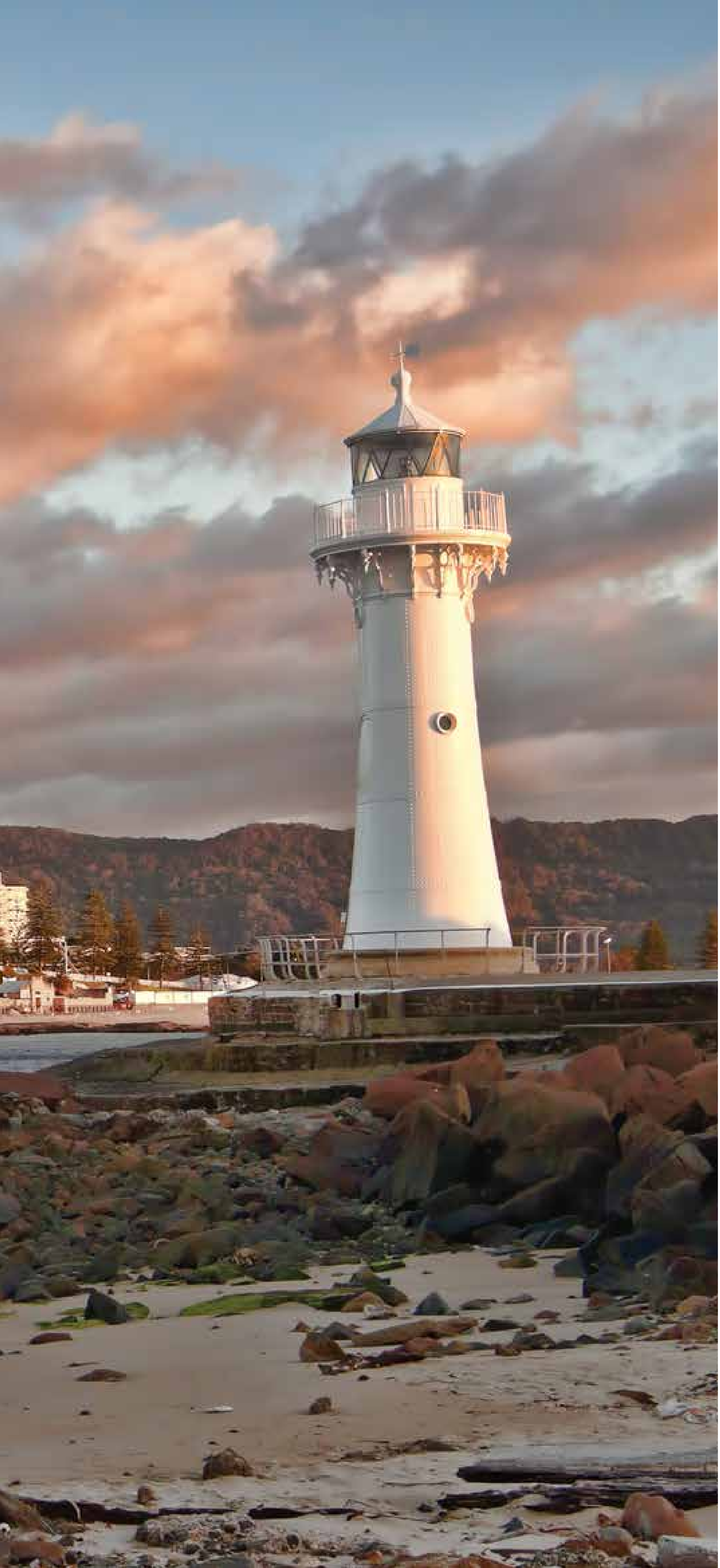


2016 Annual Report

Community Alliance Credit Union

your money, your way.

community alliance
credit union limited

Contents:

Our Story.

The beginning

Community Alliance Credit Union was formed by people who believe in the spirit of cooperation and mutuality. In 1972, Collieries Employees CU and Southern Mutual CU amalgamated to establish Illawarra Credit Union. Some 44 years later, the tradition of serving our members through good times and bad has remained at the heart of everything we do. We have also welcomed other mutuals into our family through mergers with Norwarra Credit Union, Unicom Credit Union (now Catalyst Money), Shoalhaven Paper Mill Employees' Credit Union and Western City Credit Union.

Dedicated to personal service and excellence, we continue to offer a range of banking solutions through our three community brands:

- Illawarra Credit Union;
- Catalyst Money; and
- Western City Credit Union.

illawarra credit union CATALYST MONEY Western City Credit Union

As a mutual, we invest in supporting our members and our local community. Unlike banks, our profits are reinvested into better products and services, so we can continue to offer great rates and lower fees.

We're committed to helping our members and their families achieve life-long financial success.

We provide our members with the tools and guidance they need to reach their financial goals. After all, we're committed to helping you manage ***your money, your way***.

1972 - The Credit Union's first office in Victoria Street, Wollongong.

2016 - The Credit Union's current head office in Young Street, Wollongong

Message from the Chairman.

Roger Downs

It is a privilege to present to you the Community Alliance Credit Union 2016 Annual Report.

As a mutual organisation we are owned by you, the members and exist to serve you, the members. While the principles of mutuality are increasingly challenged for their relevance in the modern financial services industry, the Board, management and staff of your credit union constantly keep in the forefront of our planning the ideal of better serving you, our members, in every way possible.

Much has changed and will continue to change in the way that your credit union serves you.

The financial services industry and specifically the banking industry continue to be severely impacted by difficult economic circumstances, an extraordinary level of competition and ever present challenges of technological change and potential industry disruptors.

In the face of these many challenges your credit union cannot and will not stand still but will continue to strive to provide the services you want and need in a manner that is efficient, accessible and still with the personal touch for which your credit union is well recognised.

In these times of economic turbulence and dramatic technological change it is no longer adequate to do things as we have always done them. Your credit union, its Board and management are committed to undertaking the necessary changes to ensure that your credit union and its services remain relevant and continue to honour its history whilst preparing for the future.

The CEO report and this Annual Report provide more detail on the transformative process that your credit union is going through in both large and small ways, including: a rejuvenated brand; refreshed, redesigned and upgraded service facilities; and an exceptionally large investment in technology, to further improve the way we serve you in ways that makes us industry competitive but still personal and accessible.

At the centre of the organisation is your Board – establishing and confirming strategy, monitoring progress and results and ensuring that lessons learnt (both good and bad) from implementation and change are used to further advance your credit union.

As the member's representatives the Board is charged with a significant responsibility.

As Chairman I am most fortunate in having a Board of exceptional directors. The Board comprises a diverse group of individuals and skill sets, all with strong commercial and professional backgrounds, personal high standards and a singular focus on ensuring your credit union is a leader in its class.

I thank the committee chairs and all directors for their focus, time and energy and their continued support and wise counsel to me as Chairman.

Key to the success of your credit union is the management and staff. It has been a fortunate year in which a very strong management team, led by the CEO, has achieved much and has committed to an extremely heavy agenda of future development.

There is an air of confidence at Board and management level for the future and a strong alignment and co-operative spirit between the Board and management has much to do with this confidence.

Your credit union is well governed, well managed and well positioned to face the challenges of the future in a highly competitive and highly regulated industry.

I thank the members for your continued support as we look forward to continuing to serve you.

Roger Downs, Chairman

Message from the CEO.

Bob Kotic

I'm pleased to report that in a challenging year for the industry we have performed well in all the key areas of our business.

However, before I give you a brief summary of our results I would like to take this opportunity to thank our members for their continuing support and to welcome our new members to what I hope will be a new and positive banking experience for you.

Financial Results

I invite you to review our financial results in detail, and if you are more inclined towards key performance indicators than I suggest a review of the 5 year financial summary is ideal.

While our operating profit has improved on the prior year by 14%, the highlight of the year was our loan sales performance where we grew our loan book by $116 million, a 28% increase. The success in our loan book growth also boosted our total assets by $85 million, an increase of 16%.

The last year has been an excellent year for us, especially in the context of the pessimistic forecasts of our regulators. We have taken the view that the best way for our business to prosper is to be optimistic about the future and invest for it strategically. Our investments have been in four key strategic areas; transformation, people, facilities, and technology.

Investment in Transformation

Following the rejuvenation of our Illawarra brand we launched a new device responsive website for Illawarra Credit Union to align our new brand and visual identity. We are in the process of updating our other brands, Catalyst Money and Western City Credit Union.

We are investing heavily into the digital marketing area of our business to ensure that we are both progressive and strategically relevant to our existing and new digitally empowered members' needs.

We undertook a comprehensive product fees simplification and complexity reduction program. The objective was clarity and simplicity for the benefit of both members and the staff serving our members.

Investment in People

Last year we continued to invest heavily ($226,000) into the growth and capability development of our people. Over the last few years we have changed our qualified staff profile from below 40% to just above 70%. We have also significantly rebalanced our staff age profile through the recruitment of outstanding local young people and graduates of the University of Wollongong. This strategy is essential if we are going to connect effectively with the digital economy that is accelerating in pace and growing in impact and scale.

Investment in Facilities

We have transformed the way we personally engage and interact with our members through the redesign and upgrade of our branches and head office infrastructure and facilities. We have developed the member welcome concept, so that when a member walks in to any of our branches, it is to a warm and welcoming environment, that also projects a modern and professional image. This has been an investment of $2.8 million over the last two years, with a further $550,000 committed to the 2016/17 year, so that we have a complete new and consistent look and feel to the whole organisation.

Investment in Technology

In today's world of banking we are completely dependent on the technology platform we use. To continue our transformation we are upgrading to a new core banking system so that we can remain at the forefront of member service quality, cost efficiency and effectiveness, and ensure state of the art security and reliability of systems.

We will make a considerable investment in upgrading our core banking platform over the next twelve months and expect to have it fully implemented and operational by this time next year.

We have an exciting year ahead of us and look forward to growing our new membership and serving our existing members with leading value products in both loans and savings, serviced by top class people using first class technology.

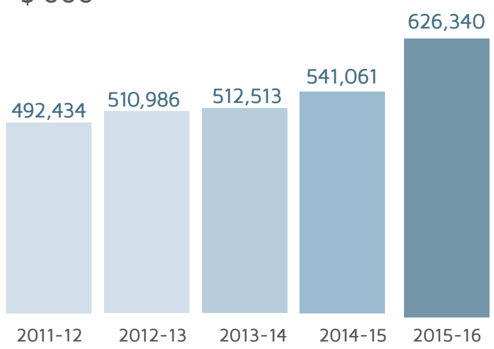
In conclusion, I would like to express my sincerest thanks to my staff, colleagues in management, and my directors, without whose support and contribution we could not have achieved the results of 2015/16.

Bob Kotic, CEO

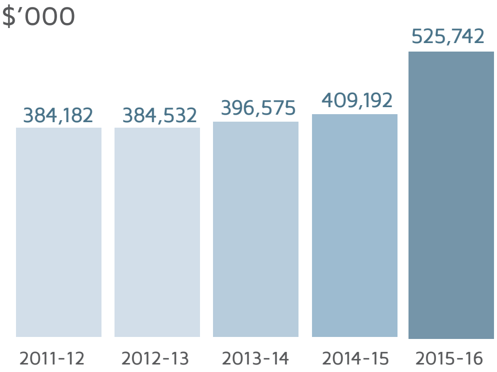
Five year financial summary.

Our performance

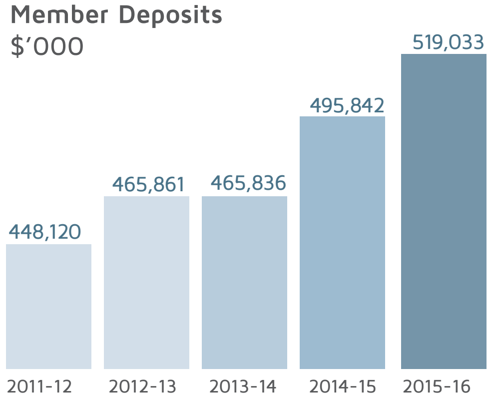
Total Assets
$'000



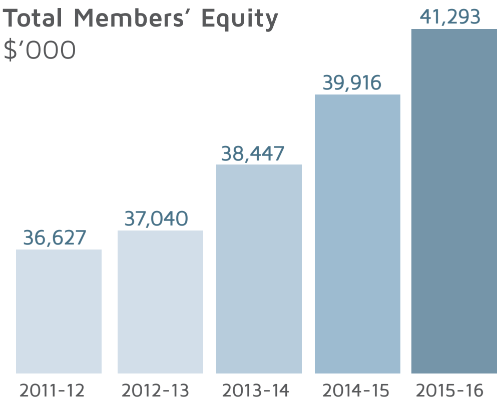
Loans to Members
$'000



Member Deposits
$'000



Total Members' Equity
$'000



	2015-16	2014-15	2013-14	2012-13	2011-12
INCOME STATEMENT	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total income	28,189	28,672	29,685	33,458	36,948
Interest income	23,142	24,441	25,259	28,810	32,020
Net interest income	12,876	12,670	12,528	12,712	12,969
Impairment losses on loans and advances	79	86	132	216	537
Operating expenses	16,000	15,850	14,926	15,703	15,505
Operating profit after tax	1,377	1,209	1,407	1,508	1,389
STATEMENT OF FINANCIAL POSITION	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total assets	626,340	541,061	512,513	510,986	492,434
Gross loans and advances to Members	525,742	409,192	396,575	384,532	384,182
Provision for loan impairment	157	192	272	261	677
Member deposits	519,033	495,842	465,836	465,861	448,120
Total Members' equity	41,293	39,916	38,447	37,040	36,627
RATIO ANALYSIS	**%**	**%**	**%**	**%**	**%**
Total revenue to average assets	4.83	5.44	5.80	6.67	7.61
Operating expenses to average assets	2.74	3.01	2.92	3.13	3.19
Net profit after tax to average assets	0.24	0.23	0.27	0.30	0.29
Net profit after tax to average equity	3.39	3.09	3.73	4.09	3.83
Net interest margin to average assets	2.28	2.45	2.53	2.67	2.67
Provision for loan impairment to average loans	0.03	0.05	0.07	0.07	0.18

Highlights.

Our year in review

We strive to add value to our members' lives through personalised service and a complete banking solution.

Award winning Products and Services

As a member-owned Credit Union, our focus has always been on our members and meeting their needs. 2015/16 saw the Credit Union focus on the review of our products, with our members' needs in mind. Our product suite was redesigned to cater to the changing banking habits and provide the flexibility required by our members. The Credit Union also designed and launched a suite of business banking products, which cater to the needs of local businesses.

We continuously strive to offer outstanding products and services. Illawarra Credit Union and Catalyst Money were once again awarded a 5 Star CANSTAR rating for our 1 year Home Loans (residential and investment loans). This is a great honour and demonstrates that we continue to provide exceptional products to our members.

Illawarra Credit Union was also awarded a MOZO Experts Choice award for our home loan products including our Fixed home loan, Variable home loan, Variable Invest home loan and our offset home loan product.

New look Member Centres

2015/16 saw the roll-out of our new look member centre in a number of locations around the Illawarra region. Our local branches were transformed into a modern member centre, featuring an open plan and relaxed design, modern banking facilities and meeting rooms for private conversations with our loans and service consultants.

The member centres also incorporate digital technologies and self-service banking technologies, so, our members can take care of their banking needs independently or with the assistance of our team.

Experience a new way of banking, where you're in control of your financial future.

Community.

Where we live and work

As a mutual we are dedicated to giving back to the community in which we live. We have a long history of supporting our community and this has continued throughout 2015/16. In the past year, we have supported various schools, charities and sporting groups, including:

Australia Day Aquathon and Splash 'n' Dash Festival

Once again Illawarra Credit Union was the major sponsor of the annual Australia Day Aquathon and the Splash 'n' Dash festival. The Credit Union was thrilled to sponsor such high profile events that strive to promote health and wellbeing within the local community. Both events also raised money for local initiatives, such as Anglicare, KidzWish and the Leukaemia Foundation. It's been a privilege to be a part of these two events over the past six years.

Legacy Business and Community Luncheon

Known for its generosity and support, Legacy is a fantastic charity which supports retired and injured service members as well as the families of our fallen veterans; including around 80,000 widows and 1,800 children. Illawarra Credit Union is proud to have been given the opportunity to support Legacy Illawarra and the many families this charity assists.

Mission Australia OpShop Ball

The OpShop Ball, hosted by Mission Australia, was a success again this year, with all money raised going directly to support the activities that support those in need. Mission Australia is a not-for-profit organisation that assists over 300,000 Australians each year. Illawarra Credit Union is proud to have sponsored the event for the fourth year.

KidsFest Shellharbour

Children's health and wellbeing is an area the Credit Union always strives to support. KidsFest Shellharbour embodies all of the values and lessons we aim to communicate to young people within our community. The event brings together children aged between 0-12 years and promotes the importance of physical and mental wellbeing in children.

Supporting education:

Para Meadows School (providing education support for children with special needs from Kindergarten to Year 12).

Community initiatives:

Salvation Army (supporting the Christmas Toy Appeal and Business Appeal).

Supporting charities:

Movember
Cancer Council
Cure Brain Cancer Foundation
St Vincent De Paul

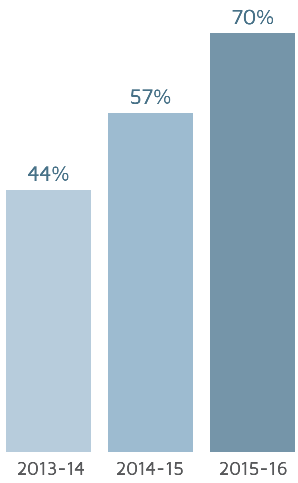
Symbio Wildlife Park

Over the past ten years, Illawarra Credit Union and Symbio Wildlife Park have partnered together to create awareness of endangered species through the Wildlife Saver Program. We are proud that this long-standing initiative not only helps teach kids good saving habits, but continues to create awareness of the conservation programs run by Symbio Wildlife Park, supported by our Credit Union. Without these initiatives, future generations will be unable to witness endangered animals such as the Red Panda. To find out more about the Wildlife Saver Program visit **wildlifesaver.com.au**

Our people.
Creating opportunities

The culture our people create reflects the values of the Credit Union – Loyalty & Integrity; Family & Community; Personal Service & Excellence. We are committed to providing our people a positive, safe and fulfilling work environment to enable them to achieve their best and reach their full potential, for the benefit of our members. Our people strive daily to deliver service excellence, products, systems and processes to help our members achieve their financial goals.

Credit Union tertiary qualified staff over the last three years.



Education
Further education and specialised learning is important to enhancing the capability of our people and the overall performance of the Credit Union. Supported by the Credit Union, and requiring significant personal effort, 70% of staff now have one or more tertiary qualification ranging from the Certificate 4 level to Postgraduate University qualifications. We have also been developing our staff through continuous improvement and specialised lending training so that the Credit Union can be an effective financial services organisation providing a real alternative to banks in the Illawarra.

Internships
Over the year we engaged with the University of Wollongong to host four internships and to employ several undergraduates on cadetships in our finance and operations areas. We also had four young staff from the Shoalhaven, Illawarra and Macarthur regions complete Financial Services Traineeships – earning their Certificate four in Banking Services and developing a range of valuable workplace skills. Utilising the great depth and breadth of talent in the Illawarra we will continue focusing on recruiting local young people where possible.

Diversity
We proudly advocate for the company performance and social benefits of a diverse workforce including gender, cultural background, language, age, carer responsibilities and disability. The Credit Union supports diversity through flexible work arrangements with part-time, varying working hours and work from home options available where practical for the role. We complete annually a compliance report to the Workplace Gender Equality Agency and are compliant with the Workplace Gender Equality Act 2012.

Employee Engagement
Achieving a high level of employee engagement is important to creating a positive culture and fostering higher levels of performance. Whilst staff surveys across the year saw improvements in engagement, communication and leadership, we will continue to work on strengthening these aspects. Our philosophy rests on the principles that engaged employees are the foundation of great member service.

Health and Safety
The health and safety of our people is not just a legal requirement, it is part of our value system. The Credit Union sees helping employees improve their overall wellbeing as another element to achieving their best, personally and professionally. During the year we recorded no lost time injuries. We also held several wellbeing initiatives including health checks and flu vaccines.

Community
Community involvement remains a key element of employee engagement and our people were involved in many fund raising efforts including The Smith Family clothing bin, Salvation Army Christmas gifts, attending fundraising events for Legacy Illawarra and many other local community events.

Innovation.

Improving our digital experience

We aim to provide a seamless banking experience, so members can manage their finances online.

Website

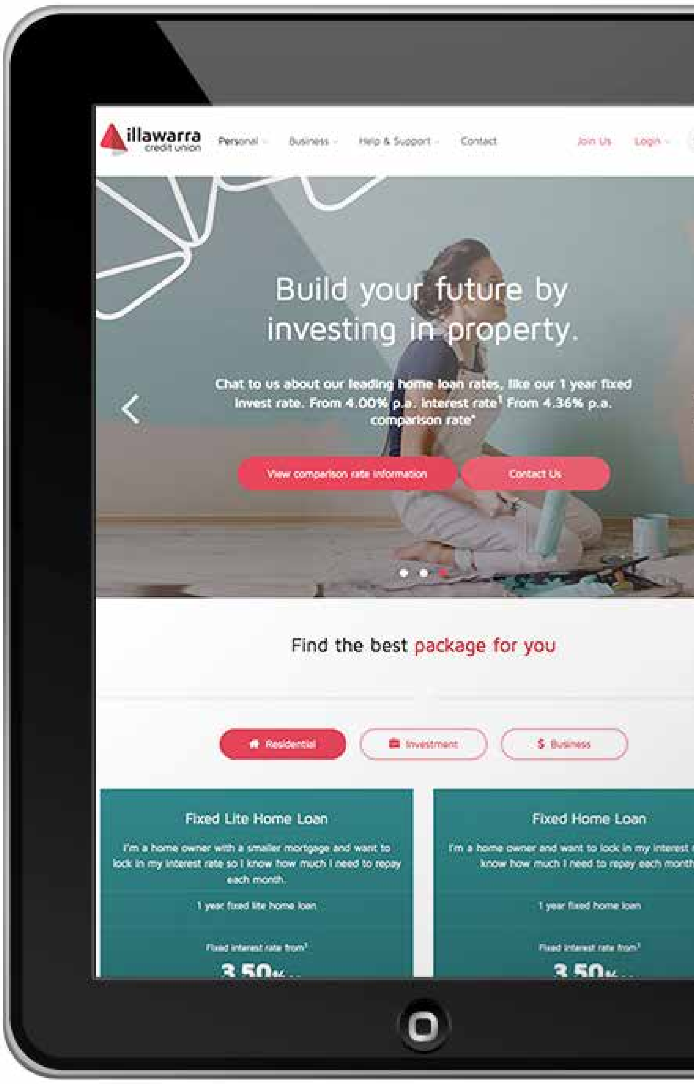
2015/16 saw the launch of a new website for Illawarra Credit Union. Responsive to all devices, the new website provides members with the information they need at the touch of a button. To view the new look website, visit **illawarracu.com.au**

Go paperless - Switch to e-statements

In 2015/16 the Credit Union took significant steps forward to reduce our carbon footprint whilst providing a seamless banking experience for our members. The Go Paperless campaign, which was launched at the end of the financial year, aimed to transition existing members from paper statements to e-statements. Members who opt in for e-statements are able to view their statements online, when it is convenient for them. The uptake from members switching to e-statements thus far has been promising and the initiative will continue into the new financial year.

moneytree upgrades

Further developments have been made to the Illawarra Credit Union and Catalyst Money smartphone banking app, money**tree**. The app, which is available for both iPhone and Android devices, has been embraced by members since its launch in 2014. The upgrades have given members more freedom when banking online.



money**tree** is available to download from the App Store and Google Play.

Download on the App Store

GET IT ON Google Play

Annual Financial Report

2016 Financials
30 June 2016

ABN 14 087 650 771

community alliance
credit union limited

Your Directors present their report on Community Alliance Credit Union Limited ("the Credit Union") for the financial year ended 30 June 2016.

The Credit Union is a public company registered under the *Corporations Act 2001*.

Information on Directors

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

Mr Roger Downs B Comm, LLB, Dip Mgt, MAMI

Mr Downs joined the Board in 2010 and became the Chair of the Board in November 2014. He was a member of the Governance Committee until November 2015. Roger is currently Chair of the Remuneration Committee and a member of the Board Risk Committee and Board Audit Committee.

Chair

Ms Mary Youssif B Comm, MStudAccy, FCPA, AGIA, ACIS, MAMI

Ms Youssif joined the Board in 1990 and chaired the Audit and Risk Management Committee from 1994 to 1997. She was Chair of the Board between 2008 and 2014. Mary is currently the Chair of the Board Risk Committee and a member of the Board Audit Committee.

Director

Mr Anthony Abela FIPA, FAMI, GAICD

Mr Abela joined the Board in 2008. He has been a member of Audit and Risk Committees since 2008, and during 2010 assumed Chair of the Audit and Risk Management Committee. As of November 2014 he became Chair of the Board Audit Committee and a member of the Board Risk Committee as two committees were established.

Director

Ms Nieves Murray BA (Psych), MSc (Commty Hlth), MBA, MAMI, FAIM

Ms Murray was appointed to the Board in 2013 and was a member of the Board Audit Committee and Board Risk Committee until November 2015. She is currently a member of the Governance Committee and the Remuneration Committee.

Director

Mr Peter Kell AM, Dip Law, MAMI

Mr Kell was appointed to the Board in 2013 and is Chair of the Governance Committee and a member of the Remuneration Committee.

Director

Ms Deborah De Santis BA (Mgmt/Psych), MA (Journ), GAICD, MAMI

Ms De Santis joined the Board on 26 March 2014 as an Associate Director and became a Director in November 2014. She is a member of the Governance Committee and Remuneration Committee.

Director

Mr Michael Halloran M Bus (Mgmt), GAICD, FAMI

Mr Halloran joined the Board in November 2014 as a director. He is a member of the Board Audit Committee and the Board Risk Committee.

Director

Information on Company Secretary

Ms Emma Anderson is the Chief Risk Officer and was appointed to the position of Company Secretary in May 2015.

Company Secretary

Information on Board Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Credit Union during the financial year were:

Director	Board		Board Risk Committee		Board Audit Committee		Governance Committee		Fit & Proper Committee *		Remuneration Committee	
	E	A	E	A	E	A	E	A	E	A	E	A
R Downs	10	9	2	2	2	2	2	1	1	1	2	2
M Youssif	10	9	4	4	4	4					1	1
A Abela	10	10	4	4	4	4						
N Murray	10	9	2	1	3	2	2	2			1	1
P Kell	10	9					4	4	1	1	2	2
D De Santis	10	10					4	4			2	2
M Halloran	10	10	4	4	4	4						

*Fit & Proper Committee meeting was conducted with one Director and two independents

E – Eligible to attend

A - Attended

Board Remuneration

Directors are remunerated by fees determined by the Board within the aggregate amount approved by members at the Annual General Meeting. The aggregate amount of Directors' fees (including superannuation) for the year ended 30 June 2016 was $229,548 (2015: $222,763). The amount of Directors' fees excluding superannuation in 2016 was $209,633 (2015: $203,528) which is in accordance with the resolution made at the 2015 Annual General Meeting.

Director's Benefits

No Directors have received or become entitled to receive, during or since the end of the financial year, a benefit because of a contract made by the Credit Union 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 27 of the financial report.

Indemnifying Directors, Officers or Auditors

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 a Director or Officer of the Credit Union. In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities are prohibited by a confidentiality clause in the contract.

Principal Activities

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

Operating Results for the Year

The net profit of the Credit Union for the year after income tax is $1,377,000 (2015: $1,209,000) representing an increase of 13.90% from the previous year.

The results for the financial year were underpinned by:

- An increase in Net Income of 6.05% to $17,923,000 from $16,901,000 in the previous year; and
- An increase in Operating Expenses of 0.90% to $16,079,000 from $15,936,000 in the previous year.

The end of year result was impacted by a one off item being the gain on sale of Cuscal Shares of $2,454,000.

All prudential capital requirements have been satisfied throughout the year. A reconciliation of the Credit Union's regulatory capital and other prudential disclosures are published at www.cu.com.au/financial-documents-2.html.

Significant Changes In State of Affairs

There were no significant changes in the state of affairs of the Credit Union during the financial year.

Significant Events After the Balance Date

On the 19th August 2016 the Credit Union entered into a contract with Ultradata Australia Pty Ltd for the provision of a licence for the Ultracs Core Banking software. In accordance with normal commercial practice, disclosure of the terms of this contract is prohibited by a confidentiality clause in the contract.

There have been no other significant events occurring after the balance date which may affect the Credit Union's operations or the results of those operations.

Likely Developments and Expected Results

No other matter, circumstance or likely development in the operations, 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 financial report is presented in Australian Dollars. The Credit Union is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section *307C of the Corporations Act 2001* is set out following the Director's Report on page 21.

Signed in accordance with a resolution of the Directors:

R. Downs	A. Abela
Chair of the Board	Chair of the Board Audit Committee

Signed at Wollongong 31st August 2016

CORPORATE GOVERNANCE STATEMENT
For the Year ended 30 June 2016

The Board and Management of the Credit Union are committed to acting responsibly, ethically and with the highest standards of integrity to ensure the activities of the Credit Union are continually structured and delivered in a manner that allows us to meet the needs of our members.

To achieve these sound corporate governance principles, appropriate business practices and policies have been adopted by the Board and embedded throughout the Credit Union.

The Board is continually working to improve our governance policies and practices both at Board level and throughout the organisation. While our mutual values remain constant, we know we must adapt our business practices to ensure we meet our obligations as a responsible financial institution in a rapidly changing world.

The Board has carefully considered and implemented a 'fit and proper' framework in accordance with relevant legislation that endeavours to ensure the Directors and Senior Managers are appropriate persons to lead the Credit Union. The 'fit and proper' framework deals with matters such as minimum competencies, professional development, independence and performance.

Minimum Competencies

Board Policy sets out the minimum competencies regarding personal attributes, character, skills and knowledge that each responsible person must bring to the Credit Union. The Board undertakes an annual director skills gap analysis to ensure the Board has the right mix of skills.

Director Development

Relevant Board Policy outlines the knowledge requirements for Directors and provides the high level guidelines for new Director induction as well as the standards for ongoing Director development. Each Director is expected to achieve a minimum of 60 hours of skills development per three year cycle.

Independence

Board Policy requires Directors to be independent in both judgement and action. Each Director is required to be independent in their thinking which must be maintained over time such that the Director makes their own judgement based on what is in the best interests of the Entity. It is each Director's responsibility to maintain and demonstrate their independence. The Board assesses each Director's independence by reference to the requirements contained within APRA Prudential Standard CPS 510 and the guidelines set out in the ASX Corporate Governance Committees Principles of Good Corporate Governance and Best Practice Recommendations. The Board has adopted a charter that addresses issues relating to conflicts of interest and the manner in which they are required to be reported, managed and disclosed. Other than approved Director remuneration, the Directors do not offer, seek or accept benefits in the performance of their duties.

In the event that a potential conflict of interest arises, the Director in question must withdraw from all debate and decisions concerning the matter unless the Board resolves that the relevant interest or conflict should not disqualify the Director from being present and/or voting.

Performance

Established Board Policy requires an annual review of performance of the Board. The Board undertakes an annual assessment of its collective performance, and a biennial assessment of its committees and individual directors.

Structure of the Board

The size and composition of the Board is determined by the Board subject to the limits set out in the Credit Union Constitution and Board Policy.

As at 30 June 2016, the Board comprised seven Non-Executive Directors. All Directors are shareholding members of the Credit Union. Board members are elected by the members or appointed in accordance with the Credit Union Constitution. All elected Directors hold a three year term, and directors appointed to the Board may hold a term of no longer than three years. The Chair of the Board is a member-elected Non-Executive Director.

It is also important to ensure that the Board is able to operate independently of Senior Management. Each of the Directors are independent of management. This means that they are free from any relationship (for example, a business interest in a supplier or competitor of the Entity), which could materially interfere with the exercise of their independent judgement and their ability to act in the best interests of the Credit Union.

Refer to page 13 of this report for the names of Directors who held office at any time during or since the end of the financial year.

Role of the Board

The Board comprises of Non-Executive Directors, and in particular, the Board:

- Provides strategic direction including contributing to the development of and approving the corporate strategy;
- Monitors the effectiveness of the corporate governance framework;
- Appoints the Chief Executive Officer;
- Monitors the performance and approves the remuneration of the Chief Executive Officer;
- Reports to members and ensures that all regulatory requirements are met;
- Oversees financial performance and monitors business performance against the approved Strategic Plan;
- Oversees internal controls and processes for identifying areas of significant business risk;
- Monitors compliance with regulatory and statutory requirements and the implementation of related policies;
- Makes decisions in relation to major expenditures, acquisitions or merger opportunities; and
- Ensures the Credit Union’s business is conducted ethically and transparently.

Committees of the Board

The Board has established five standing committees as described below. These committees consider various matters and make recommendations to the Board. Each committee’s authority and responsibilities are set out in their individual committee charters, as approved by the Board. Other special purpose committees may be established from time to time to consider matters of particular importance. Committee members are chosen for the skills, experience and other pertinent qualities they bring to each particular committee role.

The Board Audit Committee, Board Risk Committee and the Governance Committee meet at least four times a year or more frequently as required. The Remuneration Committee meets as required, but at least annually, to consider and make recommendations or decisions on matters within their terms of reference. The Fit and Proper Committee meets annually or more often if required.

Committee Chairs give verbal reports to the Board at the next Board meeting and the Board reviews and notes the minutes of all committee meetings. All information prepared for the consideration of committees is also available to the Board.

Standing committees in operation at any time during or since the end of the financial year were:

Board Audit Committee

The Board Audit Committee was established to oversee the financial reporting and audit frameworks of the Credit Union. Its role includes:

- Monitoring audit reports received from internal and external auditors and management's responses thereto;
- Determining with the auditors (internal and external) on the scope of their work and experience in conducting an effective audit; and
- Ensuring the external auditors remain independent in the areas of work conducted.

Board Risk Committee

The Board Risk Committee was established in line with APRA's Prudential Standard CPS 220 to oversee the risk framework of the Credit Union. Its role includes:

- Ensuring a sound risk culture exists in the organisation from the top down;
- Monitoring matters of risk management and prudential and other reporting obligations; and
- Monitoring compliance with applicable laws.

Governance Committee and the Remuneration Committee

The Governance Committee and the Remuneration Committee assist the Board in adopting and implementing good corporate governance in the areas of the Chief Executive Officer's appointment, Director and Chief Executive Officer remuneration, Director elections, Director and Chief Executive Officer performance reviews, oversight of the 'fit and proper' framework, monitoring the size and composition of the Board, and developing Chief Executive Officer succession plans.

Fit and Proper Committee

The Board has a Fit and Proper Committee as part of the Governance Committee.

- It is a standing committee formed to assist the Board in the selection, review and assessment of the fitness and propriety of the following:
    i. In the case of a Director standing for election or director nominee
    ii. In the case of an Associate Director nominee or appointed member of a Board Committee nominee.
- The Committee was formed to comply with the requirements of APRA's Prudential Standard CPS 520 in 2006;
- The Committee consists of the Chair of the Board, except where he/she is a candidate for election in that year, and two suitably qualified independent external nominees; and
- All current Directors were assessed in accordance with the Credit Union's Fit & Proper Policy.

Governance Standards

The Board acknowledges the need for, and continued maintenance of, the highest standards of corporate governance, and therefore adopts practices including:

- An annual review of Board performance;
- Active participation by all Directors at all meetings and open access to information;
- Regular Senior Management reporting to the board;
- The Chief Executive Officer and Chief Financial Officer provide assurance on the accuracy and completeness of financial information and the adequacy of risk management processes;
- The Senior Managers provide assurance to the Board that the business of the Credit Union has been conducted ethically and that all dealings have been conducted transparently with the Board;
- The transparency of information to members through publication of regular notices on the Credit Union's website – www.cu.com.au; and
- The gearing of Board policies towards risk management to safeguard the assets and interests of the Credit Union.

Internal and External Audit

External Audit
The external audit is performed by KPMG.

Internal Audit
The internal audit function is performed by Deloitte.

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of Community Alliance Credit Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Richard Drinnan

Partner

Wollongong

31st August 2016

STATEMENT OF FINANCIAL POSITION
For the year ended 30 June 2016

	Note	2016	2015
		$'000	$'000
Assets			
Cash and cash equivalents	16a	**10,771**	15,302
Other financial assets	13	**20,521**	28,173
Loans and receivables	14	**586,429**	489,239
Property, plant and equipment	10	**6,956**	6,702
Net deferred tax assets	9	**36**	90
Intangible assets	11	**839**	691
Other assets	17	**788**	864
Total Assets		**626,340**	**541,061**
Liabilities			
Deposits	19	**580,833**	497,342
Payables	22	**2,736**	2,342
Income tax payable	9	**409**	156
Provisions	21	**1,069**	1,305
Total Liabilities		**585,047**	501,145
Net Assets		**41,293**	39,916
Equity			
Reserves	18	**2,713**	2,563
Retained profits		**38,580**	37,353
Total equity attributable to members of the Credit Union		**41,293**	39,916

The accompanying notes should be read in conjunction with these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Interest revenue	6	**23,142**	24,441
Interest expense	6	**(10,266)**	(11,771)
Net interest income		**12,876**	12,670
Other income	7	**5,047**	4,231
Net income		**17,923**	16,901
Net impairment on loans and receivables		**(79)**	(86)
Personnel expenses	8	**(7,135)**	(7,665)
Depreciation and amortisation expenses	8	**(972)**	(768)
Data and transaction processing expenses		**(1,277)**	(1,259)
Information technology expenses		**(1,635)**	(1,405)
Property expenses		**(1,231)**	(1,114)
Marketing expenses		**(818)**	(716)
Office expenses		**(659)**	(707)
Loss on disposal of assets		**(96)**	(133)
Other corporate expenses		**(2,177)**	(2,083)
Total operating expenses		**(16,079)**	(15,936)
Profit before income tax		**1,844**	965
Income tax (expense)/benefit	9	**(467)**	244
Profit after tax		**1,377**	**1,209**

The accompanying notes should be read in conjunction with these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 30 June 2016

	Note	2016	2015
		$'000	$'000
Profit after tax		**1,377**	1,209
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Gain on revaluation of land and buildings	18	-	260
Other comprehensive income, net of income tax		-	260
Total comprehensive income		**1,377**	1,469

The accompanying notes should be read in conjunction with these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

	Note	General reserve for credit losses	Redeemed share capital reserve	Revaluation reserve	Retained earnings	Total
		$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2015		1,050	234	1,279	37,353	39,916
Total comprehensive income for the year						
Profit after tax		-	-	-	1,377	1,377
Total other comprehensive income	18	-	-	-	-	-
Total comprehensive income for the year		-	-	-	1,377	1,377
Transfers between reserves	18	146	-	-	(146)	-
Total transfers		146	-	-	(146)	-
Transactions with members, recorded directly in equity						
Shares from closed memberships transferred from retained earnings	18	-	4	-	(4)	-
Total transactions with members		-	4	-	(4)	-
Balance as at 30 June 2016	18	1,196	238	1,279	38,580	41,293

Amounts are stated net of tax

The accompanying notes should be read in conjunction with these financial statements.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the year ended 30 June 2016

	Note	General reserve for credit losses	Redeemed share capital reserve	Revaluation reserve	Retained earnings	Total
		$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2014		1,067	230	1,019	36,131	38,447
Total comprehensive income for the year						
Profit after tax		-	-	-	1,209	1,209
Total other comprehensive income	18	-	-	260	-	260
Total comprehensive income for the year		-	-	260	1,209	1,469
Transfers between reserves	18	(17)	-	-	17	-
Total transfers		(17)	-	-	17	-
Transactions with members, recorded directly in equity						
Shares from closed memberships transferred from retained earnings	18	-	4	-	(4)	-
Total transactions with members		-	4	-	(4)	-
Balance as at 30 June 2015	18	1,050	234	1,279	37,353	39,916

Amounts are stated net of tax

The accompanying notes should be read in conjunction with these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2016

	Note	2016	2015
		$'000	$'000
Cash flows from operating activities			
Interest received		**23,258**	24,550
Dividends received		**136**	232
Other cash receipts in the course of operations		**2,484**	3,014
Interest paid		**(10,437)**	(12,154)
Cash paid to suppliers and employees		**(14,652)**	(14,959)
Net income tax (paid)/refund		**(159)**	430
Net loans disbursed		**(116,876)**	(12,816)
Net increase in deposits		**83,491**	27,506
Net cash (used in)/from operating activities	16b	**(32,755)**	15,803
Cash flows from investing activities			
Net movement in deposits with ADI's and held to maturity investments		**25,623**	(14,419)
Proceeds from sale of other investments		**4,090**	-
Proceeds from sale of property, plant, equipment and investment property		**-**	4,408
Payments for property, plant and equipment, and intangibles		**(1,489)**	(2,322)
Net cash from/(used in) investing activities		**28,224**	(12,333)
Cash flows from financing activities			
Finance lease principal repayments		**-**	(1)
Net cash (used in) financing activities		**-**	(1)
Net (decrease) / increase in cash held		**(4,531)**	3,469
Cash and cash equivalents at the beginning of the year		**15,302**	11,833
Cash and cash equivalents at the end of the year	16a	**10,771**	15,302

The accompanying notes should be read in conjunction with these financial statements.

Note Contents

1. Reporting entity

Community Alliance Credit Union Limited ("the Credit Union") is a company limited by shares, incorporated and domiciled in Australia.

The address of the Credit Union's registered office is 38-40 Young St, Wollongong. The Credit Union operates predominantly in retail banking within NSW.

The Credit Union is a for-profit entity and is primarily involved in the provision of financial products, services and associated activities to members.

2. Basis of preparation

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Directors on 31st August 2016.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items in the statement of financial position which are measured at fair value:

- Freehold land and buildings

The methods used to measure fair values are discussed further in Notes 3, 4 and 5.

Functional and presentation currency

The financial report is presented in Australian Dollars. The Credit Union is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Notes 3(f), 8, 15 and 23 – impairment; and
- Notes 3(b), 5 and 10 – valuation of land and buildings.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, available for sale investments, loans and receivables, including loans to members and other authorised deposit taking institutions (ADI's), held to maturity investments, deposits from members, wholesale deposits and payables. These non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Credit Union becomes party to the contractual provisions of the instrument. Financial assets and liabilities are recognised on the date that they originate or the trade date at which the Credit Union becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised if the Credit Union's contractual rights to the cash flows from the financial assets expire, or if the Credit Union transfers the financial asset to another party without retaining substantially all the risks and rewards attached to the asset.

Financial liabilities are derecognised if the Credit Union's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Credit Union's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Available for sale investments

The Credit Union's investment in equity securities are classified as available for sale financial assets.

Available for sale investments are initially recognised at trade date and measured at fair value plus transaction costs. Gains and losses arising from subsequent changes in fair value are recognised directly through other comprehensive income and presented within the available for sale revaluation reserve. When the asset is derecognised or impaired the cumulative gain or loss in equity is transferred to profit or loss.

Investment securities available for sale consist of securities that are not actively traded and are intended to be held for an indefinite period of time. Such securities are available for sale and may be sold should the need arise, including liquidity needs or impacts of changes in interest rates.

Unlisted equity investments are those investments in equity securities that do not have a quoted market price in an active market and the Credit Union does not intend to sell immediately or in the near term. When no market value is readily available, fair value cannot be reliably measured and the instrument is recorded at cost.

Held-to-maturity financial assets

As the Credit Union has the positive intent and ability to hold debt securities to maturity, such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest rate method, less any impairment losses.

3. Significant accounting policies (continued)

a) Financial instruments (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and the Credit Union does not intend to sell immediately or in the near term. Such assets are recognised initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses. Loans and receivables comprise loans to members, trade and other receivables.

Deposits

Deposits, being member savings, term investments and wholesale deposits are measured at amortised cost and are recognised as the aggregate amount of money owing to depositors. The amount of interest accrued at balance date is shown as part of payables.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments

During the year the Credit Union did not hold any derivative financial instruments to hedge its interest rate risk exposures.

b) Property, plant and equipment

Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amounts of plant and equipment and are recognised in profit or loss.

Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Credit Union and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of the asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

3. Significant accounting policies (continued)

b) Property, plant and equipment (continued)

The estimated useful lives for the current and comparative periods are as follows:

- Plant and equipment 2 - 10 years
- Leased plant and equipment 3 - 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Land and buildings

The category of land and buildings is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any increase in fair value is recorded in other comprehensive income and accumulated in equity under the Asset Revaluation Reserve. Any decrease in fair value is recognised in other comprehensive income to the extent of any credit balance in the Asset Revaluation Reserve, otherwise the decrease is recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings 40 years

c) Intangible assets

Computer Software

Where computer software costs are not integrally related to associated hardware, the Credit Union recognises them as an intangible asset where they are clearly identifiable, can be reliably measured and it is probable they will lead to future economic benefits that the Credit Union controls. The Credit Union carries capitalised computer software assets at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated over the cost of the asset less its residual value. Amortisation is recognised in the profit and loss on a straight-line basis over the estimated useful life of the software from the date that it is available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. All other software assets are being amortised on a straight-line basis over their useful life, usually for a period of 4 years.

Subsequent expenditure on capitalised software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

d) Leased assets

Leases in terms of which the Credit Union assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Statement of Financial Position.

3. Significant accounting policies (continued)

e) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Loans and receivables impairment

All loan assets are subject to recurring review and assessed for possible impairment. The Credit Union considers evidence of impairment at both a specific and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets (carried at amortised cost) with a similar risk profile.

In assessing collective impairment, the Credit Union's provision for loan losses is based on an incurred loss model, which recognises a provision where there is objective evidence of impairment at each balance date, even where the impairment event cannot be attributed to individual exposures.

Objective evidence that the financial assets may be impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not otherwise consider, indications that a borrower has or will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or economic conditions that correlate with defaults by borrowers.

The loss model adopted by the Credit Union considers historical trends of the probability of default, timing of recoveries and the amount of loss incurred. The Credit Union also gives consideration to whether the current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

All impairment losses (bad debts) are written off in the period in which they are identified. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the profit or loss.

Available-for-sale

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to the application of the effective interest method are reflected as a component of interest income.

3. Significant accounting policies (continued)

e) Impairment (continued)

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Held-to-maturity financial assets

The Credit Union considers evidence of impairment at both a specific and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets (carried at amortised cost) with a similar risk profile.

Non-financial assets

The carrying amounts of the Credit Union's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, the CGU.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

f) Employee benefits

Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which the Credit Union pays contributions into a separate entity and will have no legal or constructive obligations to pay further amounts.

Obligations for contributions to defined contribution superannuation funds are recognised as a personnel expense in profit or loss in the periods during which services are rendered by employees.

Short-term benefits

Liabilities for employee benefits which represent present obligations resulting from employees' services provided to reporting date and are calculated at amounts based on remuneration, wage and salary rates that the Credit Union expects to pay as at reporting date, including related on-costs such as workers compensation, superannuation and payroll tax.

3. Significant accounting policies (continued)

f) Employee benefits (continued)

Non-accumulating non-monetary benefits, such as motor vehicles and subsidised goods and services, are expensed based on the net marginal cost to the Credit Union as the benefits are taken by the employees.

Long service leave

The liability for employee benefits for long service leave represents the present value of the estimated future cash outflows to be made by the Credit Union resulting from employees' services provided in the current and prior financial reporting periods, as at balance date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history, and is discounted to determine its present value. The unwinding of the discount is treated as long service leave expense.

Termination benefits

Termination benefits are expensed at the earlier of when the Credit Union can no longer withdraw the offer of those benefits and when the Credit Union recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

g) Provisions

A provision is recognised if, as a result of a past event, the Credit Union has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Make good provision

A make good provision is recognised in respect of the branches that the Credit Union leases under operating leases. It is the present value of the cash outflows the Credit Union expects to incur to make good the site upon finalisation of the operating lease.

h) Revenue recognition

Except as described below, revenue is recognised to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured. The principal sources of revenue are interest income, commission income and fee income. Revenues are recognised at fair value of the consideration received net of the amount of any Goods and Services Tax ("GST") payable to the Australian Taxation Office ("ATO").

Interest income

Interest income arising from loans and receivables and held-to-maturity investments is recognised in the profit or loss using the effective interest rate method. Other interest income is recognised in the profit or loss when earned.

Commission and fee income

When the Credit Union acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Credit Union. Commission and fee income is recognised in the profit or loss when the relevant service is provided (except for loan origination fees as described below).

Loan origination income

Revenue received in relation to the origination of loans is deferred and recognised in the Statement of Profit or Loss and Other Comprehensive Income, as an increase in loan interest income, on a yield basis over the expected life of

3. Significant accounting policies (continued)

h) Revenue recognition (continued)

the loan. The balance outstanding of the deferred origination income is recognised in the Statement of Financial Position as a decrease in the value of loans outstanding. In the case of revenue received in relation to the origination of mortgage loans, the revenue is recognised in the profit or loss when the loan is originated, as this income relates to valuation and legal expenses incurred by the Credit Union as a result of loan origination.

Dividends

Dividend revenue from equity investments is recognised in profit or loss when received/receivable.

Rental income

Rental income from leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

Other revenue

Other revenue is recognised when the service is provided, or when the fee in respect of the service provided is receivable.

i) Expenses

Interest expense

Interest expense arising from member deposits, interest bearing liabilities, unwinding of discounts on make good or other provisions, is recognised in the profit or loss using the effective interest rate method.

Loan origination expenses

Expenses incurred directly in the origination of loans are deferred and recognised in the profit or loss as a reduction to loan interest income, on a yield basis over the expected life of the relevant loans.

The balance outstanding of the deferred origination expenses is recognised in the Statement of Financial Position as an increase in the value of loans outstanding.

Operating lease payments

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the lease expense and spread over the lease term.

j) Finance lease payments

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

k) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. Significant accounting policies (continued)

k) Income tax (continued)

Deferred tax is recognised in respect of providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities are to be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable income will be available against which temporary differences can be utilised. Deferred tax assets arising from carried forward tax losses are reviewed annually to ensure that the right to carry forward those losses still exists. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

l) Goods and services tax

Financial services are deemed to be exempt from GST in the hands of the consumer. However, the Credit Union industry is only entitled to claim a reduced input tax credit (RITC) on the costs of a specified list of services used to make "Financial Supplies".

Revenues, expenses and assets are recognised net of the amount of GST, except as discussed in the paragraph above, 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 the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

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 that are recoverable from, or payable to, the ATO are classified as operating cash flows.

m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016, and have not been applied in preparing these financial statements. Those standards with the most significant potential impact on the financial statements are outlined below:

AASB 9 *Financial Instruments*, which becomes mandatory for the Credit Union's 2019 financial report, and introduces new requirements for the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. The Credit Union does not plan to adopt this standard early and the extent of the impact has not yet been determined.

AASB 16 *Leases*, which becomes mandatory for the Credit Union's 2020 financial report, replaces AASB 17 Leases and some lease related interpretations and requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases. The Credit Union does not plan to adopt this standard early and the extent of the impact has not yet been determined.

AASB 15 (2015) *Revenue from contracts with customers*, which is likely to be mandatory for the Credit Union's 2019 financial report, and introduces new requirements for determining whether, how much and when revenue is recognised. The Credit Union does not plan to adopt this standard early and the extent of the impact is expected to be minimal.

4. Financial risk management

a) Introduction and overview

The Credit Union has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

This note presents information about the Credit Union's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Board Risk Committee, which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board of Directors on its activities. Management has established the Risk Management Team that contributes to the oversight of risk management and regularly reports to the Board Risk Committee on their activities.

Risk management policies are established to identify and analyse the risks faced by the Credit Union, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Credit Union activities. The Credit Union, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Risk Committee oversees how management monitors compliance with the Credit Union's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Credit Union. The Board Audit Committee is assisted in its oversight role by Compliance and Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee and the Board of Directors.

b) Credit risk

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Credit Union's loans and receivables to members and other ADIs and investment securities.

Management of credit risk

The Board of Directors has delegated responsibility of the day-to-day management of credit risk to its Lending Services Team, Collections Team and the Risk Management Team.

Credit risk is the potential for loss arising from a borrower or counterparty failing to meet their contractual financial obligations. This risk is inherent in the Credit Union's lending activities as well as transactions involving derivatives. Credit risk is managed principally through embedded controls upon individual lending groups such as branches, call centres and business development. Lending is carried out within the parameters of lending policies (covering approvals, documentation and management), which have been developed having regard to statistical data and historical risk experience.

4. Financial risk management (continued)

b) Credit risk (continued)

Management of credit risk (continued)

To maintain the quality of the lending portfolio, prudential standards have been followed and lending policies have been established.

Credit processes are typically structured so that loan origination, approval, document preparation, settlement and account monitoring and control are segregated to different individuals or areas. Credit must be evaluated against established credit policies and be structured, particularly in terms of security, to be prudent for the risk incurred. The Lending Services Team assesses credit beyond the lending authorities of lending groups and/or outside normal policies and guidelines. The Collections Team also assesses specific provision requirements where loan default has occurred and manages impaired assets in arrears with the aim of achieving the optimum result from such assets. Impaired assets in arrears are also referred to a third party Collections Agency with the expertise to achieve optimum results from such assets. The Risk Management Team regularly reviews credit quality, arrears, collective and specific provisions and reports to the Board of Directors.

The Risk and Internal Audit personnel regularly test internal controls and adherence to credit policies and procedures.

The Credit Union applies standard credit risk assessment criteria to all extensions of credit, from credit scoring systems for basic retail products to complete credit assessment for commercial and business loans.

The quantification of credit risk is performed by analytical tools and models, which provide estimates of the probability of default. The output from this analysis provides support for the Collective Provision for Doubtful Debts.

Management regularly reports to the Board of Directors on arrears, portfolio analysis and stress testing, all approvals with an exception to policy, and all staff loans.

Settlement Risk

Settlement risk is the risk of loss due to the failure of any counterparty to honour its contractual obligations. The Credit Union's operations may give rise to this risk at the time of settlement of transactions, but this risk is mitigated for certain types of transactions by conducting settlements through a settlement/clearing agent to ensure that a transaction is settled only when both parties have fulfilled their contractual settlement obligations.

Loans and receivables

The Credit Union offers fixed and variable rate mortgage loans, commercial loans, personal loans and revolving credit facilities to members being primarily householders, including some small business and corporate clients. Credit risk arises from the possibility that the borrower will not adhere to the repayment terms of the loan contract.

Counterparty risk for investments in financial instruments is limited to Australian owned banks, APRA regulated foreign subsidiary banks and other APRA regulated ADIs. The Credit Union has invested in a number of unrated Building Societies, Credit Unions and Mutual Banks, as well as other APRA regulated entities rated by Standard and Poors.

Impairment losses

The Credit Union establishes an allowance for impairment losses that represents its estimate of incurred losses in its loans and receivables portfolio and other financial assets. A component of this allowance is a specific provision component attributable to individually significant exposures, and a collective provision established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans and receivables and other financial assets subject to individual impairment.

4. Financial risk management (continued)

b) Credit risk (continued)

Impaired loans and receivables

Impaired loans and receivables are those that the Credit Union has determined it is probable they will be unable to collect the entire principal and interest due according to the contractual terms of the loan agreement.

As at balance date there were no loans identified as individually impaired (2015: $0).

Past due but not impaired loans

This relates to loans and receivables where contractual interest or principal payments are past due but the Credit Union believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Credit Union. A loan is considered to be past due when a contractual payment falls overdue by one or more days. When a loan is classified as past due, the entire loan balance is disclosed in the past due analysis.

Loans with renegotiated terms

Loans with renegotiated terms are those loans that have been restructured due to deterioration in the borrower's financial position and where the Credit Union has made concessions that it would not otherwise consider.

During the financial year loan balances totalling $460,000 were renegotiated (2015: $2,007,000).

Write-off policy

The Credit Union writes-off a loan balance when the Collections Team determines that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire balance. These debts can be referred to a third party agency for further recovery action.

Collateral

The Credit Union holds collateral against loans and advances to members in the form of interests over property, other registered securities over assets and guarantees. Mortgage insurance contracts are entered into in order to manage the credit risk around the residential loan mortgage portfolio, where the loan to value ratio exceeds 85%. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral is not held over loans and receivables to other ADI's and held to maturity investments.

c) Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Credit Union's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Credit Union's reputation.

Liquidity standards set by the Board of Directors ensure that in addition to meeting the minimum requirements set by APRA, further liquid funds are available as required. It is a continuing objective of the Credit Union to maintain a stable funding base. The Credit Union's liquidity position is monitored on a daily basis. The Credit Union has an overdraft facility in place to adequately manage liquidity.

4. Financial risk management (continued)

c) Liquidity risk (continued)

Management of liquidity risk (continued)

The Credit Union’s Risk Management Team assists with the oversight of asset and liability management – including liquidity risk management. The Credit Union’s liquidity policies are approved by the Board of Directors after endorsement by the Risk Management Team and the Board Risk Committee. Liquidity policies address liquidity management including the observance of trigger levels, stress testing and cash flow forecasting. Stress testing is performed over at least the next 12 months in advance and involves various scenarios including ones that are significantly worse than those that have been observed in the past.

d) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices, will affect the Credit Union’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Credit Union’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Credit Union’s operations.

The Credit Union’s objective is to manage the operational risk so as to balance the avoidance of financial losses and damage to the Credit Union’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Credit Union standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the reporting of operational losses and proposed remedial action;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with the Credit Union’s standards is supported by a programme of periodic reviews undertaken by Compliance and Internal Audit. The results of Compliance and Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board Audit Committee and senior management of the Credit Union.

4. Financial risk management (continued)

f) Capital management

Regulatory capital

APRA sets a prudential capital requirement (PCR) for each ADI that sets capital requirements in excess of the minimum capital requirement of eight percent. A key input into the PCR setting process is the Credit Union's Internal Capital Adequacy Assessment Process (ICAAP). The PCR remains confidential between each ADI and APRA in accordance with accepted practice. The Credit Union calculates capital requirements by analysing various major risks faced by the Credit Union and ensuring appropriate levels of capital are maintained to cover those risks. Major risks considered include credit risk, interest rate risk, liquidity risk, operational risk, reputational risk and economic risk.

The Credit Union's regulatory capital is analysed in two tiers:

- Tier 1 capital, which includes retained profits and the property revaluation reserve after deductions for certain capitalised expenses, intangible assets, investments in other ADI's and net deferred tax assets, and
- Tier 2 capital, which includes collective impairment allowances.

The Credit Union's policy is to maintain adequate capital to protect the interests of members, cover risk and support future growth. The Credit Union has complied with all externally imposed capital requirements throughout the period.

The Credit Union's regulatory capital position at 30 June was as follows:

	2016	2015
	$'000	$'000
Regulatory capital	40,154	37,722
Risk weighted assets	280,042	228,928
Regulatory capital expressed as a percentage of total risk weighted assets	14.34%	16.48%

5. Determination of fair values

A number of the Credit Union's accounting policies and disclosures require the determination of fair values. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash and cash equivalents

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

Payables

The carrying amount approximates fair value as they are short term in nature.

5. Determination of fair values (continued)

Loans and receivables

The fair values of loans and receivables, excluding impaired loans, are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The nominal interest rates used have been applied to all interest payments received for loans repricing in a given period. The methodology used to determine the net fair value of the known future cash flows is in accordance with generally accepted discounted cash flow analysis. The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the cash flows.

Deposits

The carrying amount of at call deposits approximates fair value as they are short term in nature or are payable on demand.

The fair value of term deposits carried at amortised cost is estimated using discounted cash flow analysis, based on current incremental deposit rates for similar deposit products. The nominal interest rates used have been applied to all interest payments made for deposits repricing in a given period. The methodology used to determine the net fair value of the known future cash flows is in accordance with generally accepted discounted cash flow analysis.

Interest bearing liabilities

This includes interest payable for which the carrying amount is considered to be a reasonable estimate of the net fair value. For liabilities which are long term, net fair values have been estimated using the rates currently offered for similar liabilities with remaining maturities.

Land and Buildings

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued, values the Credit Union’s freehold land and buildings every three years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In the absence of the current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation. Valuations reflect, where appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market’s general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Credit Union and the lessee; and the remaining economic life of the property.

When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

Fair value hierarchy

The different levels have been defined as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as process) or indirectly (i.e. derived from process)
Level 3: inputs for the asset or liability that are not based on an observable market data (unobservable inputs).

	2016	2015
	$'000	$'000

6. Net interest revenue

	2016 $'000	2015 $'000
Interest revenue		
Loans – members	19,905	20,626
Deposits with other ADI's	3,237	3,689
Property Settlement Interest	-	126
Total interest revenue	23,142	24,441
Interest expense		
Deposits – members	9,916	11,609
Deposits from other ADI's	333	150
Borrowings	17	12
Total interest expense	10,266	11,771
Net interest revenue	12,876	12,670

7. Other income

	2016 $'000	2015 $'000
Fees and commission		
- loan fee income	140	102
- other fee income	1,122	1,204
- commission income	912	931
Bad debts recovered	117	88
Income from property		
- ATM licence income	8	12
- rental income from freehold land and buildings	158	126
- rental income from investment property	-	107
Dividends on available for sale equity securities	136	232
Gain on sale of assets	-	1,016
Gain on sale of available for sale investment	2,454	-
GST Refund	-	413
Total other income	5,047	4,231

	Note	2016	2015
		$'000	$'000

8. Expenses

	Note	2016 $'000	2015 $'000
Personnel expenses			
Salaries and associated expenses		**6,970**	7,114
Redundancy costs		**165**	551
Total personnel expenses		**7,135**	7,665
Buildings	10	**115**	134
Plant and equipment	10	**358**	353
Leasehold improvements	10	**120**	83
Intangible software	11	**336**	183
Branch make good		**43**	15
Total depreciation and amortisation expenses		**972**	768

9. Taxation

(a) Income tax expense

	2016 $'000	2015 $'000
Current tax expense		
- current year	**406**	186
- adjustments for prior periods	**3**	-
	409	186
Deferred tax expense		
- origination and reversal of temporary differences	**58**	(430)
Total income tax expense/(benefit) in the statement of comprehensive income	**467**	(244)

(b) Current tax liabilities

The current tax liability for the Credit Union of $409,000 (2015: $156,000) represents the amount of income tax payable in respect of current and prior periods that arise from the payment of tax in deficit of the amounts due to the relevant tax authority.

	2016	2015
	$'000	$'000

9. Taxation (continued)

(c) Numerical reconciliation between tax expense and pre-tax net profit

	2016 $'000	2015 $'000
Profit before tax	**1,844**	965
Income tax using the company's tax rate of 30% (2014: 30%)	**553**	289
Increase in income tax expense due to:		
- imputation gross up on dividends received	**41**	30
- non-deductible expenses	**6**	6
Decrease in income tax expense due to:		
- franking credits on dividends received	**(136)**	(100)
- recognition of previously unutilised carry forward capital losses	**-**	(469)
Under provided in prior years	**3**	-
Income tax expense on pre-tax net profit	**467**	(244)

(d) Deferred tax recognised directly in equity and other comprehensive income

	2016 $'000	2015 $'000
- Revaluation of property, plant and equipment	**-**	371
- Revaluation of property, plant and equipment - equity component	**-**	(260)
Total income tax recognised directly in equity	**-**	111

(e) Deferred tax assets/(liabilities)

	2016 $'000	2015 $'000
Provisions and accrued employee entitlements	**368**	449
Property, plant and equipment	**46**	29
Accrued expenses	**24**	67
Income in advance	**7**	8
Sundry items	**91**	42
Total deferred tax assets	**536**	595

9. Taxation (continued)

	2016 $'000	2015 $'000
(e) Deferred tax assets/(liabilities) (continued)		
Property, plant and equipment	**(498)**	(503)
Sundry items	**(2)**	(2)
Total deferred tax liabilities	**(500)**	(505)
Net deferred tax assets	**36**	90

The deferred income tax assets will only be realised if:

i. the Credit Union derives future assessable income of a nature and an amount sufficient to enable the benefit to be raised in accordance with the Income Tax Assessment Act 1997; and
ii. the Credit Union continues to comply with the conditions for deductibility imposed by the law, and no changes in tax legislation adversely affect the Credit Union in realising the benefit.

(f) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2016 $'000	2015 $'000
Capital losses	**-**	-
Unrealised capital losses	**-**	-
Total unrecognised deferred tax assets	**-**	-

	2016 $'000	2015 $'000
10. Property, plant and equipment		
Freehold land		
Fair value	2,281	2,281
	2,281	2,281
Buildings on freehold land		
Fair value	2,718	2,594
Provision for depreciation	(115)	-
	2,603	2,594
Total land and buildings	4,884	4,875
Leasehold improvements		
At cost	935	921
Provision for depreciation	(616)	(736)
	319	185
Plant and equipment		
At cost	3,889	4,130
Provision for depreciation	(2,203)	(2,569)
	1,686	1,561
Work in progress		
At cost	67	81
	67	81
Total plant and equipment	2,072	1,827
Total property, plant and equipment		
At cost	4,891	5,132
Provision for depreciation	(2,934)	(3,305)
Fair value	4,999	4,875
	6,956	6,702

10. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Note	2016 $'000	2015 $'000
Freehold land			
Carrying amount at the beginning of the year		**2,281**	1,400
Revaluation		**-**	881
Carrying amount at the end of the year		**2,281**	2,281
Buildings on freehold land			
Carrying amount at the beginning of the year		**2,594**	2,812
Revaluation		**-**	(510)
Additions		**-**	31
Depreciation	8	**(115)**	(134)
Transfer from work in progress		**124**	422
Disposals		**-**	(27)
Carrying amount at the end of the year		**2,603**	2,594
Leasehold improvements			
Carrying amount at the beginning of the year		**185**	121
Additions		**3**	-
Depreciation	8	**(120)**	(83)
Transfer from work in progress		**251**	151
Disposals		**-**	(4)
Carrying amount at the end of the year		**319**	185
Plant and equipment			
Carrying amount at the beginning of the year		**1,561**	887
Additions		**115**	287
Transfer from work in progress		**390**	862
Depreciation	8	**(358)**	(353)
Disposals		**(22)**	(122)
Carrying amount at the end of the year		**1,686**	1,561

	2016 $'000	2015 $'000

10. Property, plant and equipment (continued)

Work in progress		
Carrying amount at the beginning of the year	**81**	18
Additions	**754**	1,507
Transfer to plant and equipment	**(390)**	(862)
Transfer to buildings on freehold land	**(124)**	(422)
Transfer to leasehold improvements	**(251)**	(151)
Disposals	**(3)**	(9)
Carrying amount at the end of the year	**67**	81

Measurement of fair value

a) Fair value hierarchy

An independent valuation was carried out in the previous financial year by an independent valuer on the basis of the open market value of the property concerned in existing use, which resulted in a valuation of $4,875,000 for land and buildings. The valuation was in accordance with the Credit Union's policy of obtaining an independent valuation of land and buildings every three years.

The fair value measurement of freehold land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 5).

b) Valuation Techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of freehold land and buildings, as well as the significant unobservable inputs.

Valuation Technique	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income Capitalisation Approach: The income approach provides an indication of value by converting future cash flows to a single current capital value. This approach considers the income that an asset will generate over its useful life and indicates value through a capitalisation process. Capitalisation involves the conversion of income into a capital sum through the application of an appropriate discount rate. The income stream may be derived under a contract or contracts, or be non-contractual, e.g. the anticipated profit generated from either the use of or holding of the asset. The income capitalisation method has been used, where an all-risks or overall capitalisation rate is applied to a representative single period income.	Expected market capitalisation rate (10%)	The estimated fair value would increase / (decrease) if: Expected market capitalisation was lower (higher).

	Note	2016	2015
		$'000	$'000

11. Intangible assets

	Note	2016 $'000	2015 $'000
Computer software			
At cost		**6,301**	5,811
Provision for amortisation		**(5,467)**	(5,365)
		834	446
Work in progress			
At cost		**5**	245
		5	245
Total intangible assets			
At cost		**6,306**	6,056
Provision for amortisation		**(5,467)**	(5,365)
		839	691

Reconciliation of the carrying amount of intangible assets is set out below:

	Note	2016 $'000	2015 $'000
Computer software			
Carrying amount at the beginning of the year		**446**	381
Additions		**61**	92
Transfer from work in progress		**672**	160
Amortisation	8	**(336)**	(183)
Disposals		**(9)**	(4)
Carrying amount at the end of the year		**834**	446
Work in progress			
Carrying amount at the beginning of the year		**245**	-
Additions		**556**	405
Disposals		**(65)**	-
Expensed to Statement of Profit or Loss		**(59)**	-
Transfer to computer software		**(672)**	(160)
Carrying amount at the end of the year		**5**	245

	Note	2016	2015
		$'000	$'000

12. Investment property

	Note	2016 $'000	2015 $'000
Fair value		-	-
		-	-
Reconciliation			
Carrying amount at the beginning of the year		-	3,350
Re-valuation		-	-
Disposals		-	(3,350)
Carrying amount at the end of the year		-	-

13. Other financial assets

	Note	2016 $'000	2015 $'000
Available-for-sale:			
- Unlisted equity securities, at cost	23	-	1,636
Total available for sale financial assets		-	1,636
Held-to-maturity:			
Floating rate notes, at amortised cost	23	**20,521**	26,537
Total held-to-maturity assets		**20,521**	26,537
Total other financial assets		**20,521**	28,173

Held-to-maturity investments with a carrying amount including accrued interest of $20,612,396 (2015: $26,638,000) have interest rates ranging from 2.79% to 4.02% and mature in 1 to 5 years from date of investment.

	Note	2016	2015
		$'000	$'000

14. Loans and receivables

	Note	2016 $'000	2015 $'000
Loans to:			
- members		524,893	407,800
- key management personnel and their related entities		849	1,392
		525,742	409,192
Loans to other ADI's	23	60,718	80,324
	23	586,460	489,516
Provision for impairment	15,23	(157)	(192)
Net deferred loan income and expenses	23	126	(85)
Net loans and receivables		586,429	489,239

	2016 $'000	2015 $'000
Maturity analysis		
Current	75,465	97,448
Non-current	510,995	392,068
	586,460	489,516

15. Provision for impairment

	Note	2016 $'000	2015 $'000
Loans and receivables			
Specific provision for credit losses			
Opening balance		-	-
Bad debts written		-	-
Impairment charge for the year		-	-
Closing balance	23	-	-
Collective provision for credit losses			
Opening balance		192	272
Bad debts written off		(114)	(166)
Impairment charge for the year		79	86
Closing balance	23	157	192
Total provision for impairment	14	157	192

15. Provision for impairment (continued)

The specific provision relates to doubtful loans that have been individually identified and provided for. The collective provision for credit losses is intended to cover losses inherent in the existing overall credit portfolio which are not yet specifically identifiable.

The Credit Union holds a general reserve for credit losses as an additional allowance for bad debts to comply with prudential requirements. Refer to Note 18 for details on this reserve.

	Note	2016	2015
		$'000	$'000
16a. Cash and cash equivalents			
Cash at bank and on hand		2,321	2,611
Deposits at call		8,450	12,691
Total cash and cash equivalents	23	10,771	15,302

16b. Reconciliation of cash flows from operating activities

Reconciliation of cash
For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheets as follows:

	2016	2015
Cash and cash equivalents	10,771	15,302
Reconciliation of cash flows from operating activities		
Profit for the year attributable to members of the Credit Union	1,377	1,209
Adjustments for:		
Charge for bad and doubtful debts and impairment losses	79	86
Depreciation and amortisation	929	768
Gain on sale of assets	(2,454)	(1,016)
Net loss on disposal of plant and equipment	96	133
Intangible Work in Progress assets expensed	59	-
Make good interest charge	-	1
Operating profit before changes in assets and liabilities	86	1,181

	Note	2016	2015
		$'000	$'000

16b. Reconciliation of cash flows from operating activities (continued)

	2016	2015
Changes in assets and liabilities		
Net loans (funded)	**(116,875)**	(12,815)
Net movement in deposits	**83,491**	27,506
Movement in interest receivable	**93**	109
Movement in other receivables	**28**	32
Movement in deferred tax asset	**59**	57
Movement in prepayments	**(44)**	12
Movement in interest payable	**(150)**	(383)
Movement in sundry creditors and accruals	**545**	73
Movement in provision for employee entitlements	**(266)**	(101)
Movement in current tax liabilities	**253**	586
Movement in make good provision	**30**	2
Movement in deferred tax liability	**(5)**	(456)
Net cash flows (used in)/from operating activities	**(32,755)**	15,803

Cash flows presented on a net basis
Cash flows arising from loan advances and repayments, member deposits and withdrawals and from sales and purchases of investment securities have been presented on a net basis in the Statement of Cash Flows.

17. Other Assets

	2016	2015
Prepayments	**388**	344
Interest receivable	**313**	405
Other	**87**	115
	788	864

18. Reserves

	2016	2015
General reserve for credit losses	**1,196**	1,050
Redeemed share capital reserve	**238**	234
Asset revaluation reserve	**1,279**	1,279
	2,713	2,563

18. Reserves (continued)

General reserve for credit losses
The general reserve for credit losses contains an additional allowance for impairment losses. The general reserve for credit losses together with the amounts calculated as a specific and collective provision must be adequate to comply with prudential requirements.

Redeemed share capital reserve
The share capital reserve represents the value of member shares redeemed. As member shares are redeemable preference shares, the Corporations Act 2001 requires that any redemptions are to be made from retained profits.

Asset revaluation reserve
The revaluation reserve represents the revaluation of the Young St property in accordance with the revaluation method under AASB 116 Property, Plant and Equipment, net of tax.

	Note	2016	2015
		$'000	$'000
19. Deposits			
Withdrawable shares		58	59
Call deposits		333,741	289,124
Retail term deposits		185,234	206,659
Wholesale term deposits		61,800	1,500
	23	580,833	497,342
20. Employee benefits			
Liability for long service leave		359	397
Liability for annual leave		458	454
Provision for redundancies		129	361
Total employee benefits	21	946	1,212

Included in employee benefits is a non-current amount of $113,000 (2015: $85,000)

The present values of employee entitlements not expected to be settled within twelve months of the reporting date have been calculated using the following weighted averages:

	2016	2015
Assumed rate of increase in wages and salary rates	3.00%	3.00%
Discount rate	1.60%	2.06%

Defined contribution superannuation fund
The Credit Union allows staff to allocate their super guarantee payments to their choice of super fund. The amount recognised in the Statement of Profit or Loss and Other Comprehensive Income in personnel expenses for the financial year ended 30 June 2016 was $499,000 (2015: $476,000).

	Note	2016 $'000	2015 $'000
21. Provisions			
Employee benefits	20	**946**	1,212
Make good costs		**123**	93
		1,069	1,305

	Note	2016 $'000	2015 $'000
22. Payables			
Sundry creditors		**825**	403
Accrued interest payable – retail		**1,140**	1,519
Accrued interest payable - wholesale		**235**	7
Accrued expenses		**536**	413
Total other payables	23	**2,736**	2,342

23. Financial instruments

(a) Credit risk

Exposure to credit risk

The Credit Union's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the Statement of Financial Position. The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question. The Credit Union's maximum exposure to credit risk at the reporting date was:

		Loans and receivables to members		Loans and receivables to other ADI's		Available for sale investments		Held to maturity investments		Cash and cash equivalents	
		2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	Note	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Carrying amount	13,14,16	**525,711**	408,915	**60,718**	80,324	**-**	1,636	**20,521**	26,537	**10,771**	15,302
Individually impaired											
Gross amount		**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Provision for impairment	14,15	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Carrying amount		**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Past due but not impaired											
Days in arrears:											
< 8 days		**4,671**	3,165	**-**	-	**-**	-	**-**	-	**-**	-
> 8 days to 1 month		**3,201**	2,189	**-**	-	**-**	-	**-**	-	**-**	-
> 1 to 2 months		**895**	883	**-**	-	**-**	-	**-**	-	**-**	-
> 2 to 3 months		**2,023**	869	**-**	-	**-**	-	**-**	-	**-**	-
> 3 months		**2,369**	240	**-**	-	**-**	-	**-**	-	**-**	-
Carrying amount		**13,159**	7,346	**-**	-	**-**	-	**-**	-	**-**	-

23. Financial instruments (continued)

(a) Credit risk (continued)

		Loans and receivables to members		Loans and receivables to other ADI's		Available for sale investments		Held to maturity investments		Cash and cash equivalents	
		2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	Note	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Neither past due nor impaired											
Secured by mortgage		**502,164**	390,475	**-**	-	**-**	-	**-**	-	**-**	-
Investment grade		**-**	-	**55,718**	65,824	**-**	1,636	**20,521**	26,537	**9,877**	14,205
Unrated		**-**	-	**5,000**	14,500	**-**	-	**-**	-	**-**	-
Other		**10,421**	11,371	**-**	-	**-**	-	**-**	-	**894**	1,097
Net deferred income and expense	14	**126**	(85)	**-**	-	**-**	-	**-**	-	**-**	-
Carrying amount		**512,711**	401,761	**60,718**	80,324	**-**	1,636	**20,521**	26,537	**10,771**	15,302
Provision for Collective Impairment	15	**(157)**	(192)	**-**	-	**-**	-	**-**	-	**-**	-
Total adjusted carrying amount		**525,713**	408,915	**60,718**	80,324	**-**	1,636	**20,521**	26,537	**10,771**	15,302
Includes loans with renegotiated terms		**460**	2,007	**-**	-	**-**	-	**-**	-	**-**	-

There is one member who individually has loans that represent 11.69% of the Credit Union's net assets.

23. Financial instruments (continued)

(a) Credit risk (continued)

	Note	2016 $'000	2015 $'000
The Credit Union's maximum exposure to credit risk at reporting date by type of loans to members was:			
Overdrafts		**2,595**	2,258
Residential loans		**503,904**	390,775
Personal loans		**8,232**	9,813
Commercial purpose loans		**11,011**	6,346
	14	**525,742**	409,192

Commercial purpose loans and residential loans are secured by mortgage property.

The Credit Union's maximum exposure to credit risk for loans to members at the reporting date by geographic regions was:

	Note	2016 $'000	2015 $'000
Illawarra NSW		**314,690**	265,531
Sydney NSW		**147,327**	105,070
Far South Coast NSW		**12,202**	12,061
Other NSW/ACT		**19,234**	11,187
Victoria		**11,832**	5,936
QLD		**10,184**	3,766
WA		**6,437**	2,822
Other		**3,836**	2,819
	14	**525,742**	409,192

23. Financial instruments (continued)

(a) Credit risk (continued)

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	Loans and receivables – members		Loans and receivables – other ADI's	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Against individually impaired				
- Property	**-**	-	**-**	-
Against past due but not impaired				
- Property	**22,597**	13,749	**-**	-
- Other	**2,322**	-	**-**	-
Against neither past due nor impaired				
- Property	**1,045,490**	851,757	**-**	-
- Other	**855**	73	**-**	-
Total value of collateral held	**1,071,264**	865,579	**-**	-
Average Loan to Valuation ratio	**48.06%**	45.87%		

The Credit Union obtained the following non-financial assets by taking possession of collateral held as security.

	2016	2015
	$'000	$'000
Nature of non-financial assets – Property	540	-
Nature of non-financial assets – Motor vehicle	12	-
	552	-

Where assets are not readily convertible into cash, the Credit Union's policy for disposing of assets is:

1. Upon the Credit Union taking legal possession of the property a new valuation is obtained and specific comment obtained from the valuer as to the property's condition together with details of necessary repairs (and likely costs) to ensure a fair market price is achieved at auction.
2. Where the new valuation confirms that the total debt may not be repaid from the sale of the property and the debt is subject to lenders mortgage insurance, the mortgage insurers are advised and a copy of the valuation report included with the advice.
3. Methods to obtain a buyer for any real property recovered as a result of mortgagee action may include auction, tender or listing with any recognised registered real estate agent. Unless special circumstances warrant, the approach taken is to proceed to sale by auction in the first instance.

23. Financial instruments (continued)

(a) Credit risk (continued)

4. Every attempt is made to ensure a fair market price is obtained for any such property and the Chief Executive Officer must approve agreement to a sale price below that of the valuation obtained following possession.

(b) Liquidity risk

Exposure to liquidity risk

Liquidity risk can arise from excessive withdrawals, excessive demand for loan funding, concentration of large deposits held by a small number of members as well as maturity disparities between assets and liabilities.

The Credit Union has a liquidity management strategy that ensures that enough high quality liquid assets (HQLA) are always available for the Credit Union's cash flow and liquidity requirements. The Credit Union also has other liquid assets over and above HQLA prudential requirements and these are included in total liquidity calculations.

Liquidity standards which are set and approved by the Board ensure that at a minimum the APRA standards are sufficiently met. Liquidity management is monitored on a daily basis.

Details of the Credit Union's ratio of net liquid assets to deposits at the reporting date and during the report period were as follows:

	2016	2015
	%	%
HQLA at 30 June	**12.88**	13.32
HQLA average for the period	**13.07**	13.39
HQLA maximum for the period	**15.20**	14.84
HQLA minimum for the period	**11.75**	11.97
Total liquidity at 30 June	**14.71**	24.10

23. Financial instruments (continued)

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Note	Carrying amount	Gross nominal inflow/ (outflow)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2016								
Non-derivative liabilities								
Deposits – retail	19	**519,033**	**(520,844)**	**(375,673)**	**(62,426)**	**(82,079)**	**(666)**	**-**
Deposits – wholesale	19	**61,800**	**(62,229)**	**(14,517)**	**(29,465)**	**(18,247)**	**-**	**-**
Payables	22	**2,736**	**(2,736)**	**(2,236)**	**(249)**	**(249)**	**(2)**	**-**
		583,569	**(585,809)**	**(392,426)**	**(92,140)**	**(100,575)**	**(668)**	**-**
Unrecognised finance commitments								
- approved but undrawn loans		**39,837**	**(39,837)**	**(20,599)**	**(11,279)**	**(7,959)**	**-**	**-**
		623,406	**(625,646)**	**(413,025)**	**(103,419)**	**(108,534)**	**(668)**	**-**
30 June 2015								
Non-derivative liabilities								
Deposits – retail	19	495,842	(499,171)	(331,042)	(69,992)	(97,539)	(598)	-
Deposits – wholesale	19	1,500	(1,510)	(504)	(1,006)	-	-	-
Payables	22	2,342	(2,342)	(1,823)	(220)	(297)	(2)	-
		499,684	(503,023)	(333,369)	(71,218)	(97,836)	(600)	-
Unrecognised finance commitments								
- approved but undrawn loans		7,051	(7,051)	(4,484)	(997)	(1,570)	-	-
		506,735	(510,074)	(337,853)	(72,215)	(99,406)	(600)	-

23. Financial instruments (continued)

(c) Market risk

Interest rate risk

The principal tool to measure and control interest rate risk exposure within the Credit Union's interest earning assets and liabilities is Value at Risk (VaR). The VaR is the estimated loss that will arise over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used is based upon a 99 percent confidence level and assumes a 20-day holding period. The VaR model used is based mainly on historical simulation, taking account of market data from the previous year. The Credit Union positions some of its low rate call savings deposits from the 1 month repricing point to various repricing points to more accurately match repricing of fixed rate exposures. The Credit Union is of the view that these assumptions more realistically reflect the true nature of low rate on-call savings deposits.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 20-day holding period assumes it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and
- The VaR measure is dependent upon the Credit Union's position and the volatility of market interest rates. The VaR of an unchanged position reduces if the market interest rate volatility declines and vice versa.

A summary of the VaR position of the Credit Union at 30 June is as follows:

	2016	2015
	$'000	$'000
Interest rate risk – Value at Risk	**916**	86

At the reporting date the interest rate profile of the Credit Union's interest bearing financial instruments was:

Fixed rate instruments		
Financial assets	**408,862**	275,681
Financial liabilities	**(247,034)**	(208,159)
	161,828	67,522
Variable rate instruments		
Financial assets	**208,891**	255,675
Financial liabilities	**(333,956)**	(288,745)
	(125,065)	(33,070)

23. Financial instruments (continued)

(c) Market risk (continued)

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

		30 June 2016								
	Note	Carrying amount $'000					Fair value $'000			
		Held-to-maturity	Loans and Receivables	Available -for-sale	Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
Assets carried at amortised cost										
Loans to members	14	-	525,711	-	-	525,711	-	538,543	-	538,543
Loans to other ADIs	14	-	60,718	-	-	60,718	-	60,911	-	60,911
Floating rate notes	13	20,521	-	-	-	20,521	-	20,613	-	20,613
Cash and cash equivalents*	16	-	10,771	-	-	10,771				
Unlisted equity security*	13	-	-	-	-	-				
		20,521	597,200	-	-	617,721	-	620,067	-	620,067
Liabilities carried at amortised cost										
Deposits	19	-	-	-	(519,033)	(519,033)	-	(511,228)	-	(511,228)
Wholesale deposits	19	-	-	-	(61,800)	(61,800)	-	(61,699)	-	(61,699)
Payables*	22	-	-	-	(2,737)	(2,737)				
		-	-	-	(583,570)	(583,570)	-	(572,927)	-	(572,927)

*The Credit Union has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values. There have been no transfers between the valuation levels during 2016 (2015: Nil).

23. Financial instruments (continued)

(c) Market risk (continued)

	Note	30 June 2015 Carrying amount $'000					Fair value $'000			
		Held-to-maturity	Loans and Receivables	Available-for-sale	Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
Assets carried at amortised cost										
Loans to members	14	-	408,915	-	-	408,915	-	418,169	-	418,169
Loans to other ADIs	14	-	80,324	-	-	80,324	-	80,604	-	80,604
Floating rate notes	13	26,537	-	-	-	26,537	-	26,765	-	26,765
Cash and cash equivalents*	16	-	15,302	-	-	15,302				
Unlisted equity security*	13	-	-	1,636	-	1,636				
	6	26,537	504,541	1,636	-	532,714	-	525,538	-	525,538
Liabilities carried at amortised cost										
Deposits	19	-	-	-	(495,842)	(495,842)	-	(483,919)	-	(483,919)
Wholesale deposits	19	-	-	-	(1,500)	(1,500)	-	(1,500)	-	(1,500)
Payables*	22	-	-	-	(2,342)	(2,342)				
		-	-	-	(499,684)	(499,684)	-	(485,419)	-	(485,419)

*The Credit Union has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values. There have been no transfers between the valuation levels during 2016 (2015: Nil).

24. Operating leases

The Credit Union leased out its investment property at Chippendale under an operating lease which expired on the 31 December 2014. This property was sold during the 2015 financial year. The Credit Union leases out portions of its administration building under operating leases expiring within the next financial year on 4 April 2017. All leases have options for renewal. Lease revenue comprises a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in consumer price index or a fixed rate. The future minimum lease payments receivable by the Credit Union under non-cancellable leases are as follows:

	2016	2015
	$'000	$'000
Less than one year	**65**	90
Between one and five years	**-**	70
	65	160

During the year ended 30 June 2016 $158,000 was recognised as rental income (2015: $233,000), including $0 recognised as investment property income in the Statement of Profit or Loss and Other Comprehensive Income (2015: $107,000). Repairs and maintenance expense, recognised in property expenses was as follows:

Income-generating property	**26**	28
	26	28

25. Commitments

Capital expenditure commitments		
Capital expenditure commitments not taken up in the financial statements		
- payable less than one year	**599**	441
Lease expenditure commitments		
Operating leases (non-cancellable)		
- payable less than one year	**249**	582
- payable between one and five years	**497**	363
	746	945

The Credit Union leases retail branches to provide financial services to its members. The leases typically run for a period of 5 years, with an option to renew after that date. Lease rentals are generally indexed annually for inflation. During the financial year ended 30 June 2016, $604,000 was recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in respect of operating leases (2015: $639,000).

25. Commitments (continued)

Credit related commitments

Binding commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

	2016	2015
	$'000	$'000
Approved but undrawn loans	**39,837**	7,051

26. Contingent liabilities

In the normal course of business the Credit Union enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of members. The Credit Union uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets. The Credit Union holds collateral supporting these commitments where it is deemed necessary.

Letters of credit and financial guarantees written are conditional commitments issued by the Credit Union to guarantee the performance of a member to a third party.

Performance bonds	**63**	125

27. Related parties

The following were key management personnel of the Credit Union at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Directors	**Senior Management**
Ms M Youssif	Mr B Kotic (Chief Executive Officer)
Mr A Abela	Mr E Thomas (Chief Operating Officer) (Resigned October 2015)
Mr R Downs	Ms D Donovan (General Manager HR) (Resigned July 2015)
Mr P Kell	Mr A Perkiss (Chief Financial Officer)
Ms N Murray	Mr T Ellem (General Manager Member Services)
Mr M Halloran	Ms E Anderson (Chief Risk Officer / Company Secretary)
Ms D De Santis	Mr R Cole (General Manager Product and Marketing)

27. Related parties (continued)

Transactions with Key Management Personnel

In addition to their salaries, the Credit Union also provides non-cash benefits to key management personnel and contributes to superannuation funds on their behalf.

Key Management Personnel compensation

The aggregate key management personnel compensation related to Senior Managers and Directors is included in 'personnel expense' and is as follows:

	2016	2015
	$	$
Short term employee benefits	**1,473,926**	1,651,547
Other long-term benefits	**20,347**	10,565
Post-employment benefits	**125,845**	127,099
Termination benefits	**53,797**	53,282
	1,673,915	1,842,493

Apart from the details disclosed in this note, no Director has entered into a material contract with the Credit Union since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

Loans to Key Management Personnel and their related parties

Details regarding the aggregate of loans made, guaranteed or secured by the Credit Union to key management personnel and their related parties are as follows:

(i) Aggregate value of loans to Key Management Personnel	**1,286,712**	1,392,266
(ii) Total value of revolving credit facilities to Key Management Personnel	**-**	-
Less amount drawn down and included in (i)	**-**	-
Net Balance available	**-**	-
(iii) New Loans advanced to Key Management Personnel	**95,001**	397,580
(iv) New revolving credit facilities advanced to Key Management Personnel	**-**	-
(v) Interest received on loans to Key Management Personnel	**65,646**	45,283
(vi) Repayments received from Key Management Personnel	**346,414**	365,470

27. Related parties (continued)

All loans to key management personnel are made on an arm's length basis, on the same terms and conditions as available to members generally. All loans are secured by residential mortgage, and no amounts have been written down or recorded as allowances, as the balances are considered fully collectable.

Key management personnel related parties

Mr Roger Downs, a director of the Credit Union, is the Chairman of Partners of Kells the Lawyers. The Credit Union has used the legal services of Kells the Lawyers. The total dollar value of these services provided for the year was $11,618 (2015: $5,514). This arrangement is on terms that are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis. There were no amounts owing to Kells the Lawyers at the end of the year.

Ms Deborah De Santis, a director of the Credit Union since November 2014, is the Principal of De Santis Public Relations Ltd. The Credit Union has used the public relations services of De Santis Public Relations. The total dollar value of these services provided for the year was $4,200 (2015: $32,200). This arrangement is on terms that are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

28. Events subsequent to balance date

On the 19th August 2016 the Credit Union entered into a contract with Ultradata Australia Pty Ltd for the provision of a licence for the Ultracs Core Banking software. In accordance with normal commercial practice, disclosure of the terms of this contract is prohibited by a confidentiality clause in the contract.
Apart from the transaction above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Credit Union, to affect significantly the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union, in future financial years.

29. Auditor's Remuneration

	2016	2015
	$	$
Audit services		
Audit of the financial report	**93,330**	91,500
Other regulatory audit services	**30,980**	30,375
	124,310	121,875
Other services		
Taxation services	**11,874**	12,210
Training Facilitation	**53,166**	-
	65,040	12,210
	189,350	134,085

DIRECTOR'S DECLARATION
For the year ended 30 June 2016

1. In the opinion of the Directors of Community Alliance Credit Union Limited ("the Credit Union"):

   a) the financial statements and notes that are set out on pages 22 to 71 are 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 of its performance for the financial year ended on that date; and

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

   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 Directors draw attention to note 2 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

R. Downs
Chair of the Board

A. Abela
Chair of the Board Audit Committee

Wollongong 31st August 2016

Independent Auditor's Report

To the members of Community Alliance Credit Union Limited

Report on the financial report

We have audited the accompanying financial report of Community Alliance Credit Union Limited (the Company), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

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

KPMG

Independent Auditor's Report

To the members of Community Alliance Credit Union Limited

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

KPMG

KPMG

Richard Drinnan

Partner

Wollongong

31st August 2016

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