ANNUAL REPORT 2016

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	

Executive Team

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

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
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

The 2015/2016 year saw a continuation of the challenging market conditions experienced in recent years with continuing high levels of unemployment and low wages growth impacting loan approvals.

The prospect of a federal election and potential changes to superannuation laws saw a reduction in consumer confidence toward the latter part of the year with many households and businesses delaying major expenditure. The longer eight week election campaign and change in budget timing to accommodate the election only added to this uncertainty.

Against these challenging conditions I am pleased to report your credit union has continued to perform well with solid results for the 2015/2016 year.

Financial performance

On the back of last year's successful results our credit union achieved a net profit of $3.3m in this financial year, highlighting Summerland's ability to adapt and respond to challenging market conditions while maintaining value for our customers.

This year saw our capital adequacy ratio increase to 16.71%, a strong and pleasing performance.

Summerland's assets under management grew to $631m with lending increasing to $472m, a growth of 2.4% over the previous financial year. Residential housing loans continue to be a significant proportion of our loan book with 90.7% of loans for residential purposes. Loans for business or commercial purposes grew to 5.7%.

Customer deposits increased by 3.1% to $555m as did customers taking advantage of our Banking Solutions for Football Fans initiative with loans growth of $7.9m compared to this time last year.

2015/2016 also saw the percentage of members aged between 18 and 49 reach 33%, with 40% of all new members between the ages of 18 and 49, ensuring a sustainable membership for the future.

A values based business

Summerland is a values based business which means our values of sustainability, community, ownership, respect and ethics (SCORE) underpin everything we do and all the decisions we make.

The board, management team and staff believe in these underlying principles, and that it is our responsibility as a community based organisation to approach everything we do in a sustainable and ethical way.

2015/2016 saw Summerland return $190k (6% of profit) to our communities through our sponsorship program, random acts of kindness initiative and staff volunteering.

These positive results are the culmination of 12 months hard work by our dedicated staff and I compliment them on behalf of the board.

Sustainability
As a financial institution economic sustainability is very much at the forefront of our business. However economic sustainability is only one aspect of our business, social and environmental sustainability are also vitally important.

This year we continued our efforts to further incorporate social and environmental sustainability into all aspects of our business, working with the NSW Office of Environment and Heritage in the Sustainability Advantage Program.

This includes working to ensure we are using our resources more efficiently, engaging staff to become an employer of choice, enhancing our communities through our sponsorship program and measuring our carbon footprint.

Our ethics and approach to the environment continues to attract new customers with 10% of customers joining Summerland doing so because of our philosophy.

Summerland continued to support our broader international community through the Credit Union Foundation Australia (CUFA). A gold supporter of CUFA for many years, Summerland's CEO Margot Sweeny is also chair of CUFA.

In 2015/2016 Summerland staff raised $5,400 to send two staff members to Cambodia to assist the financial literacy program run by CUFA.

Looking forward
The challenging conditions experienced in the last several years look set to continue with increased pressure on interest rates, slow wages growth and high levels of unemployment all likely to remain.

Against this backdrop our focus remains on continuing our efforts to improve efficiencies, maintain growth and support and enrich our communities.

Ensuring we have the right people to face these challenges and investing in technology to provide an exceptional and seamless banking experience for our customers is key to our future success.

Your board of directors and management team possess the expertise required to see the credit union prosper and importantly share a common goal of ensuring the sustainability of our credit union for future generations.

I would like to thank my fellow directors for their professionalism and valued contribution to the strategic and financial management of the credit union throughout yet another successful year.

Nicolas Harrison
Chairman

In 2015/2016 Summerland staff raised $5,400 to send two staff members to Cambodia to assist the financial literacy program run by CUFA

As a mutual banking organisation our customers are at the heart of everything we do. Underpinning our approach to customer experience are our values of sustainability, community, ownership, respect and ethics.

CHIEF EXECUTIVE OFFICER'S REPORT

Realising dreams

Despite what you might think Summerland is not in the business of providing loans and savings accounts. Our business is helping our customers achieve their financial goals and realise their dreams.

Let's be honest, no-one dreams of taking out a loan and going into debt. It's what that loan can help them achieve that they dream about - the new home, car or overseas holiday.

This year Summerland helped more than 2,000 customers achieve their dream of home ownership and more importantly we were happy to help 74 more on the road to financial freedom when they paid off their loans.

There is no doubt that the last few years have been challenging for many in our region and I am extremely proud of the work that our staff do to assist our customers manage through times of financial hardship.

Remaining vigilant

Identity fraud, phishing scams and other forms of fraud continue to increase. Fraud prevention remains a significant focus within the credit union.

Recognising the need for dedicated expertise, this year saw Summerland employ a full time Fraud Analyst whose sole focus is on monitoring transactions, identifying potential fraud and educating both our staff and customers on how to spot a potential scam and protect themselves against fraud.

Margot Sweeny
Chief Executive Officer

L to R: Graham Olrich, John Shanahan, Graeme Green, Nicolas Harrison, Katrina Luckie, David Bergmark, Paul Spotswood

Melissa Barbieri and Bangalow Football Clinic players

Archie Thompson and Nimbin students

Ben Roche at the recent FFV Administrators' Day

Thrive
Continuing our theme from last year of delivering an exceptional customer experience across all touchpoints this year Summerland introduced a series of initiatives under the banner of Thrive.

This program is built on the three pillars of delivering customer centric experiences by providing customer centric tools and supporting a customer centric culture.

Just some of the initiatives that fall under the Thrive banner include new on-boarding technology to enable customers to open accounts and be identified electronically, all from the comfort of their own lounge room, simplified business processes that empower our staff to make decisions and act on them and the continuation of our program to upgrade and refurbish our branches.

Banking Solutions for Football Fans
This year saw the appointment of Socceroos legend Archie Thompson and Matilda's legend Melissa Barbieri as brand ambassadors for Summerland's Banking Solutions for Football Fans.

Archie and Melissa have been working with us on a number of grass roots football initiatives to promote the game at a wider level, particularly through the Cash 4 Clubs program; which gives cash back to football clubs.

Both Archie and Melissa attended a number of football clinics where local football fanatics could attend and gain hints and tips from their heroes.

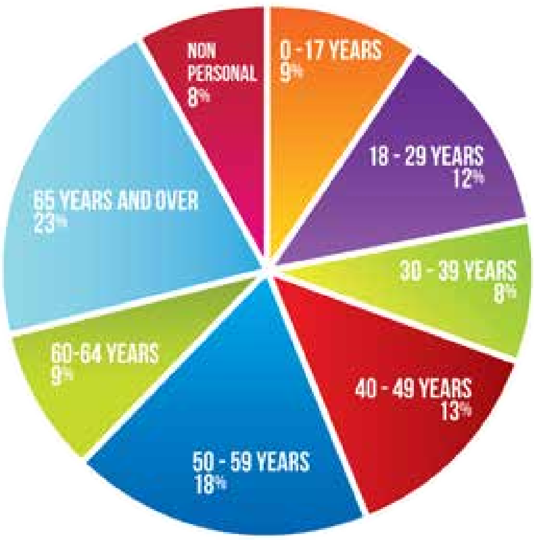
Also joining our team this year is Pararoo Ben Roche who has taken on the role of Business Manager for Summerland based in Melbourne.

Ben has an impressive track record having established a football mentoring program for children with disabilities that was replicated across Australia, and is a fantastic role model to young football fans encouraging those of all abilities to participate.

Ben continues to play for the Pararoos and this year will travel to Denmark for the Pararoos World Championship campaign.

Customers

Attracting a younger demographic remains a focus for our credit union where members aged 49 or younger grew to 42% this year.



Online engagement

Summerland has seen an increase in the number of people engaging with our credit union via social media (Facebook, Instagram and Twitter).

Unlike some businesses who discourage staff from using Social Media, we recognise the power of online engagement and encourage our staff to use social media to promote our credit union and connect with our communities.

At this year's Sales Conference we introduced our sales staff to Streaka, a social media platform that enables staff to send personalised short videos to customers. This has proven particularly useful when making contact with customers who may not reside in the area.

With the increased use of social media comes increased responsibility however. Summerland employ trusted banking advisors. This trust extends to their use of social media where we have introduced the concept of the three R's - Respect, Responsibility and Reputation when using social media.

More than ever customers are choosing to transact via our banking app and internet banking systems with registrations for our banking app increasing by significantly this year.

The key to attracting these customers is providing an engaging experience across digital, social and physical platforms.

More than ever customers are choosing to transact via our banking app and internet banking systems with registrations for our banking app increasing significantly this year.

Development

With the increase in customers choosing digital channels to access their finances our focus shifts further toward providing seamless digital banking experiences, innovative products and services.

Summerland are uniquely placed to take advantage of innovation with strong project management skills and a disciplined approach to managing change.

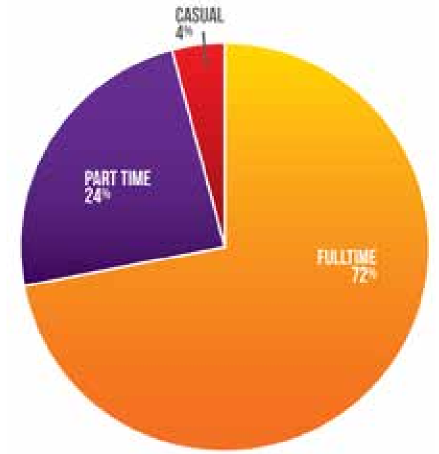
Over the past year we have undertaken a number of upgrades to existing systems, introduced a new internet lending system, MYOB and Xero transaction feeds, and commenced work on updating our website to make navigating and finding relevant information easier.

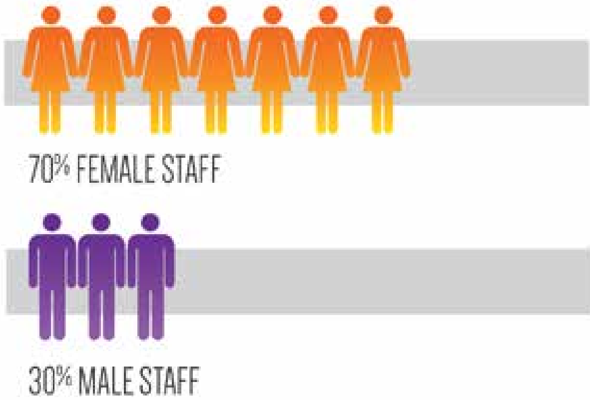
Future innovations include enabling customers to change their PIN via internet banking, Android/Apple Pay, further improvements to our website and internet banking system and new digital banking technology.

Rising Star Scholarship Recipients
L to R: Michaela Bowman, Caitlin Esposito and Moesha Johnson.

We continued our support of the Southern Cross University's Rising Star Scholarship Program, this year providing financial assistance to three recipients, allowing them to concentrate on their studies

STAFF PROFILE





Our staff are instrumental in our credit union's success and I couldn't be more proud of what they have collectively achieved this year. Our continued growth and strong financial performance could not have been possible without their professionalism and dedication to providing exceptional customer experiences.

Our people

Summerland aims to be seen as an employer of choice in our region and offers a number of initiatives to help support our staff achieve the work–life balance that is right for them.

Some of these benefits include an additional week's annual leave, flexible work arrangements and study leave.

We believe in providing our staff with the learning and development opportunities that allow them to grow the skills and knowledge they need to perform at the highest possible standard and this year we invested just over $119,000 on learning and development for our staff.

Our communities

At Summerland we are committed to supporting healthy, diverse and sustainable communities.

Summerland provides funds directly to various organisations through our sponsorship program, supplies equipment free of charge, and donates valuable staff skills and time.

Through the Random Acts of Kindness program, running for several years now, the credit union has provided financial or goods in kind assistance for people who find that life has thrown them a curve ball.

We also continued our support of the Southern Cross University's Rising Star Scholarship Program, this year providing financial assistance to three recipients, allowing them to concentrate on their studies.

In the last financial year our staff participated in 568 hours of volunteering, including more than 100 hours during work time, with staff also contributing more than 350 hours in the evenings and on weekends.

Our sustainability journey

Being a sustainable organisation means supporting our communities, our people, the environment and making sound and ethical decisions.

This year we continued along the path of becoming a more sustainable organisation achieving solid results on a number of key reporting benchmarks as shown over the page.

In April this year we held a number of focus groups seeking feedback from customers who had joined our credit union because of our environmental and ethical focus. We captured valuable information from these sessions that will inform our sustainability efforts including for example our approach to investments, recycling, and the role we play in our communities.

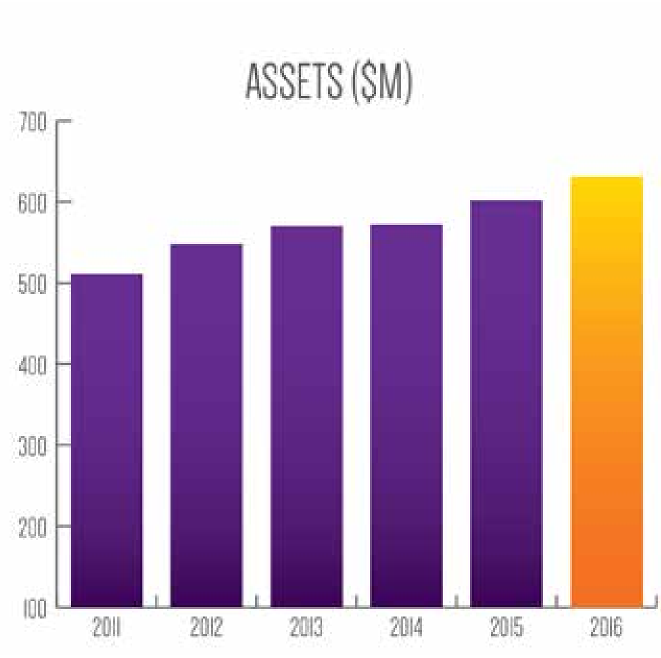
The key to our success

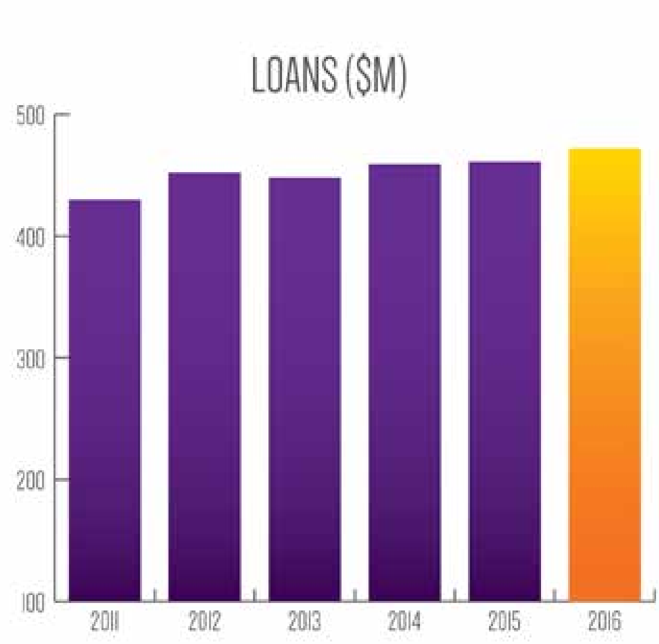
In closing I would like to recognise our staff for their commitment to providing our customers with exceptional banking experiences and thank our customers for your ongoing support of our credit union.

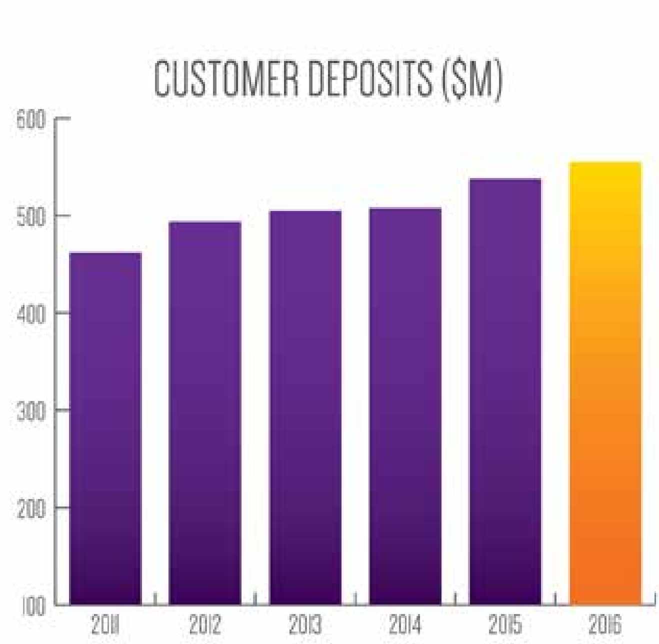
The key to our past and future success lies in the tireless dedication of our staff and continued support of our customers.

Margot Sweeny
Chief Executive Officer

FINANCIAL SNAPSHOT



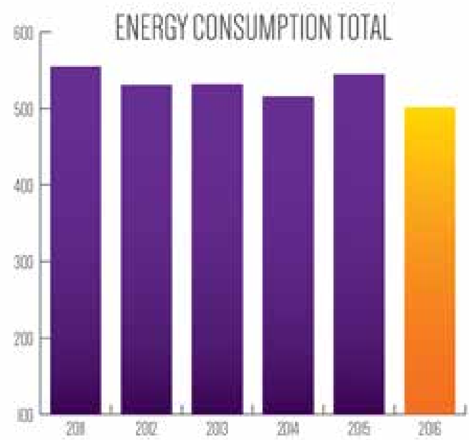




REPORTING AGAINST BENCHMARKS

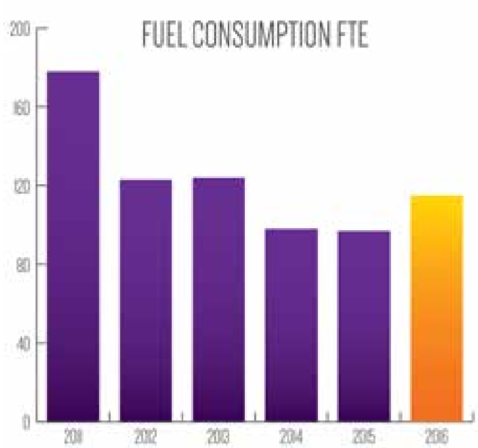
Power

In 2015/2016 Summerland used a total of 502,692 KwH of electricity; or 5,618 KwH per Full Time Employee, which was a decrease of 7% on the previous year. Power factor correction for our Head Office building created savings in electricity.



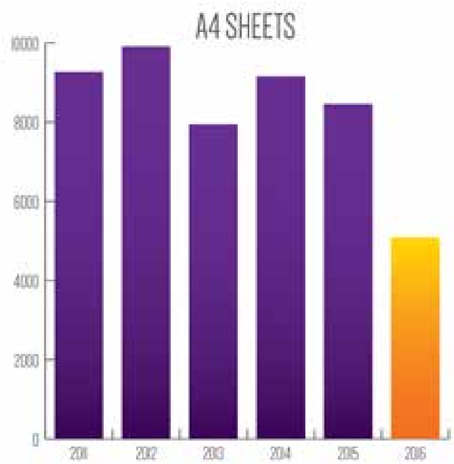
Vehicles

The corporate vehicle fleet used 10,281 litres of fuel; or 115 litres per Full Time Employee (FTE). This is an increase from the previous year accounted for due to increased activity in Victoria to support our Banking Solutions for Football Fans initiative.



Paper

Total paper usage for the 2015/2016 year was 5,090 sheets of normal copy paper per FTE staff member. Including paper statements to customers, total paper use decreased by 12% on the previous year due to both our recycling efforts and the increased take up of eStatements by our members.



Directors' report

Your Directors present their report on the credit union for the financial year ended 30 June 2016.

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

Information on Directors

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

Nicolas Harrison

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

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

Nicolas Harrison is a Barrister-at-law, Company Director, Director of the Customer Owned Banking Association and a Local Government Misconduct Investigator.

He is 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 37 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
Member, Risk Advisory Committee
Member, Governance Committee

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

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

Graham Olrich

Dip FS, Dip FS CUD, FAICD, FAMI

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

Graham Olrich currently runs his own management consultancy company.

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

He has held the top position in Australia's largest credit union; and is currently the Chair of Community Mutual Ltd (trading as Regional Australia Bank), and a Director of Australian Settlements Limited.

Paul Spotswood

B.Ec, MAMI, MAICD

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, Reed Elsevier, Australia.

Katrina Luckie

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

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

Katrina Luckie is the Business Development Manager for Northern Rivers Social Development Council and 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. Katrina champions and supports management with pursuing Summerland's environmental sustainability journey.

David Bergmark

BComm, MAICD, ICAA, F Fin, MAMI

Director since 2014
Member, Risk Advisory Committee

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

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

Director's meeting attendance

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

E = Eligible to Attend   A = Attended

Margot Sweeny

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

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 and Chair of CUFA Ltd.

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

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 (2015: $3.3m).

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

No 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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The credit union is permitted to round to the nearest one thousand ($'000) for all amounts except prescribed disclosures that are shown in whole dollars.

Auditors' independence

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

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

Mr Nicolas Harrison	***Mr Graeme Green***
Chair	*Vice Chair*

Lismore 28 September 2016

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 2016, 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 2016.

THOMAS NOBLE & RUSSELL

CHARTERED ACCOUNTANTS

....

A J BRADFIELD (Partner)

Registered Company Auditor

31 Keen Street (PO Box 106) | **Email**: enquiries@tnr.com.au | **Website**: www.tnr.com.au
Lismore NSW 2480 | **Phone**: Business Services +61 (0)2 6621 8544 | **Facsimile**: +61 (0)2 6621 9035
Audit & Assurance +61 (0)2 6626 3000

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 executive 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 Advisory Committee
- Board Governance Committee

The full Board currently holds at least 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 a Board Audit Committee that consists of three 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 (Chair)
- 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 advisory committee

The Board Risk Advisory 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
- 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 and corruption control program

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

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

Board governance committee

The responsibilities of the Board 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:

- Katrina Luckie (Chair)
- Graham Olrich
- Nicolas Harrison
- John Shanahan

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 may determine the number of directors provided that the number of member elected directors is no less than five (5) and the majority of the directors are ordinarily resident in Australia.

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 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 other Directors.

A person appointed to fill a casual vacancy under Rule 13.4 will hold the same term as the outgoing director they replaced.

A person appointed to fill a casual vacancy under Rule 13.4 must be endorsed by a resolution of members at the next AGM 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 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 for 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 Chair, 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 Code of Conduct is 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 code 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.

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		$'000	$'000
REVENUE			
Interest income	2	27,561	28,744
Interest expense	2	(11,821)	(14,393)
NET INTEREST INCOME		15,740	14,351
Non-interest income	3	4,460	4,669
EXPENSES			
Impairment expense	13	46	264
Employee benefits expense	4	(7,648)	(7,332)
Occupancy expense	4	(592)	(573)
Depreciation and amortisation expense	4	(790)	(695)
Other expenses	4	(6,483)	(5,838)
PROFIT BEFORE INCOME TAX		4,733	4,846
Income tax expense	5	(1,400)	(1,420)
PROFIT FOR THE YEAR		3,333	3,426
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit and loss			
Gain/(Loss) on cash flow hedges taken to equity		(73)	(87)
Items that will not be reclassified to profit and loss			
Movement in fair value of land and buildings		85	(55)
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		12	(142)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,345	3,284
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE CREDIT UNION		3,345	3,284

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

Balance Sheet

AS AT 30 JUNE 2016

	Note	2016	2015
		$'000	$'000
ASSETS			
Cash and cash equivalents	8	28,929	22,067
Trade and other receivables	9	4,512	4,080
Other assets	10	647	574
Financial assets held to maturity	11	113,394	102,961
Financial assets available for sale	12	2	1
Loans and advances	13	471,878	460,848
Investment property	16	4,547	5,671
Property, plant and equipment	15	5,465	5,142
Deferred tax assets	17	891	800
Intangible assets	18	639	643
TOTAL ASSETS		630,904	602,787
LIABILITIES			
Deposits	19	554,793	538,329
Trade and other payables	20	8,868	9,614
Derivatives	14	249	141
Borrowings – short term	24	10,000	-
Current tax liability	21	82	12
Deferred tax liabilities	22	765	669
Provisions	23	823	743
Borrowings – long term	24	1,610	2,910
TOTAL LIABILITIES		577,190	552,418
NET ASSETS		53,714	50,369
MEMBERS EQUITY			
Redeemable preference share capital account	25	482	468
Reserves	26	6,431	6,404
Retained earnings		46,801	43,497
TOTAL MEMBERS EQUITY		53,714	50,369

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2016

	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 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
BALANCE AT 1 JULY 2015	467	1,376	860	(96)	1,841	2,424	43,497	50,369
Profit for the year	-	-	-	-	-	-	3,333	3,333
Other comprehensive income	-	-	-	(73)	-	85	-	12
Transfers to / from retained earnings:								
- Redeemable preference share account	15	-	-	-	-	-	(15)	-
- Reserve for credit losses	-	-	-	-	14	-	(14)	-
BALANCE AT 30 JUNE 2016	482	1,376	860	(169)	1,855	2,509	46,801	53,714

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 2016

	Note	2016	2015
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		27,728	28,523
Other income		4,498	3,943
Interest paid		(12,613)	(14,796)
Payments to suppliers and employees		(15,108)	(14,148)
Movement in operating assets and liabilities			
Net movement in loans		(10,920)	(2,579)
Net movement in deposits		16,464	30,216
		5,544	27,637
Income taxes paid		(1,323)	(2,052)
Net cash provided by/(used in) operating activities	34 (c)	8,726	29,107
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for investments (net)		(10,433)	(24,290)
Payment for property, plant and equipment		(1,061)	(1,416)
Payment for intangibles		(275)	(182)
Proceeds - sale of non-current assets		1,207	(56)
Net cash used in investing activities		(10,562)	(25,944)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1,300)	(1,500)
Proceeds from borrowings		10,000	-
Net cash provided by/(used in) financing activities		8,700	(1,500)
Net increase/(decrease) in cash and cash equivalents held		6,863	1,663
Cash and cash equivalents at the beginning of the financial year		22,067	20,404
Cash and cash equivalents at the end of the financial year	34 (a)	28,929	22,067

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

NOTE 1

Statement of Significant Accounting Policies

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

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

Basis of preparation

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes information comply with International Financial Reporting Standards.

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

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.

(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 Nil (2015: $0.02m) 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 2016 is Nil (2015: $0.10m).

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

Plant and Equipment

Plant and equipment are measured 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 asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

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

(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 2016 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 over the expected useful life of the software typically linked to software contracts. These lives range from 3 – 5 years.

Other Intangible Assets

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

(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 2016 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 (Effective 1 January 2018)
2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2009)
2012-6	Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transitional Disclosures
2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
2014-1	Amendments to Australian Accounting Standards
2014-7	Amendments to Australian Accounting Standards arising from AASB 9
2014-8	Amendments to Australian Accounting Standards arising from AASB 9
	Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using IFRS 9 are to be measured at fair value.
15	Revenue from Contracts with Customers (Effective 1 January 2018)
2014-5	Amendments to Australian Accounting Standards arising from AASB 15
2015-8	Amendments to Australian Accounting Standards – Effective date of AASB 15
2016-3	Amendments to Australian Accounting Standards – Clarifications to AASB 15
	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.*
2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Effective 1 January 2016) *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 (Effective 1 January 2016) *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 (Effective 1 January 2016) *Clarification of existing principles with no material impact on the credit union.*
16	Leases (Effective 1 January 2019) *This standard may cause leases to be brought onto the balance sheet where the leases are considered to be fixed assets.* *There are limited exceptions relating to short-term leases and low value assets which may remain off-balance sheet.* *The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments.* *A corresponding right to use asset will be recognised which will be amortised over the term of the lease.* *Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges.*

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 2016 by the Board of Directors.

NOTE 2
Interest Income and Interest Expense

	2016	2015
	$'000	$'000
INTEREST REVENUE		
Cash and cash equivalents	384	400
Financial assets held to maturity	3,926	3,249
Loans	22,877	24,858
Derivatives	374	237
TOTAL INTEREST INCOME	27,561	28,744
INTEREST EXPENSE		
Deposits	11,225	13,821
Borrowings	150	308
Derivatives	446	264
TOTAL INTEREST EXPENSE	11,821	14,393

NOTE 3
Revenue

INTEREST INCOME	27,561	28,744
NON-INTEREST INCOME		
Fees and commissions	3,493	3,729
Bad debts recovered	28	22
Income from property (rent)	474	665
Fair value increase - investment property	251	107
Profit on sale of assets	2	9
Other	212	137
TOTAL NON-INTEREST INCOME	4,460	4,669
TOTAL REVENUE	32,021	33,413

NOTE 4
Profit Before Income Tax Expense

	2016	2015
	$'000	$'000
Profit before income tax expense has been determined after:		
EXPENSES		
Interest expense	11,821	14,393
NON-INTEREST EXPENSES		
Impairment of assets		
- loans and advances	(46)	(264)
Employee benefit expenses	7,648	7,332
Occupancy expenses	592	573
DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation expense		
- buildings	86	86
- plant and equipment	320	203
Amortisation expense		
- software	234	324
- leasehold improvements	150	82
	790	695
OTHER EXPENSES		
Fees and commissions	1,888	1,678
General and administration expenses	390	351
IT expenses	1,593	1,460
Loss on sale of assets	-	11
Other operating expenses	2,089	1,836
Rental expense on operating leases	523	502
	6,483	5,838
TOTAL NON-INTEREST EXPENSES	15,467	14,174
TOTAL EXPENSES	27,288	28,567

NOTE 5

Income Tax

	2016	2015
	$'000	$'000
Prima facie tax payable on profit at 30% (2015: 30%)	1,420	1,416
ADJUST FOR TAX EFFECT OF:		
Capital gain on property sale	-	24
Capital allowance deduction	(20)	(20)
Income tax expense attributable to the entity	1,400	1,420
Applicable weighted average effective tax rate	30%	30%
THE COMPONENTS OF INCOME TAX EXPENSE COMPRISE		
Current tax	1,429	1,453
Deferred tax	(29)	(33)
	1,400	1,420
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	(37)	17
Net movement on revaluation of cash flow hedges	32	37
	(5)	54
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% (2015: 30%)	15,163	13,834

NOTE 6

Remuneration of Auditors

	2016	2015
	$	$
Remuneration of the auditor for:		
• Auditing or reviewing the financial report	60,000	58,000
• Other services		
- taxation services	4,000	6,000
- compliance	32,000	32,000
Remuneration of other auditors:		
• Internal audit	123,651	69,916
	219,651	165,916

NOTE 7

Related Party Transactions

(a) Key management personnel

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

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

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

- Nicolas Harrison
- Graeme Green
- John Shanahan
- Graham Olrich
- Katrina Luckie
- Paul Spotswood
- David Bergmark

(b) Remuneration of key management personnel

	2016	2015
	$'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	1,580	1,437
(b) Post-employment benefits	106	86
(c) Other long-term benefits	26	37
	1,712	1,560

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.

	2016	2015
	$'000	$'000
The aggregate value of loans to KMP and other related parties as at balance date amounted to	1,886	1,971
The total value of revolving credit facilities to KMP and other related parties as at balance date amounted to	329	50
Less amounts drawn down and included above	(164)	(5)
Net balance available	165	45
During the year the aggregate value of loans and revolving credit facilities approved and/or disbursed to KMP and other related parties amounted to	410	1,494
Interest and other revenue earned on loans and revolving credit facilities to KMP and other related parties amounted to	71	102

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

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

Total value of term and savings deposits from KMP and other related parties	657	405
Total interest paid on deposits to KMP and other related parties	2	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 two 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 $140k (2015: $136k).

NOTE 8
Cash and Cash Equivalents

	2016	2015
	$'000	$'000
Cash on hand	1,610	2,137
Deposits with ADIs	27,319	19,930
	28,929	22,067

The effective interest rate on short-term bank deposits was 3.86% (2015: 3.38%); these deposits are all at call.

NOTE 9
Trade and Other Receivables

Accrued interest	841	1,008
Other receivables	39	62
Sundry debtors	3,632	3,010
	4,512	4,080

NOTE 10
Other Assets

Prepayments	647	574

NOTE 11
Financial Assets Held to Maturity

Deposits with ADIs	113,394	102,961

The effective interest rate on financial assets held to maturity was 3.09% (2015: 3.13%); these deposits have an average maturity of 180 days.

NOTE 12
Financial Assets Available for Sale

Shares in unlisted entities – at cost	2	1

NOTE 13

Loans and Advances

	2016	2015
	$'000	$'000
Gross loans and advances	472,048	461,127
Unamortised loan fees	(45)	(43)
	472,003	461,084
Provision for impairment	(125)	(236)
Net loans and advances	471,878	460,848

(a) Provisions for impairment

	2016	2015
Opening balance	236	640
Impairment expense	(46)	(264)
Bad debts written off	(65)	(140)
Closing balance	125	236

(b) Provision for impairment calculation

	2016	2015
Provision prescribed by Prudential Standards	111	207
Additional impairment provision	14	29
Closing balance	125	236

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

(c) Impairment expense

	2016	2015
	$'000	$'000
Movement in provisions for impairment	(46)	(264)
Bad debts written off	-	-
	(46)	(264)

(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

	2016	2015
Net impaired loans – refer 13(f)	8	396
Past due but not impaired – refer 13(g)	16,443	14,031
Neither past due or impaired – refer 13(h)	455,427	446,421
	471,878	460,848

(f) Impaired loans and advances

	2016	2015
	$'000	$'000
CREDIT RATING ANALYSIS		
Household		
- Owner occupied housing loans	91	477
- Investment housing loans	-	-
- Overdrafts	1	50
- Other personal purpose	39	101
Commercial	2	4
	133	632
Provision for impairment	(125)	(236)
Carrying amount	8	396

(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.

	2016	2015
AGING ANALYSIS		
1 to 89 days	15,436	13,355
90 to 181 days	7	137
182 to 272 days	603	215
273 to 364 days	397	186
365 days or more	-	138
Carrying amount	16,443	14,031
CREDIT RATING ANALYSIS		
Household		
- Owner occupied housing loans	11,792	10,740
- Investment housing loans	2,451	2,289
- Overdrafts	325	316
- Credit cards	50	-
- Other personal purpose	106	211
Commercial	1,719	475
Carrying amount	16,443	14,031

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

	2016	2015
	$'000	$'000
Household		
- Owner occupied housing loans	287,513	286,822
- Investment housing loans	94,595	96,715
- Overdrafts	1,747	2,170
- Credit cards	817	-
- Other personal purpose	40,427	37,848
Commercial	30,328	22,866
Carrying amount	455,427	446,421

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

	2016	2015
(i) Against individually impaired		
- Secured by mortgage over real estate	91	477
- Partly secured by goods mortgage	7	45
- Unsecured	35	110
	133	632
(ii) Against past due but not impaired		
- Secured by mortgage over real estate	16,126	13,628
- Partly secured by goods mortgage	91	113
- Unsecured	226	290
	16,443	14,031
(iii) Against neither past due nor impaired		
- Secured by mortgage over real estate	445,092	436,498
- Partly secured by goods mortgage	4,587	4,583
- Cash secured	1,626	1,872
- Unsecured	4,122	3,468
	455,427	446,421

	2016	2015
	$'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:

	2016	2015
- less than 80%	401,003	384,876
- more than 80% but mortgage insured	42,314	44,863
- more than 80% and not mortgage insured*	17,992	20,863
	461,309	450,602

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

	2016	2015
Book value of restructured loans at balance date	9,190	7,821
Book value of restructured loans which are well secured	9,072	7,714
Book value of restructured loans which are not well secured	118	107

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

	2016	2015
Interest rate swap contracts - cash flow hedge	249	141

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 4.75%. 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 0.19% above and equivalent to the 90 day bank bill rate which at balance date was 1.96% (2015: 2.15%).

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

	2016	2015
	$'000	$'000
Within 1 year	5,000	-
1 – 2 years	5,000	5,000
2 – 5 years	7,000	12,000
	17,000	17,000

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.

2016	Within 1 year	1-2 years	2-5 years
	$'000	$'000	$'000
Cash inflows	331	205	133
Cash outflows	414	259	161
Net cash flows	(83)	(54)	(28)

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)

NOTE 15

Property, Plant and Equipment

	2016	2015
	$'000	$'000
Land		
At fair value	315	315
Buildings & WIP		
At fair value	4,088	3,459
Work in Progress	-	506
	4,088	3,965
Leasehold improvements		
At cost	1,428	1,419
Work in Progress	168	-
Accumulated amortisation	(1,187)	(1,078)
	409	341
Plant and equipment		
At cost	1,675	1,544
Work in Progress	59	-
Accumulated depreciation	(1,081)	(1,023)
	653	521
Total Property, Plant and Equipment	5,465	5,142

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	3,965	521	341	5,142
Additions	-	453	390	218	1,061
Disposals	-	-	(3)	-	(3)
Depreciation expense	-	(153)	(255)	-	(408)
Amortisation expense	-	-	-	(150)	(150)
Revaluations	-	(177)	-	-	(177)
Carrying amount at end of the financial year	315	4,088	653	409	5,465

	2016	2015
	$'000	$'000
If land and buildings were stated at historical cost, amounts would be as follows:		
Cost	7,855	9,844
Accumulated depreciation	(3,587)	(4,481)
Net book value	4,268	5,363

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

NOTE 16

Investment Property

	2016	2015
Land		
At fair value	1,036	1,291
Buildings		
At fair value	3,511	4,380
Total Investment Property	4,547	5,671

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	1,291	4,380	5,671
Net revaluation increment/(decrement)	170	381	551
Disposals	(425)	(1,250)	(1,675)
Carrying amount at end of the financial year	1,036	3,511	4,547

NOTE 17

Deferred Tax Assets

	2016	2015
	$'000	$'000
Deferred tax assets comprise temporary differences attributable to:		
AMOUNTS RECOGNISED IN PROFIT AND LOSS		
Plant and equipment	238	211
Provision for impairment	38	71
Provision for employee benefits	405	358
Accrued expenses	125	107
Deferred loan fee asset	13	13
	819	760
AMOUNTS RECOGNISED DIRECTLY IN EQUITY		
Hedge reserve	72	40
Total deferred tax assets	891	800

NOTE 18

Intangible Assets

	2016	2015
COMPUTER SOFTWARE		
At cost	2,550	2,282
Accumulated amortisation	(2,102)	(1,908)
	448	374
Other Intangible Assets	310	356
Accumulated amortisation	(119)	(87)
	191	269
Total Intangible Assets	639	643

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	374	269	643
Additions	276	-	276
Amortisation expense	(202)	(78)	(280)
Carrying amount at the end of the financial year	448	191	639

NOTE 19

Deposits

	2016	2015
	$'000	$'000
At call deposits	343,792	293,241
(including withdrawable shares)		
Term deposits	211,001	245,088
	554,793	538,329

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	2,311	3,102
Sundry creditors and accrued expenses	559	775
Employee benefits - annual leave	526	452
Trade creditors	223	231
Clearing accounts	5,249	5,054
	8,868	9,614

NOTE 21

Current Tax

Current income tax payable	82	12

NOTE 22

Deferred Tax Liabilities

	2016	2015
	$'000	$'000
Deferred tax liabilities comprise temporary differences attributable to:		
AMOUNTS RECOGNISED IN PROFIT AND LOSS		
Investment properties	-	24
AMOUNTS RECOGNISED DIRECTLY IN EQUITY		
Land and buildings	765	645
Total deferred tax liabilities	765	669

NOTE 23

Provisions

Employee benefits - long service leave	823	743
ANALYSIS OF LIABILITY		
Expected to be settled within twelve months	52	63
Expected to be settled after twelve months	771	680
	823	743

NOTE 24

Borrowings

Borrowings	10,000	-
Subordinated debt	1,610	2,910
	11,610	2,910

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

	2016	2015
	$'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:

	2016	2015
Not longer than 1 year	476	613
Longer than 1 and not longer than 5 years	369	535
	845	1,148

The above amounts include $58k (2015: $78k) 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:

	2016	2015
Loans approved but not funded	8,851	7,488
Loan redraw facilities available	35,303	34,025
Undrawn overdraft and credit facilities	10,798	8,975
Total loan commitments	54,952	50,488

(d) Operating leases receivable

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

	2016	2015
Not longer than 1 year	406	542
Longer than 1 and not longer than 5 years	219	543
	625	1,085

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

The credit union is party to CUFSS. CUFFS is a voluntary emergency liquidity support scheme that mutual banks, credit unions and building societies participate in.

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

As a party to the CUFSS scheme, the credit union:
(i) may be required to advance funds of up to 3% (excluding permanent loans) of total assets to another Authorised Deposit-taking Institution (ADI) requiring financial support. There is a cap of $100 million (excluding permanent loans) on any requirement to advance funds to another ADI requiring financial support
(ii) may be required to advance permanent loans of up to 0.1% of total assets per financial year to another ADI requiring financial support
(iii) agrees, in conjunction with other participants, to fund the operating costs of CUFSS Limited.

The balance of the debt at 30 June 2016 was Nil (2015: Nil).

NOTE 29

Classes of Financial Assets and Liabilities

	2016	2015
	$'000	$'000

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

(a) Financial assets - measured at amortised cost

	2016	2015
Cash and cash equivalents	28,929	22,067
Trade and other receivables	4,512	4,080
Financial assets available for sale - unlisted shares at cost	2	1
Loans and advances	471,878	460,848
Financial assets held to maturity	113,394	102,961
Total	618,715	589,957

(b) Financial liabilities - measured at amortised cost

Deposits	554,793	538,329
Trade and other payables (excluding employee benefits)	8,342	9,160
Borrowings	11,610	2,910
Total	574,745	550,399

(c) Financial liabilities - measured at fair value

Derivatives	249	141

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 Advisory Committee to the Executive Management Team, which are integral to the management of risk.

(a) Market risk and hedging policy

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

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

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The credit union's exposure to 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.

	2016	2015
VaR after prepayments and hedges	$240,291	$174,463
VaR as % of capital	0.44%	0.35%

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 2016							
FINANCIAL ASSETS							
Cash and cash equivalents	28,929	-	-	-	-	28,929	3.48%
Trade and other receivables	-	-	-	-	4,512	4,512	
Financial assets available for sale	-	-	-	-	2	2	
Financial assets held to maturity	-	113,394	-	-	-	113,394	2.96%
Loans and advances	336,180	53,231	82,467	-	-	471,878	4.93%
TOTAL FINANCIAL ASSETS	365,109	166,625	82,467	-	4,514	618,715	
FINANCIAL LIABILITIES							
Deposits	343,496	205,253	5,748	-	296	554,793	2.00%
Trade and other payables	-	-	-	-	8,342	8,342	
Derivatives	-	-	-	-	249	249	
Borrowings	-	11,610	-	-	-	11,610	8.04%
TOTAL FINANCIAL LIABILITIES	343,496	216,863	5,748	-	8,887	574,994	
OFF BALANCE SHEET ITEMS							
Interest rate swaps	-	17,000	-	-	-	17,000	2.62%
Undrawn loan commitments	54,952	-	-	-	-	54,952	
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	

(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 and credit card facilities). The credit union reduces the risk of losses from loans to customers by engaging responsible lending practices. This includes verifying a borrower's capacity to repay, reviewing financial position and performance, and making reasonable inquiries about the borrower's requirements and objectives. Loan security is generally taken to 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			
	2016		**2015**	
Geographical Area	**%**	**$'000**	**%**	**$'000**
New South Wales	91	429,414	91	419,815
Queensland	7	33,932	8	35,141
Other	2	8,702	1	6,171

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 class for the credit union's investments are as follows:

Actual Rating	**2016** Balance $'000	**2016** Balance %	**2015** Balance $'000	**2015** Balance %
A-1+	37,290	27	26,013	21
A-1	25,546	18	12,440	10
A-2	57,694	41	73,261	60
Unrated – Settlement accounts	20,183	14	11,177	9
Total	140,713	100	122,891	100

(c) Liquidity risk

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

The credit union manages liquidity risk by:

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

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

The ratio of liquid funds is set out below:

	2016	**2015**
Liquid funds to total adjusted liabilities:		
- As at 30 June	19.27%	17.75%
- Average for the year	20.02%	17.46%
- Minimum during the year	18.14%	15.16%
Liquid funds to total deposits:		
- As at 30 June	21.97%	19.89%

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

Maturity profile of financial assets and liabilities

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

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2016							
FINANCIAL ASSETS							
Cash and cash equivalents	-	-	-	-	-	28,929	28,929
Trade and other receivables	-	-	-	-	-	4,512	4,512
Financial assets available for sale	-	-	-	-	-	2	2
Financial assets held to maturity	9,922	16,950	26,322	60,200	-	-	113,394
Loans and advances	5,531	8,140	22,461	53,110	374,132	8,504	471,878
TOTAL FINANCIAL ASSETS	15,453	25,090	48,783	113,310	374,132	41,947	618,715
FINANCIAL LIABILITIES							
Deposits	48,208	115,115	127,136	8,737	-	343,793	642,989
Trade and other payables	-	-	-	-	-	8,342	8,342
Borrowings	-	-	10,296	491	2,326	-	13,113
Derivatives	-	-	18	231	-	-	249
	48,208	115,115	137,450	9,459	2,326	352,135	664,693
Undrawn loan commitments	54,952	-	-	-	-	-	54,952
TOTAL FINANCIAL LIABILITIES	103,160	115,115	137,450	9,459	2,326	352,135	719,645
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	51	86,799	139,077	26,366	-	293,242	545,535
Trade and other payables	-	-	-	-	-	9,160	9,160
Borrowings	-	1,316	-	1,931	-	-	3,247
Derivatives	-	-	-	141	-	-	141
	51	88,115	139,077	28,438	-	302,402	558,083
Undrawn loan commitments	50,488	-	-	-	-	-	50,488
TOTAL FINANCIAL LIABILITIES	50,539	88,115	139,077	28,438	-	302,402	608,571

(d) Operational risk

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

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

(e) Capital management

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

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

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

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

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

The credit union's regulatory capital comprises two tiers:

Tier 1 Capital

Tier 1 Capital consists of:

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

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

Tier 2 Capital

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

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

Capital structure	**2016**	**2015**
	$'000	$'000
Net Tier 1 Capital	51,265	47,851
Net Tier 2 Capital	3,155	3,400
Total Capital Base	54,420	51,251
Total Risk Weighted Assets	325,723	315,406
Total Capital Ratio	16.71%	16.25%
Tier 1 Capital Ratio	15.74%	15.17%

Full disclosure of the regulatory capital and the remuneration disclosure are available on the credit union website http://summerland.com.au/

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.

Borrowings – long term

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

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:

	2016		2015	
	Carrying value	**Net fair value**	**Carrying value**	**Net fair value**
	$'000	$'000	$'000	$'000
ASSETS				
Cash and cash equivalents	28,929	28,929	22,067	22,067
Trade and other receivables	4,512	4,512	4,080	4,080
Financial assets available for sale	2	2	1	1
Financial assets held to maturity	113,394	113,394	102,961	102,961
Loans and advances	471,878	470,751	460,848	462,357
LIABILITIES				
Deposits	554,793	555,506	538,329	539,568
Trade and other payables	8,868	8,868	9,614	9,614
Borrowings	11,610	11,610	2,910	2,910
Derivatives	249	249	141	141

FAIR VALUE HIERARCHY

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

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

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

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

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

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

The table below categorises financial instruments and non-financial assets 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
2016				
Recurring fair value measurements				
Land and Buildings	-	4,403	-	4,403
Investment properties	-	4,547	-	4,547
Derivatives	-	249	-	249
2015				
Recurring fair value measurements				
Land and Buildings	-	3,774	-	3,774
Investment properties	-	5,546	-	5,546
Derivatives	-	141	-	141

There have been no significant transfers into or out of each level during the year ended 30 June 2016 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:

	2016	2015
	$'000	$'000
Cash and cash equivalents	28,929	22,067

(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

	2016	2015
	$'000	$'000
Profit after income tax	3,333	3,426
Non-cash flows in profit after income tax:		
Net Profit (Loss) on sale of assets	3	-
Revaluation of investment property	45	(165)
Depreciation and amortisation	791	695
Provision for loan impairment	(111)	(404)
Changes in assets and liabilities:		
Increase/(Decrease) in provisions	81	54
Increase/(Decrease) in interest payable	(791)	(403)
(Increase)/Decrease in interest receivable	167	(220)
Increase/(Decrease) in income taxes payable	70	(561)
(Increase)/Decrease in deferred tax assets	(91)	(1)
Increase/(Decrease) in deferred tax liability	97	(71)
(Increase)/Decrease in other assets	(74)	(102)
Increase/(Decrease) in trade and other payables	83	138
(Increase)/Decrease in trade and other receivables	(422)	(916)
	3,181	1,470
Net movement in loans	(10,920)	(2,579)
Net movement in deposits	16,464	30,216
Net cash provided by operating activities	8,725	29,107

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

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 2016 and of its performance for the year ended on that date, and
   (ii) complying with Accounting Standards and the Corporations Regulations 2001;

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

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

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

Mr Nicolas Harrison
Chair

Mr Graeme Green
Vice Chair

Lismore 28 September 2016

Thomas Noble & Russell
Accountants | Auditors | Business Advisers

SUMMERLAND CREDIT UNION LIMITED
ABN 23 087 650 806
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 30 JUNE 2016

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 2016, 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.

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 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 2016 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.

Dated at Lismore this 28th day of September 2016.

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