in equity remains in equity until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, the hedge accounting is discontinued and the balance in equity is recognised immediately in the statement of comprehensive income.

(u) Comparative figures

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

(v) 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.

(w) 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.

(x) 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 - 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 in Note 13.

(y) 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 2015 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	Title
9	Financial Instruments *This Standard introduces revised requirements for the classification and measurement of financial instruments as well as recognition and derecognition requirements for financial instruments. Effective from 1 January 2018 and not likely to have a material impact on the credit union's financial report.*
15	Revenue from Contracts with Customers *This standard introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. Accounting policy changes will arise in timing of revenue recognition, treatment of contract costs and contracts which contain a financing element.* *AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.* *The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. Although it is anticipated that the adoption of AASB 15 may have an impact on the credit union, it is impractical at this stage to provide a reasonable estimate of impacts.*
2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation *This standard clarifies the principle method of depreciation in AASB 116 Property Plant & Equipment and AASB 138 Intangible Assets. No material impact on the credit union.*
2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle *A number of amendments to Australian Accounting Standards with no material impact on the credit union.*
2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 *Clarification of existing principles with no material impact on the credit union.*
2015-3	Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality

The following Australian Accounting Standards that are applicable to future financial reporting periods are not applicable to the credit union.

AASB	Title
2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations
2014-6	Amendments to Australian Accounting Standards – Agriculture: Bearer Plants
1056	Superannuation Entities
2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements
2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
2015-4	Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent
2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception

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

(z) Date of issue

The financial report was authorised for issue on 28 September 2015 by the Board of Directors.

NOTE 2

Interest Income and Interest Expense

	2015	2014
	$'000	$'000
INTEREST REVENUE		
Cash and cash equivalents	400	405
Financial assets held to maturity	3,249	2,798
Loans	24,858	25,883
Derivatives	237	107
TOTAL INTEREST INCOME	28,744	29,193
INTEREST EXPENSE		
Deposits	13,821	15,090
Borrowings	308	414
Derivatives	264	164
TOTAL INTEREST EXPENSE	14,393	15,668

NOTE 3

Revenue

	2015	2014
INTEREST INCOME	28,744	29,193
NON-INTEREST INCOME		
Fees and commissions	3,729	3,877
Bad debts recovered	22	18
Income from property (rents)	665	644
Fair value increase - investment property	107	72
Profit on sale of non-current assets	9	25
Other	137	147
TOTAL NON-INTEREST INCOME	4,669	4,783
TOTAL REVENUE	33,413	33,976

NOTE 4

Profit Before Income Tax Expense

Profit before income tax expense has been determined after:

	2015	2014
	$'000	$'000
EXPENSES		
Interest expense	14,393	15,668
NON-INTEREST EXPENSES		
Impairment of assets		
- loans and advances	(264)	182
Employee benefit expenses	7,332	6,625
Occupancy expenses	573	551
DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation expense		
- buildings	86	86
- plant and equipment	203	226
Amortisation expense		
- software	324	250
- leasehold improvements	82	70
	695	632
OTHER EXPENSES		
Fees and commissions	1,678	1,670
General and administration expenses	351	357
IT expenses	1,460	1,333
Loss on sale of assets	11	20
Other operating expenses	1,836	1,670
Rental expense on operating leases	502	511
	5,838	5,561
TOTAL NON-INTEREST EXPENSES	14,174	13,551
TOTAL EXPENSES	28,567	29,219

NOTE 5

Income Tax

	2015	2014
	$'000	$'000
Prima facie tax payable on profit at 30% (2014: 30%)	1,416	1,427
ADJUST FOR TAX EFFECT OF:		
Capital gain on property sale	24	-
Capital allowance deduction	(20)	(20)
Income tax expense attributable to the entity	1,420	1,407
Applicable weighted average effective tax rate	30%	30%
THE COMPONENTS OF INCOME TAX EXPENSE COMPRISE		
Current tax	1,453	1,456
Deferred tax	(33)	(49)
	1,420	1,407
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 land and buildings	17	8
Net movement on revaluation of cash flow hedges	37	(16)
	54	(8)
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% (2014: 30%)	13,834	11,637

NOTE 6
Remuneration of Auditors

	2015	2014
	$'000	$'000
Remuneration of the auditor for:		
• Auditing or reviewing the financial report	58	58
• Other services		
- taxation services	6	6
- compliance	32	26
Remuneration of other auditors:		
• Internal audit	70	70
	166	160

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 five 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
- Graeme Green
- John Shanahan
- Graham Olrich
- Katrina Luckie
- Paul Spotswood
- David Bergmark (Appointed 7 Nov 2014)
- Rebekka Battista (Retired 7 Nov 2014)

(b) Remuneration of key management personnel

	2015	2014
	$'000	$'000
The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for was as follows:		
(a) Short-term employee benefits	1,437	1,148
(b) Post-employment benefits	86	108
(c) Other long-term benefits	37	56
	1,560	1,312

Remuneration shown as short term benefits means (where applicable) wages, salaries, paid annual leave and paid sick leave, 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 previous 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.

	2015	2014
	$'000	$'000
The aggregate value of loans to KMP and other related parties as at balance date amounted to	1,971	1,497
The total value of revolving credit facilities to KMP and other related parties as at balance date amounted to	50	50
Less amounts drawn down and included above	(5)	(2)
Net balance available	45	48
During the year the aggregate value of loans and revolving credit facilities approved and/or disbursed to KMP and other related parties amounted to	1,494	74
Interest and other revenue earned on loans and revolving credit facilities to KMP and other related parties amounted to	102	90

(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.

	2015	2014
Total value of term and savings deposits from KMP and other related parties	405	194
Total interest paid on deposits to KMP and other related parties	5	5

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 2 existing service contracts where KMP or their close family members are an interested party. These two 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 services provided during the year was $136k (2014: Nil).

NOTE 8
Cash and Cash Equivalents

	2015	2014
	$'000	$'000
Cash on hand	2,137	1,724
Deposits with ADIs	19,930	18,680
	22,067	20,404

The effective interest rate on short-term bank deposits was 3.38% (2014: 4.26%); these deposits are all at call.

NOTE 9
Trade and Other Receivables

	2015	2014
Accrued interest	1,008	788
Other receivables	62	105
Sundry debtors	3,010	1,951
	4,080	2,844

NOTE 10
Other Assets

	2015	2014
Prepayments	574	472

NOTE 11
Financial Assets Held to Maturity

	2015	2014
Deposits with ADIs	102,961	78,672

The effective interest rate on financial assets held to maturity was 3.13% (2014: 3.35%); these deposits have an average maturity of 180 days.

NOTE 12
Financial Assets Available for Sale

	2015	2014
Shares in unlisted entities – at cost	1	1

NOTE 13

Loans and Advances

	2015	2014
	$'000	$'000
Gross loans and advances	461,127	458,554
Unamortised loan fees	(43)	(50)
	461,084	458,504
Provision for impairment	(236)	(640)
Net loans and advances	460,848	457,864

(a) Provisions for impairment

Opening balance	640	528
Impairment expense	(264)	182
Bad debts written off	(140)	(70)
Closing balance	236	640

(b) Provision for impairment calculation

Provision prescribed by Prudential Standards	207	384
Additional impairment provision	29	256
Closing balance	236	640

KEY ASSUMPTIONS IN DETERMINING THE PROVISION FOR IMPAIRMENT

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.

	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

	2015	2014
	$'000	$'000

(c) Impairment expense

Movement in provisions for impairment	(264)	182
Bad debts written off directly to profit	-	-
	(264)	182

(d) 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.

(e) Loans and advances by impairment class

Net impaired loans – refer 13(f)	396	1,293
Past due but not impaired – refer 13(g)	14,031	15,009
Neither past due or impaired – refer 13(h)	446,421	441,562
	460,848	457,864

(f) Impaired loans and advances

	2015	2014
	$'000	$'000
CREDIT RATING ANALYSIS		
Household		
- Owner occupied housing loans	477	1,519
- Investment housing loans	-	204
- Overdrafts	50	48
- Other personal purpose	101	151
Commercial	4	11
	632	1,933
Provision for impairment	(236)	(640)
Carrying amount	396	1,293

(g) Past due but not impaired loans and advances at reporting date

These loans are not considered impaired as the value of the related security over residential property is in excess of the loan due. Refer Note 13(i) for details of security held. Past due values are the 'on-balance sheet' loan balances.

	2015	2014
AGING ANALYSIS		
1 to 89 days	13,355	13,185
90 to 181 days	137	1,278
182 to 272 days	215	-
273 to 364 days	186	408
365 days or more	138	138
Carrying amount	14,031	15,009
CREDIT RATING ANALYSIS		
Household		
- Owner occupied housing loans	10,740	11,620
- Investment housing loans	2,289	980
- Overdrafts	316	663
- Other personal purpose	211	305
Commercial	475	1,441
Carrying amount	14,031	15,009

(h) Neither past due nor impaired loans and advances at reporting date

	2015	2014
	$'000	$'000
Household		
- Owner occupied housing loans	286,822	281,464
- Investment housing loans	96,715	97,671
- Overdrafts	2,170	2,135
- Other personal purpose	37,848	37,246
Commercial	22,866	23,046
Carrying amount	446,421	441,562

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.

(i) Loans and advances by impairment and security

	2015	2014
(i) Against individually impaired		
- Secured by mortgage over real estate	477	1,723
- Partly secured by goods mortgage	45	47
- Unsecured	110	163
(ii) Against past due but not impaired		
- Secured by mortgage over real estate	13,628	14,540
- Partly secured by goods mortgage	113	169
- Cash secured	-	12
- Unsecured	290	288
(iii) Against neither past due nor impaired		
- Secured by mortgage over real estate	436,498	429,910
- Partly secured by goods mortgage	4,583	4,824
- Cash secured	1,872	1,982
- Unsecured	3,468	4,846
	446,421	441,562

	2015	2014
	$'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:

	2015	2014
- less than 80%	384,876	379,821
- more than 80% but mortgage insured	44,863	43,125
- more than 80% and not mortgage insured*	20,863	22,248
	450,602	445,194

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.*

(j) Restructured loans

	2015	2014
Book value of restructured loans at balance date	7,821	10,982
Book value of restructured loans which are well secured	7,714	10,798
Book value of restructured loans which are not well secured	107	184

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. See also Note 1(k).

NOTE 14

Derivatives

Liability

	2015	2014
Interest rate swap contracts - cash flow hedge	141	14

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.

Interest rate swap contracts - cash flow hedges

The credit union's loans currently bear an average variable rate of interest of 5.15%. 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 each loan repayment falls due. Fixed interest rates range between 2.44% and 3.15% and variable rate ranges between 0.09% above and equivalent to the 90 day bank bill rate which at balance date was 2.15% (2014: 2.71%).

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

	2015	2014
	$'000	$'000
Within 1 year	-	4,000
1 – 2 years	5,000	-
2 – 5 years	12,000	-
	17,000	4,000

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.

2015	Within 1 year	1-2 years	2-5 years
	$'000	$'000	$'000
Cash inflows	378	350	356
Cash outflows	445	414	421
Net cash flows	(67)	(64)	(65)

2014	Within 1 year	1-2 years	2-5 years
	$'000	$'000	$'000
Cash inflows	27	-	-
Cash outflows	41	-	-
Net cash flows	(14)	-	-

NOTE 15

Property, Plant and Equipment

	2015	2014
	$'000	$'000
LAND		
At fair value	315	315
BUILDINGS & WIP		
At fair value	3,459	3,459
Work in Progress	506	-
	3,965	3,459
LEASEHOLD IMPROVEMENTS		
At cost	1,419	1,252
Accumulated amortisation	(1,078)	(1,196)
	341	56
PLANT AND EQUIPMENT		
At cost	1,544	1,978
Accumulated depreciation	(1,023)	(1,611)
	521	367
Total Property, Plant and Equipment	5,142	4,197

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.

	Land	Buildings	Plant & equipment	Leasehold improvements	Total
	$'000	$'000	$'000	$'000	$'000
Balance at beginning of the financial year	315	3,459	367	56	4,197
Additions	-	693	350	371	1,414
Disposals	-	-	(6)	(4)	(10)
Depreciation expense	-	(99)	(190)	-	(289)
Amortisation expense	-	-	-	(82)	(82)
Revaluations	-	(88)	-	-	(88)
Carrying amount at end of the financial year	315	3,965	521	341	5,142

	2015	2014
	$'000	$'000
If land and buildings were stated at historical cost, amounts would be as follows:		
Cost	9,844	9,631
Accumulated depreciation	(4,481)	(4,237)
Net book value	5,363	5,394

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

NOTE 16

Investment Property

	2015	2014
LAND		
At fair value	1,291	1,611
BUILDINGS		
At fair value	4,380	3,895
Total Investment Property	5,671	5,506

MOVEMENTS IN CARRYING AMOUNTS

Reconciliations of the carrying amounts of investment property between the beginning and end of the current financial year are set out below.

	Land	Buildings	Total
	$'000	$'000	$'000
Balance at beginning of the financial year	1,611	3,895	5,506
Net revaluation increment/(decrement)	(320)	485	165
Carrying amount at end of the financial year	1,291	4,380	5,671

NOTE 17

Deferred Tax Assets

	2015	2014
	$'000	$'000
Deferred tax assets comprise temporary differences attributable to:		
AMOUNTS RECOGNISED IN PROFIT AND LOSS		
Plant and equipment	211	198
Provision for impairment	71	192
Provision for employee benefits	358	323
Accrued expenses	107	67
Deferred loan fee asset	13	15
	760	795
AMOUNTS RECOGNISED DIRECTLY IN EQUITY		
Hedge reserve	40	4
	40	4
Total deferred tax assets	800	799

NOTE 18

Intangible Assets

COMPUTER SOFTWARE		
At cost	2,282	2,343
Accumulated amortisation	(1,908)	(1,868)
	374	475
Other Intangible Assets	356	310
Accumulated amortisation	(87)	-
	269	310
Total Intangible Assets	643	785

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	475	310	785
Additions	141	46	187
Amortisation expense	(242)	(87)	(329)
Carrying amount at the end of the financial year	374	269	643

NOTE 19

Deposits

	2015	2014
	$'000	$'000
At call deposits	293,241	247,375
(including withdrawable shares)		
Term deposits	245,088	260,739
	538,329	508,114

Concentration of deposits

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

NOTE 20

Trade and Other Payables

Accrued interest payable on deposits and borrowings	3,102	3,505
Sundry creditors and accrued expenses	775	605
Employee benefits - annual leave	452	389
Trade creditors	231	147
Clearing accounts	5,054	5,274
	9,614	9,920

NOTE 21

Current Tax

Current income tax payable	12	572

NOTE 22
Deferred Tax Liabilities

	2015	2014
	$'000	$'000

Deferred tax liabilities comprise temporary differences attributable to:

AMOUNTS RECOGNISED IN PROFIT AND LOSS		
Investment properties	24	449
	24	449
AMOUNTS RECOGNISED DIRECTLY IN EQUITY		
Land and buildings	645	309
	645	309
Total deferred tax liabilities	669	758

NOTE 23
Provisions

Employee benefits - long service leave	743	688
ROLL FORWARD OF PROVISIONS		
Opening balance	688	608
Additional provisions raised	71	113
Amounts paid	(16)	(33)
Closing balance	743	688
ANALYSIS OF LIABILITY		
Expected to be settled within twelve months	63	86
Expected to be settled after twelve months	680	602
	743	688

NOTE 24
Borrowings

Subordinated debt	2,910	4,410

The subordinated debt instruments 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
- Terms range from 5 – 10 years

NOTE 25
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.

NOTE 26
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 27

Commitments

	2015	2014
	$'000	$'000

(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:

	2015	2014
Not longer than 1 year	613	629
Longer than 1 and not longer than 5 years	535	849
	1,148	1,478

The above amounts include $78k (2014: $100k) 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 which 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:

	2015	2014
Loans approved but not funded	7,488	5,237
Loan redraw facilities available	34,025	28,080
Undrawn overdraft and line of credit	8,975	8,369
Total loan commitments	50,488	41,686

(d) Operating leases receivable

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

	2015	2014
Not longer than 1 year	542	709
Longer than 1 and not longer than 5 years	543	828
	1,085	1,537

The property leases are non-cancellable leases with a one 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 28

Contingent Liabilities

CUFSS LIMITED (CUFSS)

The credit union is a participant in CUFSS. The purpose of CUFSS is to protect the interests of credit union customers, increase stability in the industry and provide liquidity in excess of current borrowing limits in times of need. The liability is limited to 3.2% of the total assets of the credit union.

The balance of the debt at 30 June 2015 was Nil (2014: Nil).

NOTE 29

Classes of Financial Assets and Liabilities

	2015	2014
	$'000	$'000

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

(a) Financial assets - measured at amortised cost

	2015	2014
Cash and cash equivalents	22,067	20,404
Trade and other receivables	4,080	2,844
Financial assets available for sale - unlisted shares at cost	1	1
Loans and advances	460,848	457,864
Financial assets held to maturity	102,961	78,672
Total	589,957	559,785

(b) Financial liabilities - measured at amortised cost

	2015	2014
Deposits	538,329	508,114
Trade and other payables (excluding employee benefits)	9,160	9,531
Borrowings	2,910	4,410
Total	550,399	522,055

(c) Financial liabilities - measured at fair value

	2015	2014
Derivatives	141	14

NOTE 30

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 Committee to the Executive Management Meeting, 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 interest rate risk is measured and monitored using the Value at Risk (VaR) model which is a statistical measure of the maximum loss expected to be incurred due to a change in market conditions, arising from currently held positions, given a 99% Confidence Level, 20-day Holding Period and 250-day Observation Period.

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.

	2015	2014
VaR after prepayments and hedges	$174,463	$263,291
VaR as % of capital	0.35%	0.56%

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 2015							
FINANCIAL ASSETS							
Cash and cash equivalents	22,067	-	-	-	-	22,067	3.04%
Trade and other receivables	-	-	-	-	4,080	4,080	
Financial assets available for sale	-	-	-	-	1	1	
Financial assets held to maturity	-	54,261	48,700	-	-	102,961	3.03%
Loans and advances	325,154	52,347	83,347	-	-	460,848	5.46%
TOTAL FINANCIAL ASSETS	347,221	106,608	132,047	-	4,081	589,957	
FINANCIAL LIABILITIES							
Deposits	292,953	221,142	23,946	-	288	538,329	2.60%
Trade and other payables	-	-	-	-	9,160	9,160	
Derivatives	-	-	-	-	141	141	
Borrowings	-	2,910	-	-	-	2,910	8.21%
TOTAL FINANCIAL LIABILITIES	292,953	224,052	23,946	-	9,589	550,540	
OFF BALANCE SHEET ITEMS							
Interest rate swaps	-	-	17,000	-	-	17,000	2.52%
Undrawn loan commitments	50,488	-	-	-	-	50,488	
Repricing Period at 30 June 2014							
FINANCIAL ASSETS							
Cash and cash equivalents	20,404	-	-	-	-	20,404	1.19%
Trade and other receivables	-	-	-	-	2,844	2,844	
Financial assets available for sale	-	-	-	-	1	1	
Financial assets held to maturity	-	59,172	19,500	-	-	78,672	3.42%
Loans and advances	317,782	55,537	84,545	-	-	457,864	5.72%
TOTAL FINANCIAL ASSETS	338,186	114,709	104,045	-	2,845	559,785	
FINANCIAL LIABILITIES							
Deposits	238,738	250,404	18,678	-	294	508,114	2.97%
Trade and other payables	-	-	-	-	9,531	9,531	
Derivatives	-	-	-	-	14	14	
Borrowings	-	4,410	-	-	-	4,410	7.59%
TOTAL FINANCIAL LIABILITIES	238,738	254,814	18,678	-	9,839	522,069	
OFF BALANCE SHEET ITEMS							
Interest rate swaps	-	4,000	-	-	-	4,000	4.09%
Undrawn loan commitments	41,686	-	-	-	-	41,686	

(b) Credit risk

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 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 mitigate 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			
		2015		**2014**
Geographical Area	%	**$'000**	%	**$'000**
New South Wales	91	419,815	91	419,489
Queensland	8	35,141	8	38,072
Other	1	6,171	1	5,165

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%	50%
A-1	100%	50%
A-2	80%	50%
A-3	15%	30%
Unrated	15%	30%
Unrated – Settlement accounts	20%	50%

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

Actual Rating	**2015** Balance $'000	**2015** Balance %	**2014** Balance $'000	**2014** Balance %
A-1+	26,013	21	19,096	20
A-1	12,440	10	2,846	3
A-2	73,261	60	64,672	66
Unrated – Settlement accounts	11,177	9	10,590	11
Total	122,891	100	97,204	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 Liquidity Management policy requires that investments are only made to institutions that are credit worthy. The credit union has a long standing arrangement with the industry liquidity support scheme, CUFSS Limited (CUFSS), which can access industry funds to provide support to the credit union should this be necessary at short notice.

Under CUFSS at least 3.2% of the total credit union assets must be invested in an approved ADI, to allow the scheme to have adequate resources to meet its obligations.

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 withdrawal requests. This ratio is monitored daily. Should the liquidity ratio fall below this level 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 over the past year is set out below:

	2015	2014
Liquid funds to total adjusted liabilities:		
- As at 30 June	17.75%	15.29%
- Average for the year	17.46%	15.52%
- Minimum during the year	15.16%	14.35%
Liquid funds to total deposits:		
- As at 30 June	19.89%	17.05%

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 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 below 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
2015							
FINANCIAL ASSETS							
Cash and cash equivalents	-	-	-	-	-	22,067	22,067
Trade and other receivables	-	-	-	-	-	4,080	4,080
Financial assets available for sale	-	-	-	-	-	1	1
Financial assets held to maturity	12,363	19,811	22,087	48,700	-	-	102,961
Loans and advances	5,988	9,378	24,385	48,126	364,795	8,176	460,848
TOTAL FINANCIAL ASSETS	18,351	29,189	46,472	96,826	364,795	34,324	589,957
FINANCIAL LIABILITIES							
Deposits	50	85,600	136,433	24,177	-	293,242	539,502
Trade and other payables	-	-	-	-	-	9,160	9,160
Borrowings	-	1,408	-	1,755		-	3,163
Derivatives	-	-	-	141	-	-	141
	50	87,008	136,433	26,073	-	302,402	551,966
Undrawn loan commitments	50,488	-	-	-	-	-	50,488
TOTAL FINANCIAL LIABILITIES	50,538	87,008	136,433	26,073	-	302,402	602,454
2014							
FINANCIAL ASSETS							
Cash and cash equivalents	-	-	-	-	-	20,404	20,404
Trade and other receivables	-	-	-	-	-	2,844	2,844
Financial assets available for sale	-	-	-	-	-	1	1
Financial assets held to maturity	20,371	22,628	16,173	19,500	-	-	78,672
Loans and advances	2,026	4,081	18,828	51,100	373,698	8,131	457,864
TOTAL FINANCIAL ASSETS	22,397	26,709	35,001	70,600	373,698	31,380	559,785
FINANCIAL LIABILITIES							
Deposits	47,590	90,550	112,263	18,678	-	247,374	516,455
Trade and other payables	-	-	-	-	-	9,535	9,535
Borrowings	-	-	1,825	3,412	388	-	5,625
Derivatives	-	14	-	-	-	-	14
	47,590	90,564	114,088	22,090	388	256,909	531,629
Undrawn loan commitments	41,686	-	-	-	-	-	41,686
TOTAL FINANCIAL LIABILITIES	89,276	90,564	114,088	22,090	388	256,909	573,315

(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.

Following Basel III introduction on 1st January 2014, subordinated debt instruments held at the time have been approved for transitional arrangements, including a phasing out from 1st January 2014 with an amortisation rate of 10% until the first call date or maturity date of the instrument.

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

Capital structure	**2015**	**2014**
	$'000	$'000
Net Tier 1 Capital	47,851	44,382
Net Tier 2 Capital	3,400	4,249
Total Capital Base	51,251	48,632
Total Risk Weighted Assets	315,406	296,425
Total Capital Ratio	16.25%	16.41%
Tier 1 Capital Ratio	15.17%	14.97%

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

NOTE 31

Valuation of Financial Instruments

Net fair value estimates were determined by the following methodologies and assumptions set out below.

Liquid assets and receivables due from other financial institutions

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

Investment securities and other financial assets

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.

Loans and advances

The fair value of loans, advances and other receivables is based on their carrying amount net of the specific provision for impairment.

Deposits

The fair value of deposits is based on their carrying amount.

Land and buildings

Determined by an independent valuer in accordance with the requirements of Australian Accounting Standard 116 Property, Plant & Equipment.

Investment properties

Determined by an independent valuer in accordance with the requirements of Australian Accounting Standard 140 Investment property.

Payables and other liabilities

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

Subordinated debt

The carrying value of subordinated debt approximates its fair value as it reprices quarterly.

Derivatives

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

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:

	2015		2014	
	Carrying value $'000	Net fair value $'000	Carrying value $'000	Net fair value $'000
ASSETS				
Cash and cash equivalents	22,067	22,067	20,404	20,404
Trade and other receivables	4,080	4,080	2,844	2,844
Financial assets available for sale	1	1	1	1
Financial assets held to maturity	102,961	102,961	78,672	78,672
Loans and advances	460,848	462,357	457,864	453,852
LIABILITIES				
Deposits	538,329	539,568	508,114	509,324
Trade and other payables	9,614	9,614	9,920	9,920
Borrowings	2,910	2,910	4,410	4,410
Derivatives	141	141	14	14

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 assets and 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
2015				
Recurring fair value measurements				
Land and Buildings	-	3,774	-	3,774
Investment properties	-	5,546	-	5,546
Derivatives	-	141	-	141
2014				
Recurring fair value measurements				
Land and Buildings	-	3,774	-	3,774
Investment properties	-	5,506	-	5,506
Derivatives	-	14	-	14

There have been no significant transfers into or out of each level during the year ended 30 June 2015 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 valued independently every year. 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 32

Superannuation commitments

Superannuation benefits are provided for employees as required under the Superannuation Guarantee Legislation.

As the fund is an accumulation fund, adequate funds are held to satisfy all benefits payable in the event of termination of the plan and voluntary or compulsory termination or retirement of each employee.

NOTE 33

Economic dependency

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

(a) First Data Corporation

This company 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 34

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:

	2015	2014
	$'000	$'000
Cash and cash equivalents	22,067	20,404

(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

	2015	2014
	$'000	$'000
Profit after income tax	3,426	3,350
Non-cash flows in profit after income tax:		
Revaluation of investment property	(165)	(65)
Depreciation and amortisation	695	632
Provision for loan impairment	(404)	112
Changes in assets and liabilities		
Increase/(Decrease) in provisions	54	80
Increase/(Decrease) in interest payable	(403)	(1,152)
(Increase)/Decrease in interest receivable	(220)	34
Increase/(Decrease) in income taxes payable	(561)	544
(Increase)/Decrease in deferred tax assets	(1)	(49)
Increase/(Decrease) in deferred tax liability	(71)	8
(Increase)/Decrease in other assets	(102)	(121)
Increase/(Decrease) in trade and other payables	138	(2,669)
(Increase)/Decrease in trade and other receivables	(916)	(367)
	1,470	337
Net movement in loans	(2,579)	(9,677)
Net movement in deposits	30,216	2,680
Net cash provided by operating activities	29,107	(6,660)

NOTE 35

Company Details

The registered office of the company and the principal place of business is:
Summerland Credit Union Limited
101 Molesworth Street Lismore NSW 2480

NOTE 36

Events Subsequent to Balance Date

Contracts were exchanged on 30th June 2015 for the sale of an investment property which was settled on the 28th July 2015. The disposal of this property will be captured in the 2015-16 financial year.

Apart from this sale, there have been no further events in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the credit union, to affect significantly the operations of the credit union, the results of those operations, or the state of affairs of the credit union, in future financial years.

DECLARATION BY DIRECTORS

The Directors of 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 2015 and of its performance for the year ended on that date, and
   (ii) complying with Accounting Standards and the Corporations Regulations;

   (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
Chairman

Mr Graeme Green
Vice Chair

Lismore 28 September 2015

SUMMERLAND CREDIT UNION LIMITED
ABN 23 087 650 806
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 30 JUNE 2015

To the members of Summerland Credit Union Limited

Report on the Financial Report

We have audited the accompanying financial report of Summerland Credit Union Limited ("the Credit Union"), which comprises the balance sheet as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Credit Union.

Directors' Responsibility for the Financial Report

The directors of the Credit Union are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements of the Credit Union comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Credit Union's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. The Auditor's Independence Declaration required by the *Corporations Act 2001* has been provided to the directors of the Credit Union on as at the date of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Summerland Credit Union Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Credit Union's financial position as at 30 June 2015 and its performance for the year ended on that date; and

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

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

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Summerland Credit Union Limited for the financial year ended 30 June 2015 published in the annual report and included on the Credit Union's website. The Credit Union's directors are responsible for the integrity of the Credit Union's website. We have not been engaged to report on the integrity of the website. The auditor's report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

Dated at Lismore this 28th day of September 2015.

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS

....
A J BRADFIELD (Partner)
Registered Company Auditor

ABN 23 087 650 806
AFSL 239 238
Australian Credit Licence 239 238