Annual Report 2016

credit union sa

Contents

Directors' Report

The Directors present their report together with the financial report of Credit Union SA Ltd (the "Credit Union") for the financial year ended 30 June 2016 and the Auditors' report thereon.

Directors

The Directors of the Credit Union at any time during or since the end of the financial year, including details of their qualifications, occupation and other directorships are:

Name, Qualifications, Board Committees and Independence Status	Occupation and Other Directorships
Alexandrea CANNON MBA, B Bus, FAICD, FAHRI, FAMI Director since 2005 Appointed as Chair in October 2009 Non-Executive Chair Member, Board Governance Committee	Company Director/Consultant Other Board Memberships: Winston Churchill Memorial Trust, Bizbuild Pty Ltd, Leaders Institute of SA, AICD State Council, AICD Chair of Membership Committee, Interim Chief Executive Officer Principals Australia Institute (from July 2015 to January 2016)
Colin BUTTERICK MBA, Dip HRM, B Cert (Acct), FAMI, GAICD Director since 2009 Non-Executive Director Member, Board Governance Committee Member, Board Risk Committee	Company Director Retired Chief Executive Officer - Powerstate Credit Union Ltd (from 2001 to 2009) Other Board Memberships: Trinity Place Ltd (Chair), Diabetes SA
Carolyn Anne MITCHELL LLB, GDLP, FAICD Director since 2006 Non-Executive Director Chair, Board Governance Committee	Solicitor/Consultant Other Board Memberships: Brink Productions Ltd (Chair), Trustee for Festival Centre Trust, Data Mobility Voice Pty Ltd (retired December 2015), JusticeNet SA Incorporated, Lawguard Management Pty Ltd, Acting Executive Director Women's & Children's Health Research Institute (from October 2014 to December 2015)
Nicolle Shelley RANTANEN MBA, MComLaw, BCom (Acc), CSM, GAICD, FCPA, FTIA Director since 2011 Non-Executive Director Chair, Board Audit Committee Member, Board Risk Committee	Chief Operating Officer at the Department of Treasury & Finance, SA Government, Director, Strategy and Member Services at SuperSA, previously Acting Chief Executive and Chief Operating Officer at Statewide Financial Management Services Other Board Memberships: Working Women's Centre, Chair State Procurement Board, Deputy Chair SAFA Advisory Board
Robert Peter SHANNAHAN BA (Acct), CPA, MAICD Director since 1994 Non-Executive Director Chair, Board Risk Committee Member, Board Audit Committee	Company Director Retired Senior Regulatory Officer - Essential Services Commission of SA
Kathryn Anne JORDAN B Soc Sci (Human Services), B ECE Director since March 2016 Non-Executive Director Member, Board Audit Committee	Acting Executive Director, Office for Strategy and Performance in the Department for Education and Child Development Other Board Memberships: Teachers Registration Board, Education and Standards Board
Sally Elizabeth PATERSON M Pol & Admin, Grad Dip Prof Devt, B.A (Hons) Dip Ed, FAICD Director since 1994 Retired February 2016	Company Director/Retired Deputy Principal

Directors' Report (continued)

Directors were in office from the beginning of the financial year until the date of this report, unless stated otherwise.

Company Secretary

Mr Paul Langley DipBus., Cert Gov (Admin.), GIA(Cert), MRMIA, was appointed to the position of Company Secretary on 4 September 2008. Mr Langley has responsibility for the Risk and Governance Department that includes compliance management. Mr Langley previously held roles in risk and compliance with listed companies and has over 20 years experience in the financial services industry.

Directors' 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 are:

Director	**Director Type**	**Board**		**Audit Committee**		**Risk Committee**		**Governance Committee**	
		A(*)	B	A	B	A	B	A	B
A.Cannon (Chair)	ME	11	11	-	-	-	-	6	6
C.Butterick	BA	11	11	-	-	6	6	6	6
C.A.Mitchell	ME	11	11	-	-	-	-	6	6
N.S.Rantanen	ME	11	10	4	4	6	5	-	-
R.P.Shannahan	ME	11	11	4	4	6	6	-	-
K.A.Jordan	BA	4	4	1	1	-	-	-	-
S.E.Paterson	ME	6	6	3	3	-	-	-	-

(*) Ten scheduled Board meetings and one (1) Board Planning meeting

A - Number of meetings held during the period the Director was a member of the Board or Board Committee.
B - Number of meetings attended by the Director

ME - Member Elected Directors
BA - Board Appointed Director

Directors' Interests

None of the above Directors have declared any interest in existing or proposed contracts with the Credit Union since 1 July 2015.

Principal Activities

During the financial year ended 30 June 2016 the principal activities of the Credit Union were the provision of financial services to its members, including accepting members' deposits, advancing loans to members and acting as a general insurance agent. There were no significant changes to these activities during the year.

Review of Operations

The Credit Union recorded a profit after tax for the year ended 30 June 2016 of $3.851 million (2015: $4.157 million). Total assets of the Credit Union as at 30 June 2016 were $927.793 million (2015: $877.497 million) including members' net loans and advances of $756.228 million (2015: $665.808 million).

Directors' Report (continued)

Change in the State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Credit Union that occurred during the financial year under review.

Dividends

The Constitution of the Credit Union prevents the distribution of dividend payments on member shares.

Events Subsequent to the Reporting Date

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, to affect significantly the operations of the Credit Union, the results, or the state of affairs of the Credit Union in future financial years.

Likely Developments

Disclosure of information regarding likely developments in the operations of the Credit Union in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Credit Union. Accordingly, this information has not been disclosed in this report.

Environmental Regulations

The Credit Union's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, Directors believe that the Credit Union has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those requirements as they apply to the Credit Union.

Regulatory Disclosures

In accordance with Prudential Standard APS 330, the Credit Union publically discloses information on its risk profile, risk management, capital adequacy, capital instruments and remuneration practices to contribute to the transparency of the financial markets and to enhance market discipline. This information is published on the Credit Union's public website under Regulatory Disclosures.

Indemnification and Insurance of Directors and Officers

During the period, the Credit Union paid a premium in relation to a Directors and Officers liability insurance policy, indemnifying the Directors and its Executives against certain liabilities. The Directors have not included the details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors'' and Officers' liability and legal expenses insurance contract, as such disclosure is prohibited under the terms of the contract.

Non-audit Services

During the year KPMG, the Credit Union's external auditor, has performed certain other services in addition to the audit and review of the financial statements. In accordance with the Audit Committee's responsibilities, the Board are satisfied that the provision of these non-audit services during the year by the external auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001.

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

The Lead Auditor's Independence Declaration is set out on page 7 and forms part of the Directors' Report for the year ended 30 June 2016.

Directors' Report (continued)

Rounding off

The Credit Union is a registered company of a kind referred to in 'ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/91', relating to the "rounding off" of amounts in the Directors' Report and financial statements. Amounts in the Directors' Report and financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Signed at Adelaide this 31st day of August 2016 in accordance with a resolution of the Board of Directors of Credit Union SA Ltd.

A. Cannon

Alexandrea Cannon
Chair of the Board

Nicolle Rantanen
Chair of the Audit Committee

Lead Auditor's Independence Declaration

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

To: the directors of Credit Union SA Ltd

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

Darren Ball
Partner

Adelaide

31 August 2016

Corporate Governance Statement

Overview

The Credit Union is an Authorised Deposit-taking Institution (ADI) supervised by the Australian Prudential Regulation Authority (APRA) under the Banking Act 1959. The Credit Union is also supervised by the Australian Securities and Investments Commission (ASIC) under the Corporations Act 2001 and has been granted an Australian Financial Services Licence and an Australian Credit Licence.

The Board of the Credit Union is committed to protecting members' interests, keeping them fully informed about the performance of the Credit Union and protecting and enhancing member value.

Effective governance provides the framework to ensure the Credit Union is managed soundly and prudently by a competent Board which can make reasonable and impartial business judgements in the best interests of the Credit Union and which duly considers the impact of its decisions on members.

As part of the Board's governance practices, the Board commits to following the Australian Securities Exchange Corporate Governance Council 'Principles of Good Governance and Best Practice Recommendations' to the extent that they are applicable to the Credit Union as a mutual entity.

Role of the Board

The Board is responsible for the sound and prudent management of the Credit Union. In undertaking these responsibilities the Board will have due regard to all of its stakeholders and its role in the community.

The Directors of the Credit Union constitute the Board. The Directors of the Credit Union must exercise their powers and discharge their duties in good faith with due care, skill and diligence and are responsible for:

- setting the strategic direction for the Credit Union, providing input into and final approval of Management's development of corporate strategy and performance objectives
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance
- oversight of Credit Union SA, including its control and accountability systems
- approving and monitoring financial and other reporting
- appointing, monitoring and the performance management of the Chief Executive Officer
- approving the remuneration of the Chief Executive Officer, Executive Managers and other designated employees in accordance with the Board Remuneration Policy and APRA's Prudential Standards
- monitoring Executive Management's performance and implementation of strategy, and ensuring appropriate resources are available
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures.

Responsibility for the day-to-day activities of the Credit Union is delegated to the Chief Executive Officer by the Board in accordance with Board Governance Policies.

Corporate Governance Statement (continued)

Board Processes

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including an Audit Committee, Governance Committee and Risk Committee. These committees have written charters which are reviewed on a regular basis. The Board has also established a framework for the management of the Credit Union including a system of internal control, a business risk management process, the establishment of appropriate ethical standards (values and behaviours) and Board policies.

The Board held 10 scheduled meetings and a strategic planning meeting during the financial year. The agendas for meetings are prepared in conjunction with the Chair, Chief Executive Officer and the Company Secretary. Standing items include the Chief Executive Officer's Report, financial reports, risk, governance and compliance reports and submissions. Submissions are reviewed by the various Board Committees and circulated in advance. Executives are regularly involved in Board discussions and Directors have other opportunities to communicate with the wider group of employees.

Structure of the Board

The composition of the Board of Directors is determined by the Board subject to the details set out in the Credit Union's Constitution. At all times member elected Directors constitute a majority of Directors.

The Board considers the mix of skills and the diversity of Board members when assessing the composition of the Board. The Board assesses existing and potential Directors' skills to ensure they have the appropriate industry experience in the Credit Union's environment.

The Board consists solely of Non-Executive Directors. The Board currently comprises six (6) Non-Executive Directors, four (4) of whom are member elected and two (2) Board appointed Directors.

All Directors are eligible to vote at all Board meetings. All members of the Board are shareholding members of the Credit Union and are appointed to office in accordance with the Credit Union's Constitution.

The Credit Union is diligent in complying with all external regulatory requirements. This includes APRA's Prudential Standards and Guidelines as well as ASIC requirements.

Independent professional advice and access to Credit Union Information

The Credit Union does not have a policy in place for prospective, current or former officers, employees or contractors (including professional service providers) that prevents, constrains or impedes them, whether by confidentiality clauses or other means, from disclosing information, from discussing issues of relevance to the management and prudential supervision of the regulated institution, or from providing documents under their control to APRA. Each Director has the right of access to all relevant Credit Union information and to the Credit Union's executive and senior management team and, subject to the written consent of the Credit Union, may engage separate legal or other representation from a suitably qualified adviser at the Credit Union's expense.

Board Renewal

The Board Charter describes how the Board intends to renew itself in order to ensure it remains open to new ideas and independent thinking, while retaining adequate expertise.

Directors meet their renewal responsibilities by keeping up to date with developments in the industry through the process of ongoing Director development, regular presentations by external parties and Executive Management and consideration of emerging trends and disruptors at each Board meeting.

Fitness and Propriety

The Credit Union has a fit and proper framework that is in accordance with relevant legislation. This framework ensures Directors, Executives and Senior Management are of an appropriate fitness and propriety to lead the Credit Union.

Corporate Governance Statement (continued)

Independence

The Board comprises of Non-Executive Directors all of whom are independent. A Director is not an independent Director if the Director:

- is employed, or has previously been employed in an executive capacity by the Credit Union, and there has not been a period of at least three years between ceasing such employment and serving on the Board
- has within the last three years been a principal of a material professional adviser or a material consultant to the Credit Union, or an employee materially associated with the service provided
- is a material supplier or customer of the Credit Union, or an officer of or otherwise associated directly or indirectly with a material supplier or customer or
- has a material contractual relationship with the Credit Union other than as a Director.

Ethical Standards

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Credit Union.

Code of Conduct

The Credit Union has developed and communicated a set of core values and implemented this in the operating and behavioural environment of the Credit Union. The core values are supported by values in action statements that outline the expected behaviours of each Director, manager and employee of the Credit Union.

Conflicts of Interest

To assist with the exercise of proper independence, and to enhance the status of the Credit Union acting with integrity and in a fair and balanced manner, the Board has developed policies for dealing with actual and perceived conflicts of interest at all levels of the organisation. This is in accordance with the Corporations Act 2001 and the Credit Union's Constitution. Directors are to disclose to the Board actual or potential conflicts of interest that may exist between the interests of the Director and the Credit Union. A conflict of interest or potential conflict may arise from other business interests that may include roles as an employee, Director, investor, agent, contractor etc, where the role could adversely affect the Director’s ability to perform their duties and responsibilities as a Director of the Credit Union.

Where a Director has an actual, potential or perceived conflict of interest in relation to any matter under consideration by the Board, that Director declares that conflict of interest if they have not already done so, absent themselves from any discussion of that matter and does not vote on any resolution arising from or relating to that matter. This is noted in the minutes of the meeting.

Professional Development

The Board has a strong commitment to continuous improvement and the renewal of Directors. Annual budgets are set for education and development, and Directors’ professional development guidelines are specified within the Board Performance Management and Director Development Board Policy.

Minimum Competencies

The Director Elections Board Policy sets out the competencies required to be a Director of the Credit Union with a Director expected to understand the role and responsibilities of a Director and have a general knowledge of the Credit Union, its business and its regulatory environment. In addition, the Director Elections Board Policy includes reference to prudential expectations that a Director should be an experienced board practitioner, is familiar with Directors’ duties more generally and the additional obligations imposed on a Director under APRA’s prudential framework.

Following the Board Skills Assessment undertaken during the 2014/15 financial year it was identified that each of the skills, attributes and qualifications considered essential by the Board were exhibited by the Board collectively. As a result of the retirement of Director Paterson and the associated recruitment activities that specified the desired skills and experience criteria, it was agreed that the Board Skills Assessment be undertaken in 2016 following the 2016 Annual General Meeting.

Corporate Governance Statement (continued)

Board Performance

The Board is committed to the ongoing development of both individual Directors and the Board as a whole. Each year the Board conducts an evaluation of the performance of the Board relative to its objectives and the performance of individual Directors. Feedback is provided to individual Directors and the Board as a whole on their performance against stated objectives. Throughout the year, the Board undertook a Board Performance evaluation that was facilitated internally with results reported back to individual Directors and the Board collectively.

Director Remuneration

The Governance Committee conducts an annual review of Director remuneration taking into consideration payments made to Directors of similar sized organisations. Appropriate levels of remuneration are set for the positions of Board Chair and Chairs of Board Committees as well as the remaining Non-Executive Directors.

The recommendation of the Governance Committee requires Board endorsement in relation to the total aggregate Director remuneration. In the event that there is an increase from the prior year's total aggregate Director remuneration, approval is required by the members at the Annual General Meeting.

In accordance with Prudential Standard APS 330, the Credit Union discloses information on its remuneration practices on the Credit Union's public website under Regulatory Disclosures.

Diversity

The Credit Union submits an annual compliance report in accordance with the Workplace Gender Equality Act 2012 (Act) with a copy of the Workplace Gender Profile Report published on the Credit Union's public website under Regulatory Disclosures.

Communication with Members

The Board encourages full participation of Members at the Annual General Meeting, either by way of physical attendance or proxy voting, to ensure a high level of accountability and identification of the Credit Union's strategies and goals. Important resolutions are presented to Members as single resolutions. Members are requested to vote on the appointment and aggregate remuneration of Directors (only in the event of an increase in the aggregate remuneration from the prior year is being sought) and changes to the Constitution.

A copy of the Credit Union's Constitution is available on the Credit Union's website.

Committees of the Board

While the Board of the Credit Union is responsible for the overall leadership of the Credit Union, the Board has established the following Board Committees to assist in discharging its duties:

- Audit Committee
- Governance Committee (includes Remuneration Committee responsibilities)
- Risk Committee.

The specific responsibilities of each Committee are set out in the individual Committee’s Charter. In summary, each Committee:

- must exercise any powers delegated by the Board and in accordance with any directions of the Board
- has the authority to conduct or direct any investigation required to fulfil its responsibilities including the authority to seek any information it requires from employees of the Credit Union
- may recommend to the Board that external resources such as legal, accounting or other advisers, consultants or experts be engaged as it considers necessary from time to time in the performance of its duties
- may make recommendations to the Board as it sees fit.

Corporate Governance Statement (continued)

Each Committee comprises only independent Non-Executive Directors of which there must be at least three. The Chair of each Committee will be elected by the Board and the Chair must be an independent Non-Executive Director and may not be the Chair of the Board.

Audit Committee

The Audit Committee met four (4) times during the year and assisted the Board in fulfilling its duties by reviewing and overseeing the efficiency and effectiveness of internal controls in line with the Audit Committee Charter. The Audit Committee has responsibility for the oversight of APRA statutory reporting requirements, as well as other financial reporting requirements, internal and external control frameworks and appointment of the external auditor.

The Committee comprises three Non-Executive Directors. All Committee members have free and unfettered access to senior management including persons responsible for financial management, risk management, the internal audit manager and the external auditor.

The Credit Union's internal audit function has unfettered access to all business lines and support functions. The Credit Union engages an external independent Auditor as required by APRA and ASIC.

Governance Committee

The Governance Committee met six (6) times during the year and assisted the Board in fulfilling its corporate governance responsibilities and makes recommendations to the Board for developing, implementing and reviewing the Board Governance Policies. Specific responsibilities include overseeing the processes by which key corporate objectives are set and performance is monitored, overseeing matters relating to Board composition, succession planning, skills assessment, professional development and performance assessment, fit and proper framework of the Credit Union and the management of the Nominations Panel.

The Committee comprises three Non-Executive Directors. In addition to the above responsibilities, the Governance Committee oversees remuneration and performs the functions of the Board Remuneration Committee as per APRA's CPS 510. The Governance Committee has specific responsibilities that include making annual recommendations to the Board, consistent with the Board Remuneration Policy, on the remuneration of the Chief Executive Officer, Executive Management and other designated employees as specified in the Board Remuneration Policy.

Risk Committee

The Risk Committee met six (6) times during the year and assisted the Board in fulfilling its responsibilities in relation to the Credit Union's risk management system. Specific responsibilities include risk management that arises from the balance sheet and interest rates, credit risk that arises in the credit portfolio and operational risk that includes regulatory risk, business continuity and other day-to-day business operations (including economic, contagion and reputational risks). In addition to this, the Risk Committee oversees the Board approved Risk Appetite Statement.

The Committee comprises three Non-Executive Directors. All Risk Committee members have free and unfettered access to senior management including persons responsible for financial management, risk and compliance management, the internal audit manager and the external auditor.

Risk Management

The Board is ultimately responsible for the sound and prudent management of Credit Union SA. The Credit Union will comply with the law, regulatory policy statements, industry codes and organisational standards that are relevant to the business. The Credit Union has identified risks that impact on the Credit Union and established risk systems, frameworks, policies and procedures to effectively and efficiently manage these risks.

The Credit Union has a Risk Appetite Statement and Board approved policies that document its approach to risk management. These documents limit risks to prudent levels by providing a logical and systematic framework to identify, measure and manage potential risks, and to meet prudential and statutory requirements.

Corporate Governance Statement (continued)

The Board is responsible for ensuring that the Credit Union and its staff comply with all laws and regulations governing the operations of the Credit Union. The Credit Union maintains a structured compliance management system that is appropriate for its size, nature, scale and complexity.

The Board undertakes regular reviews of the overall risk environment in which the Credit Union operates. The processes adopted by the Board include an assessment and weighting of risks and subsequently an allocation of resources and capital, as appropriate, to manage risks within levels that are acceptable to the Board.

Financial Reporting

The Chief Executive Officer, Executive Management and relevant senior managers have provided assurance in writing to the Board that the Credit Union's financial reports are founded on a sound system of risk management and internal compliance control which implements the policies adopted by the Board.

Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly.

Internal Audit

The Credit Union has an Internal Audit Manager, who reports directly to the Chair of the Audit Committee with day to day operational reporting to the Senior Manager Risk and Governance. The Audit Committee is responsible for approving the program and scope of internal and external audit activities each financial year to ensure optimum coverage of the major areas of potential risk.

Internal and External Audit Independence

The Audit Committee oversees the selection and appointment process of the Credit Union's External Auditor and makes recommendations to the Board on the appointment of the Credit Union's External Auditor. The current Lead Partner was appointed in 2012 and is due for rotation at the conclusion of the 2016 financial year. The Audit Committee can and does meet regularly with the External Auditor and/or Internal Audit Manager without management present.

Following consultation with the Chair of the Audit Committee, notification to the Chair of the Board, and approval by the Audit Committee, the responsibility for the appointment or dismissal of the Internal Audit Manager rests with the Chief Executive Officer. The Board are to be advised of any appointment or dismissal of the Internal Audit Manager at the next scheduled Board meeting.

The Audit Committee monitors the independence of the External Auditors and reviews the independence safeguards put in place by the External Auditors.

Independent Auditor's Report

Independent auditor's report to the members of Credit Union SA Ltd

We have audited the accompanying financial report of Credit Union SA Ltd (the Credit Union), which comprises the Statements of Financial Position as at 30 June 2016, Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year ended on that date, notes 1 to 32 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 Credit Union are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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 Credit Union's financial position and of their performance.

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

Independent Auditor's Report (continued)

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 Credit Union SA Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Credit Union's financial position as at 30 June 2016 and of their 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

Darren Ball
Partner

Adelaide

31 August 2016

Directors' Declaration

For the year ended 30 June 2016

In the opinion of the Directors of Credit Union SA Ltd ("the Credit Union"):

a) the financial statements and notes set out on pages 17 to 65 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;

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

b) the financial statements also comply with the International Reporting Standards as disclosed in Note 2;

c) 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.

Signed at Adelaide this 31st day of August 2016, in accordance with a resolution of the Board of Directors of the Credit Union.

A. Cannon

Alexandrea Cannon

Chair of the Board

Nicolle Rantanen

Chair of the Audit Committee

Statements of Financial Position

As at 30 June

	Notes	**2016** **$'000**	2015 $'000
Assets			
Cash and cash equivalents	8	30,072	31,176
Due from other financial institutions	9	130,956	170,144
Trade and other receivables	10	1,474	1,353
Loans and advances	11, 12	756,228	665,808
Other financial assets	13	1,661	1,661
Equity accounted investees	14	3,817	3,784
Property, plant and equipment	15	1,877	2,517
Deferred tax assets	7	776	729
Intangible assets	16	803	283
Derivative assets	26	9	-
Other assets	17	120	42
Total assets		927,793	877,497
Liabilities			
Members' deposits	18	827,873	781,558
Trade and other payables	19	3,210	4,120
Income received in advance		859	-
Income tax payable	7	256	437
Derivative liabilities	26	293	306
Provisions	20	3,496	3,134
Total liabilities		835,987	789,555
Net assets		91,806	87,942
Equity			
Retained earnings	21	91,128	86,614
Other reserves	21	-	737
Cash flow hedge reserve	21	(293)	(306)
General reserve for credit losses	21	920	849
Redeemed member shares	21	51	48
Total equity		91,806	87,942

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 30 June

	Notes	2016	2015
		$'000	$'000
Income			
Interest revenue	5	39,313	40,794
Interest expense	6	(16,156)	(17,906)
Net interest revenue		23,157	22,888
Non interest revenue	5	5,732	5,246
Share of profit of equity accounted investees	5, 14	969	478
Total income		29,858	28,612
Expenses			
Impairment losses on loans and advances	6, 12	(239)	(289)
Other expenses	6	(24,323)	(22,380)
Amortisation of intangibles arising from business combination	6, 16	(271)	(271)
Total expenses		(24,833)	(22,940)
Profit before tax		5,025	5,672
Income tax expense	7	(1,174)	(1,515)
Profit for the year		3,851	4,157
Items that are or may be reclassified to profit or loss			
Cash flow hedge reserve	21	13	(306)
Other comprehensive income for the period, net of tax		13	(306)
Total comprehensive income for the year		3,864	3,851

The above Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

As at 30 June

	Notes	Retained Earnings $'000	Other Reserves $'000	General Reserve for Credit Losses $'000	Cash Flow Hedge Reserve $'000	Redeemed member shares $'000	Total $'000
2016							
Opening equity		86,614	737	849	(306)	48	87,942
Profit for the year		3,851	-	-	-	-	3,851
Changes to the fair value of cash flow hedges		-	-	-	13	-	13
General Reserve for Credit Losses	12	(71)	-	71	-	-	-
Transfer (to)/from redeemed member shares		(3)	-	-	-	3	-
Transfer from/(to) Other Reserves		737	(737)	-	-	-	-
Closing equity	21	91,128	-	920	(293)	51	91,806
2015							
Opening equity		82,611	737	698	-	45	84,091
Profit for the year		4,157	-	-	-	-	4,157
Changes to the fair value of cash flow hedges		-	-	-	(306)	-	(306)
General Reserve for Credit Losses	12	(151)	-	151	-	-	-
Transfer (to)/from redeemed member shares		(3)	-	-	-	3	-
Closing equity	21	86,614	737	849	(306)	48	87,942

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

Statements of Cash Flows

For the year ended 30 June

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Interest received		39,651	40,819
(Increase) in members loans and advances		(90,659)	(29,261)
Interest paid		(17,040)	(18,143)
Increase in member deposits	18	46,315	37,867
Non-interest income received		5,256	5,294
Non-interest expenses paid		(22,384)	(21,916)
Income tax paid	7(c)	(1,401)	(1,081)
Net cash flow (used in) / from operating activities	8(b)	(40,262)	13,579
Cash flow from investing activities			
(Increase)/decrease in due from other financial institutions	9	39,188	(28,376)
Dividends received from equity accounted investees	14	933	502
Payments for fixed assets	15,16	(1,032)	(434)
Proceeds from sale of property, plant and equipment		69	5
Net cash from / (used in) investing activities		39,158	(28,303)
Cash flow from financing activities			
Net cash flow from financing activities		-	-
Net (decrease) in cash equivalents		(1,104)	(14,724)
Cash and cash equivalents as at 1 July		31,176	45,900
Cash and cash equivalents as at 30 June	8(a)	30,072	31,176

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

Notes to the Financial Statements

Notes to the Financial Statements

Note 1. GENERAL INFORMATION

Reporting Entity
Credit Union SA Ltd (the "Credit Union"), is a company domiciled in Australia. These financial statements comprise the Credit Union and its equity accounted investees.

Credit Union SA Ltd's registered office and its principal place of business is as follows:
400 King William St, Adelaide
South Australia, 5000.

Principal Activities
During the financial year ended 30 June 2016 the principal activities of the Credit Union were the provision of financial services to its members, including accepting members' deposits, advancing loans to members and acting as a general insurance agent. There were no changes to these activities during the year and no changes are anticipated for the coming year.

Note 2. BASIS OF PREPARATION

(a) STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report complies with International Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board. The Credit Union is a for-profit entity for the purposes of preparing the financial statements.

Details of the Credit Union’s accounting policies, including changes during the year, are included in Note 2(e) and Note 3.

The financial report was authorised for issue by the Directors on the 31 August 2016.

(b) BASIS OF MEASUREMENT

The financial report has been prepared on the historical cost basis except for financial instruments classified as available-for-sale and derivatives which are stated at their fair value in the statement of financial position.

(c) FUNCTIONAL AND PRESENTATION CURRENCY

The financial report is presented in Australian dollars, which is the Credit Union's functional currency.
The Credit Union is a registered company of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998, relating to the "rounding off" of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(d) USE OF ESTIMATES AND JUDGEMENTS

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements

Note 2. BASIS OF PREPARATION (continued)

Information about critical judgements in applying accounting policies that have had the most significant effect on the amounts recognised in the financial statements are included the following notes:

- Note 3(g) - Impairment of Loans and Advances
- Note 3(j) - Impairment
- Note 3(k) - Provisions for Employee Entitlements
- Note 3(q) - Provisions for Onerous Contract and Future Rent

(e) CHANGES IN ACCOUNTING POLICIES

There have been no significant changes in accounting policies during the year.

Note 3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) BASIS OF CONSOLIDATION

The financial statements comprise the financial statements of the Credit Union and the Credit Union's interest in equity accounted investees comprising interest in associates.

Associates are those entities in which the Credit Union has significant influence, but not control or joint control , over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Credit Union's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Credit Union's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) PROPERTY, PLANT AND EQUIPMENT (PP&E)

(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (refer note 3(j)). Cost includes expenditure that is directly attributable to the acquisition of the asset.

Where parts of an item of PP&E have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of PP&E are determined by comparing the proceeds from disposal with the carrying amount of PP&E and recognised net within other income in the profit or loss.

(ii) Depreciation
All PP&E, except land, have limited useful lives and are depreciated using the straight line method over their estimated useful lives.

Notes to the Financial Statements

The depreciation rates used for each class of assets for the current and comparative period are as follows:

Depreciable Assets	
Building works	2.5% to 6.67%
Office furniture and fittings	13.0% to 17.58%
Plant and equipment	20.0%
Computer equipment	25.0% to 33.3%
Software	33%
Intangible Software	33%
Motor vehicles	20.0%
Leasehold Improvements	10.0% to 28.95%

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually and adjusted if appropriate.

(c) INTANGIBLE ASSETS

Intangible assets that are acquired by the Credit Union and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(i) Core deposit intangible
The core deposit intangible has a finite useful life and is measured at fair value at the date of acquisition less accumulated amortisation and impairment losses.

The core deposit intangible asset was recognised following the merger with Powerstate Credit Union Ltd in 2009. This intangible asset represents the value attributable to the deposit base, acquired through the merger, providing a source of funding that is less expensive than alternative sources of funding available through wholesale and securitisation markets.The intangible asset was fully amortised as at 30 June 2016 and has been written off.

(ii) Amortisation
Amortisation is calculated over the cost of the asset, or any other amount substituted for cost, less its residual value.

Amortisation is recognised in the statement of profit or loss and other comprehensive income on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- Core deposit intangible 7 years
- Software 3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iii) Impairment of intangible assets
The carrying amounts of the Credit Union's intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. The recoverable amount of intangible assets is the greater of their fair value less costs to sell and value in use.

(d) FINANCIAL INSTRUMENTS

Financial instruments are initially recognised at fair value plus any attributable transaction costs. Subsequently financial instruments are required to be classified into measurement categories which determine the accounting treatment of the item. The Credit Union has the following categories:

- Loans and receivables: Measured at amortised cost, using the effective interest rate method, less impairment losses (refer to note 3(g))
- Held to maturity: Measured at amortised cost, using the effective interest rate method, less impairment losses (refer to note 3(j))
- Available for sale: Measured at fair value with changes in fair value taken to other comprehensive income
- Liabilities: Measured at amortised cost, using the effective interest rate method
- Derivative assets: Measured at fair value (refer to note 3(s))
- Derivative liabilities: Measured at fair value (refer to note 3(s))

Note 3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Credit Union derecognises financial instruments when the contractual rights to the cash flows of the financial asset expire, or in the case of financial liabilities when the contractual obligations are discharged, cancelled or expire.

e) INVESTMENTS

(i) Investments in equity securities
The Credit Union has equity investments in unlisted entities which are classified as being available for sale and are carried at fair value. Gains and losses from fair value changes are recognised in the other comprehensive income and accumulated in the fair value reserve. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost as this is considered the best estimate of fair value. When these assets are derecognised the gain or loss accumulated in the fair value reserve is reclassified to profit or loss.

The Credit Union's interest in equity investments is assessed at each reporting date to determine whether there is objective evidence that it is impaired. An impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Investments in debt
Financial instruments classified as held-to-maturity are non-derivative financial assets that have determinable payments, fixed maturity and there is an ability and intent by the Credit Union to hold the financial instrument until maturity. If during the current or previous two reporting periods the entity has derecognised or reclassified more than an insignificant amount of an asset class within this category then all of the assets within that class are reclassified as assets available for sale. When the financial instrument is derecognised any gain or loss on derecognition is recognised directly in the profit or loss. Where an asset is reclassified as being available-for-sale it is remeasured at fair value and any difference between its carrying value and the fair value is recognised in other comprehensive income.

Held-to-maturity assets are measured at amortised cost using the effective interest rate method (refer to note 9).

(f) LOANS AND ADVANCES

Loans and advances comprise term and revolving credit facilities provided to members and member overdrawn savings accounts and are initially recorded at fair value including direct and incremental transaction costs. They are subsequently recorded at amortised cost, being the cost of the loan on initial recognition less principal repayments, accumulated amortisation using the effective interest method and impairment losses (refer to note 3(g)).

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows the Credit Union considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract.

(g) IMPAIRMENT OF LOANS AND ADVANCES

The carrying amounts of the Credit Union's loans and advances are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Loans and advances are reviewed and graded according to the assessed level of arrears, statutory requirements and change in expected loss. Classifications adopted are as follows:

- "Non-accrual loans" are specific loans and advances where the recovery of all interest and principal is considered to be doubtful.
- "Restructured loans" arise when the borrower is granted a concession due to continuing difficulties in meeting original terms, and the revised terms are more favourable to the borrower than comparable facilities.
- "Assets acquired through the enforcement of security" are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.
- "Past due loans" are loans where payments of principal and/or interest are 1 day past due. Full recovery of both principal and interest is expected.

Notes to the Financial Statements

Note 3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and advances are individually assessed for impairment and are provided for through the specific provision. Loans and advances that are not assessed as impaired are placed into portfolios of assets with similar risk profiles and a collective assessment of impairment is performed. Impairment testing is based on objective evidence from historical experience adjusted for any effects of conditions existing at each reporting date.

The recoverable amount of the Credit Union's loans and advances is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

A General Reserve for Credit Losses is also maintained to cover the general risks inherent in the loan portfolios. Movements in the General Reserve for Credit Losses are recognised as an appropriation of retained earnings. The Australian Prudential Regulation Authority ("APRA") requires Authorised Deposit-taking Institutions to maintain a prescribed level of provision for regulatory purposes. The difference between the impairment provisions calculated under Australian Accounting Standards and those required by APRA is represented by the General Reserve for Credit Losses within equity.

The Credit Union writes off a loan balance when it is determined that the loan is uncollectible. This determination is reached after considering information such as the occurrence of a significant change in the borrower's financial position such that the borrower can no longer pay the obligation under the terms of the contract, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Any subsequent recoveries of these loan write-offs are recognised through profit or loss.

(h) TRADE AND OTHER RECEIVABLES

Trade and other receivables, comprise non interest bearing debtors, and are initially recognised at fair value and subsequently measured at amortised cost less impairment losses (refer to note 3 (j)). Receivables with a short duration are not discounted.

(i) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and deposits at call placed with other financial institutions.

(j) IMPAIRMENT

The carrying amounts of the Credit Union's assets other than loans and advances (refer to note 3(f)) and deferred tax assets (refer to note 3(p)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated (refer to note 3 (j)(i)).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss, unless an asset has previously been revalued, in which case the impairment loss is first recognised as a reversal to the extent of that previous revaluation, with any excess recognised through profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit of loss.

(i) Calculation of recoverable amount
The recoverable amount of the Credit Union's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Notes to the Financial Statements

Note 3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant trade receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each reporting date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment
Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a held-to-maturity security, available for sale equity instrument or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

When an impairment loss is reversed, it is reversed through the profit or loss.

(k) EMPLOYEE ENTITLEMENTS

The provisions for employee entitlements to wages, salaries, annual leave and long service leave represent the amounts which the Credit Union has a present obligation to pay resulting from employees' services provided up to the reporting date. The liability for employees' entitlements to annual leave and long service leave has been calculated at nominal amounts based on expected wage and salary rates and includes related on-costs. The liability for employees' entitlements to other long term benefits represents the present value of the estimated future cash outflows to be made by the employer resulting from the employees' services provided up to reporting date. The discount rate is the yield at reporting date on high quality corporate bonds that have a maturity date approximating the Credit Union's obligations.

(i) Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Credit Union contributes to a number of employee superannuation plans for the provision of benefits to employees on retirement, death or disability. Benefits provided under the plans are based on contributions for each employee. Employees contribute various percentages of their gross income to their nominated fund. Further contributions are made by the Credit Union for the benefit of its employees. Other than superannuation guarantee commitments, there is no legally enforceable obligation on the Credit Union to contribute to the superannuation plans.

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

Notes to the Financial Statements

Note 3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) 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 end of the reporting period, then they are discounted.

(l) MEMBER DEPOSITS AND PAYABLES DUE TO OTHER FINANCIAL INSTITUTIONS

Member deposits and payables due to other financial institutions are brought to account at fair value less attributable transaction costs and subsequently stated at amortised cost. Interest and yield related fees are recognised in profit or loss based on the effective interest rate basis.

(m) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. Trade payables are non-interest bearing and are normally settled within 30 days.

(n) REVENUE RECOGNITION

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.

- Net interest revenue is recognised on the amortised cost basis using the effective interest method.
- Loan origination fees and direct costs integral to the establishment of loans and advances are deferred and amortised to interest income over the effective life of the loan using the effective interest method.
- Other fees and commissions are brought to account on an accrual basis when the service is provided and the income is receivable.
- Rental income from leased property is recognised in profit or loss on a straight line basis over the lease term.
- Dividends from equity investments are recognised at the date when there is a right to receive.
- The cash flows of qualifying hedging derivatives designated in cash flow hedges, in the same period of the hedged cash flows, are recognised in net interest revenue.
- The cash flows associated with and revaluation of short term receive fixed interest rate swaps are recognised in net interest revenue.

(o) LEASES

All leases whereby the lessors substantially retain all the risks and benefits of ownership are classified as operating leases.

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

The Credit Union does not have any finance leases.

(p) INCOME TAX

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. 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.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Notes to the Financial Statements

Note 3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) 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.

(i) Onerous contracts
A provision for onerous contract is recognised when the expected benefits to be derived by the Credit Union from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected new cost of continuing with the contract.

(ii) Provision for future rent
Provision for future rent represents the unamortised balance of the aggregate benefit of incentives received in relation to new or renewed operating lease arrangements. These incentives are recognised as a reduction of the rental expense over the lease term on a straight line basis.

(r) FAIR VALUE MEASUREMENT

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at an arm's length transaction on the measurement date.

When available, the Credit Union measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active then the Credit Union measures these instruments at cost (refer to Note 26).

(s) DERIVATIVES HELD FOR RISK MANAGEMENT PURPOSES

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

The Credit Union designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Credit Union formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Credit Union makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%.

The Credit Union only utilises cash flow hedging relationships which are outlined below.

Note 3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in Other Comprehensive Income and accumulated in the cash flow hedge reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in Other Comprehensive Income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.

Further details of derivative financial instruments are disclosed in Note 25.

(t) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and amendments to standards are available for early adoption and have not been applied in preparing these financial statements. The Standards relevant to the Credit Union are set out below. The Credit Union does not plan to adopt these standards early.

AASB 9 Financial Instruments

AASB 9, published in July 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment of financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Credit Union is assessing the potential impact on its financial statements resulting from the application of AASB 9.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Credit Union is assessing the potential impact on its financial statements resulting from the application of AASB 15.

AASB 16 Leases

AASB 16 Leases, published in 23 February 2016, replaces AASB 117 Leases. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

AASB 16 is effective for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted for entities that apply AASB 15 Revenue from Contracts with Customers at or before the date of initial application of AASB 16.

The Credit Union is assessing the potential impact on its financial statements resulting from the application of AASB 16.

Notes to the Financial Statements

Note 4. INTEREST REVENUE AND INTEREST EXPENSE

The following tables show the average balance for each of the major categories of interest bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate.

	Average Balance	Interest	Average Interest Rate
	$'000	$'000	%
2016			
Interest revenue			
Cash and cash equivalents	34,012	606	1.78%
Due from other financial institutions	133,760	4,703	3.52%
Loans and advances	700,819	33,994	4.85%
Derivatives	-	10	0.54%
	868,591	39,313	4.53%
Interest expense			
Payables due to other financial institutions	15	1	4.51%
Member deposits	809,065	16,026	1.98%
Derivatives	-	129	0.64%
	809,080	16,156	2.00%
Interest margin		23,157	2.53%
2015			
Interest revenue			
Cash and cash equivalents	41,461	758	1.83%
Due from other financial institutions	154,623	5,440	3.52%
Loans and advances	649,915	34,596	5.32%
	845,999	40,794	4.82%
Interest expense			
Payables due to other financial institutions	19	1	5.25%
Member deposits	759,124	17,855	2.35%
Derivatives	-	50	0.29%
	759,143	17,906	2.36%
Interest margin		22,888	2.46%

Notes to the Financial Statements

Note 5. REVENUE

	2016 $'000	2015 $'000
Interest revenue	39,313	40,794
Non interest revenue		
Loan fees	623	535
Bad debts recovered	91	52
Dividends received	235	235
Gain from sale of property, plant & equipment	8	4
Rental revenue from property	3	3
Other fee revenue	1,308	1,358
Other commission revenue	3,462	3,043
Other revenue	2	16
Total non interest revenue	5,732	5,246
Investments in Associates		
Investments in associates before income tax	1,384	683
Income tax expense	(415)	(205)
Total Investments in Associates	969	478
Total non interest revenue	6,701	5,724
Total revenue from all sources	46,014	46,518

Notes to the Financial Statements

Note 6. EXPENSES

	2016	2015
	$'000	$'000
Interest expense	16,156	17,906
Non interest expenses		
Impairment losses on loans and advances		
Individually assessed provisions for impairment increase/(decrease)	36	62
Collective provisions for impairment increase/(decrease)	(28)	(37)
Bad debts written off directly to profit or loss	231	264
	239	289
Administration expenses		
Staff		
Employee benefits	10,362	9,477
Contributions to defined contribution plans	1,190	1,096
Occupancy		
Operating lease expenses	1,944	1,681
Occupancy expenses	457	363
Depreciation-buildings	6	6
Information technology		
Information technology expenses	2,008	1,605
Other		
Administrative expenses	2,148	2,202
Depreciation plant equipment	565	682
Amortisation intangibles	193	75
Distribution channel costs	3,141	2,993
Impairment Losses	34	-
Marketing expenses	1,461	1,540
Loss on disposal of property, plant & equipment	24	24
Other	790	636
	24,323	22,380
Amortisation of intangibles arising from business combination	271	271
Total non interest operating expenses	24,833	22,940
Total expenses	40,989	40,846

Notes to the Financial Statements

Note 7. INCOME TAX

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2016	2016	2015	2015
	%	**$'000**	%	$'000
(a) Reconciliation between tax expense and pre-tax profit				
Profit before tax		5,025		5,672
		-		-
Income tax expense	30.00%	1,507	30.00%	1,702
Increase/(decrease) in income tax expense due to:				
Non allowable expenses	0.26%	13	0.65%	37
Tax exempt revenue	(7.19%)	(361)	(3.90%)	(221)
Under / (over) provision from prior year	0.30%	15	(0.04%)	(2)
Income tax expense on pre-tax net profit	23.37%	1,174	26.71%	1,515
(b) Tax expense recognised in profit or loss comprises:				
Current tax expense in respect of the current year		1,199		1,622
Adjustments to prior years		21		(6)
		1,220		1,616
Deferred tax (benefit) / expense relating to the origination and reversal of temporary differences		(46)		(101)
Total tax expense		**1,174**		**1,515**
(c) Income tax payable / (Current tax asset)				
Movements during the year were as follows:				
Balance at beginning of the year		437		(98)
Income tax paid (net of refund)		(1,401)		(1,081)
Current year income tax liability on operating profit		1,199		1,622
Under / (over) provision in prior years		21		(6)
Income tax payable / (Current tax asset)		256		437

Notes to the Financial Statements

Note 7. INCOME TAX (continued)

(d) Movement in deferred tax balances

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
2016				
Employee benefits	711	83	-	794
Loans and advances	68	17	-	85
Property, plant and equipment	289	1	-	290
Onerous contract	72	62	-	134
Prepaid lease incentive	178	(54)	-	124
Undeducted capital expenditure	22	13	-	35
Other	14	(1)	-	13
Deferred tax assets	1,354	121	-	1,475
Intangible assets at fair value on business combination	(82)	82	-	-
Deferred loan broker fee commission	(35)	(130)	-	(165)
Deferred loan expense	-	(25)	-	(25)
Equity accounted investees	(508)	(1)	-	(509)
Deferred tax liabilities	(625)	(74)	-	(699)
Net deferred tax assets (liabilities)	729	47	-	776
2015				
Employee benefits	635	76	-	711
Loans and advances	61	7	-	68
Property, plant and equipment	266	23	-	289
Onerous contract	85	(13)	-	72
Prepaid lease incentive	232	(54)	-	178
Undeducted capital expenditure	27	(5)	-	22
Other	19	(5)	-	14
Deferred tax assets	1,325	29	-	1,354
Intangible assets at fair value on business combination	(163)	81	-	(82)
Deferred loan broker fee commission	(26)	(9)	-	(35)
Deferred loan expense	-	-	-	-
Equity accounted investees	(508)	-	-	(508)
Deferred tax liabilities	(697)	72	-	(625)
Net deferred tax assets (liabilities)	628	101	-	729

(e) Unrecognised deferred tax asset

Credit Union SA has carried forward capital losses of $0.787 million (2015: $0.767 million) which have not been recognised as a deferred tax asset because it is uncertain that future capital gains will be available from which the Credit Union can utilise the benefit.

Notes to the Financial Statements

Note 8. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash for statement of cash flows

	2016 $'000	2015 $'000
Cash and cash equivalents	1,958	4,250
Investments with other financial institutions	28,114	26,926
Total Cash for statement of cash flows	30,072	31,176

(b) Reconciliation of Profit for the year to net cash flow from operating activities

Profit for the year	3,851	4,157
Add/(deduct) non-cash items		
Provisions for impairment	8	25
Depreciation of property, plant and equipment	571	688
Amortisation of intangible assets	193	75
Amortisation of intangible assets from business combinations	271	271
Impairment expense	34	-
Net loss/(profit) on disposal of property, plant and equipment	16	20
Share of profit of equity accounted investments	(969)	(478)
Total adjustments for non-cash items	124	601
Add/(deduct) changes in assets or liabilities during the financial year		
(Increase) in loans and advances	(90,428)	(28,996)
Increase in member deposits	46,315	37,867
Increase in accrued interest receivable	339	25
(Decrease) in accrued interest payable	(884)	(237)
(Increase)/decrease in other assets	(546)	75
Increase/(decrease) in other liabilities	1,195	(347)
(Decrease)/increase in income tax payable	(181)	437
Decrease) in income tax receivable	-	98
(Increase) in deferred tax assets	(47)	(101)
Total changes in assets or liabilities	(44,237)	8,821
Net cash (used in)/ from operating activities	(40,262)	13,579

Notes to the Financial Statements

Note 9. DUE FROM OTHER FINANCIAL INSTITUTIONS

	2016 $'000	2015 $'000
Deposits held to maturity		
Deposits with Cuscal Ltd	6,000	9,965
Deposits with other financial institutions	124,956	160,179
	130,956	170,144

Not longer than 3 months until maturity	40,672	55,055
Longer than 3 months not longer than 12 months until maturity	37,418	64,638
Longer than 1 year and not longer than 5 years until maturity	52,866	50,451
	130,956	170,144

Note 10. TRADE AND OTHER RECEIVABLES

	2016 $'000	2015 $'000
Interest receivable	819	1,166
Other	655	187
	1,474	1,353

Notes to the Financial Statements

Note 11. LOANS AND ADVANCES

	2016	2015
	$'000	$'000
Loans and advances carried at amortised cost		
Revolving credit facilities	55,866	60,017
Term loans - secured	692,521	595,768
Term loans - unsecured	8,078	10,252
Gross Loans and advances	756,465	666,037
Specific provision for impairment	(202)	(166)
Collective provision for impairment	(35)	(63)
Net Loans and advances	756,228	665,808
Loans and advances by maturity		
Lines of credit (including unsecured overdrafts)	55,866	60,017
Not longer than 3 months	7	10
Longer than 3 months not longer than 12 months	502	473
Longer than 1 year and not longer than 5 years	16,281	14,531
Longer than 5 years	683,809	591,006
Gross Loans and advances	756,465	666,037
Loans and advances by security		
Secured by mortgage	711,386	617,891
Secured by other	20,399	20,296
Unsecured	24,680	27,850
Gross Loans and advances	756,465	666,037
Loans and advances by purpose		
Residential	710,731	617,184
Personal	42,625	44,827
Commercial	3,109	4,026
Gross Loans and advances	756,465	666,037
Concentration of risk		
The Credit Union's loans are predominantly concentrated in South Australia.		
This creates an exposure to a particular segment as follows:		
South Australian residents	739,508	650,143
Other residents	16,957	15,894
Gross Loans and advances	756,465	666,037

The Credit Union has a significant exposure to groupings of individual loans which concentrate risk and create exposure to the employment sector of educators in both the government and non-government South Australian school systems. As at 30 June 2016, loans to members of the education community of South Australia totalled $313.526 million (2015: $289.298 million). This represents approximately 41.5% of the total loan portfolio (2015: 43.5%).

As at 30 June 2016, the Credit Union had no loan facilities with an outstanding balance in excess of 10% of its total capital (2015: nil)

Notes to the Financial Statements

Note 12. IMPAIRMENT OF LOANS AND ADVANCES

	Notes	2016	2015
		$'000	$'000
(a) Provisions for impairment			
Specific provision		202	166
Collective provision		35	63
Total provision for impairment		237	229
General reserve for credit losses recognised in equity	21	920	849
Total of provisions for impairment and general reserve for credit losses recognised in equity		1,157	1,078
(b) Impairment losses on loans and advances			
Individually assessed provisions for impairment increase		36	62
Collective provisions for impairment (decrease)		(28)	(37)
Bad debts written off directly to profit and loss		231	264
Charge to profit and loss		239	289
(c) Impaired loans and assets acquired			
Non accrual loans			
Balance		230	223
Restructured loans			
Balance		765	889
Assets acquired through security enforcement			
Net fair value of assets acquired through enforcement of security during the financial year		11	-
These assets represent motor vehicles, which have been subsequently sold.			
Interest revenue on non-accrual and restructured loans		-	-
Interest foregone on non-accrual and restructured loans		(12)	(13)
Net interest recognised / (foregone)		(12)	(13)

Past due loans are disclosed in Note 25(c).

Note 13. OTHER FINANCIAL ASSETS

	2016	2015
	$'000	$'000
Unlisted Shares at Fair Value		
Cuscal Ltd	1,661	1,661

Interests in unlisted securities are brought to account at cost. Unlisted investments comprise shares held in Cuscal Ltd. Cuscal Ltd's constitution limits the ability of the Credit Union to sell Cuscal Ltd shares.

This investment does not have a quoted market price in an active market and its fair value cannot be reliably measured because the information that would be required to estimate fair value is not readily available. The cost of the investment continues to be the best indicator of fair value.

Note 14. EQUITY ACCOUNTED INVESTEES

	Note	**2016**	2015
		$'000	$'000
Investment in Data Action Pty Ltd	27	3,000	2,968
Investment in Blackwood Nominees Pty Ltd	27	817	816
		3,817	3,784

Investment in Data Action Pty Ltd

The Credit Union holds a 15.90% ownership (2015: 20.80%) in Data Action Pty Ltd, an Australian, non-listed resident company. Data Action's principal activities are the provision of software solutions and hosted technology services to th e customer owned financial services industry. The Credit Union accounts for this investment using the equity method. The Credit Union's share of profit is accounted for based on its shareholding (2015: based on shareholder revenue contribution of 12.22% as governed by Data Actions constitution). The Credit Union's ownership of Data Action reduced from 20.80% to 15.90% following a shareholder restructure of Data Action and revised constitution from 1 July 2015. The Credit Union has determined that it has significant influence because it has the power to participate in the financial and operating policy decisions of Data Action through Board representation.

No impairment indicators exist for this investment.

Notes to the Financial Statements

Note 14. EQUITY ACCOUNTED INVESTEES (continued)

Summary financial information for Data Action Pty Ltd, not adjusted for the percentage of ownership held by the Credit Union:

	2016	2015
	$'000	$'000
Current assets	14,630	19,448
Non-current assets	10,997	6,384
Total Assets	25,627	25,832
Current liabilities	4,757	4,424
Non-current liabilities	2,001	811
Total Liabilities	6,758	5,235
Net Assets	18,869	20,597
Credit Union's Share of Net Assets	3,000	2,517
	15.90%	12.22%
Income	41,365	34,633
Expenses	(35,944)	(31,850)
Profit after tax	5,421	2,783
Credit Unions share of profit and total comprehensive income	862	340
Dividends received by the Credit Union	795	345
Credit Union's share of net profit	67	(5)

Notes to the Financial Statements

Note 14. EQUITY ACCOUNTED INVESTEES (continued)

Investment in Blackwood Nominees Pty Ltd

The Credit Union holds a 50.00% ownership in Blackwood Nominees Pty Ltd, an Australian, non-listed resident company. Blackwood Nominees principal activities are the provision of loan broking services within South Australia. The Credit Union accounts for this jointly controlled investment using the equity method. The Credit Union's share of profit is accounted for based on its shareholding.

An assessment of impairment was performed at the reporting date by comparing the carrying amount to the investments recoverable amount. The recoverable amount was based on its value in use, determined by discounting future cash flows. Key assumptions used in the calculation of value in use were a discount rate of 18.00% (2015: 18.00%), which is based on the weighted average cost of capital adjusted commensurate with the risk of the forecast cash flows, a growth rate of 1.50% (2015: 2.50%) and a terminal value growth rate of 1.50% (2015: 2.50%). No further evidence of impairment was determined following the recognition of the impairment loss of $0.150 million recognised as at 30 June 2013. Differences in impairment calculations modelled under alternative key assumptions were immaterial.

Summary financial information for Blackwood Nominees Pty Ltd, not adjusted for the percentage of ownership held by the Credit Union:

	2016	2015
	$'000	$'000
Current assets	204	220
Non-current assets	227	193
Total Assets	431	413
Current liabilities	99	123
Non-current liabilities	54	14
Total Liabilities	153	137
Net Assets	278	276
Credit Union's Share of Net Assets	139	138
	50.00%	50.00%
Income	757	755
Expenses	(479)	(479)
Profit after tax	278	276
Credit Unions share of profit and total comprehensive income	139	138
Dividends received by the Credit Union	138	157
Credit Union's share of net profit	1	(19)

Notes to the Financial Statements

Note 15. PROPERTY PLANT AND EQUIPMENT

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

2016	Freehold land	Buildings	Plant & equipment	Work in Progress	Total
	$'000	$'000	$'000	$'000	$'000
Opening	275	245	4,498	90	5,108
Additions	-	-	318	13	331
Transfers	-	-	4	(4)	-
Reclassification to intangible assets	-	-	(341)	(87)	(428)
Disposals	-	-	(300)	-	(300)
Closing	275	245	4,179	12	4,711
Less: Accumulated depreciation/impairment					
Opening	(95)	(35)	(2,461)	-	(2,591)
Disposals	-	-	232	-	232
Reclassification to intangible assets	-	-	131	-	131
Depreciation expense	-	(6)	(566)	-	(572)
Impairment expense	(10)	(24)	-	-	(34)
Closing	(105)	(65)	(2,664)	-	(2,834)
Net book value 30 June 2016	170	180	1,515	12	1,877

2015	Freehold land	Buildings	Plant & equipment	Work in Progress	Total
	$'000	$'000	$'000	$'000	$'000
Opening	275	245	4,940	24	5,484
Additions	-	-	258	176	434
Transfers	-	-	110	(110)	-
Disposals	-	-	(810)	-	(810)
Closing	275	245	4,498	90	5,108
Less: Accumulated depreciation/impairment					
Opening	(95)	(29)	(2,563)	-	(2,687)
Disposals	-	-	784	-	784
Depreciation expense	-	(6)	(682)	-	(688)
Closing	(95)	(35)	(2,461)	-	(2,591)
Net book value 30 June 2015	180	210	2,037	90	2,517

The Credit Union's property was independently valued on 15 December 2015 by Mr C Winter, AAPI CPV & M Richardson FAPI CPV of Herron Todd White in accordance with the Credit Union's policy. Land and buildings are independently valued by a relevant external party at least every three years. The valuation has been prepared for accounting purposes only. The building was valued at $0.180 million and the land was valued at $0.170 million. An impairment expense of $0.010 million on the land and $0.024 million on the building was recorded against the value of the assets at 30 June 2016.

Note 16. INTANGIBLE ASSETS

2016	**Core deposits**	**Insurance**	**Intangible Software**	**Work in progress**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cost					
Balance at 1 July 2015	1,900	-	107	-	2,007
Additions	-	-	80	623	703
Transfers	-	-	566	(566)	-
Reclassification from PP&E	-	-	341	87	428
Disposals	-	-	(176)	(8)	(184)
Closing balance as at 30 June 2016	1,900	-	918	136	2,954
Amortisation and Impairment					
Balance at 1 July 2015	(1,629)	-	(95)	-	(1,724)
Amortisation	(271)	-	(193)	-	(464)
Reclassification from PP&E	-	-	(131)	-	(131)
Disposals	-	-	168	-	168
Closing balance as at 30 June 2016	(1,900)	-	(251)	-	(2,151)
Net book value as at 30 June 2016	-	-	667	136	803

2015	Core deposits	Insurance	Other intangibles	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000
Cost					
Balance at 1 July 2014	1,900	450	107	-	2,457
Additions	-	-	-	-	-
Disposals	-	(450)	-	-	(450)
Closing balance as at 30 June 2015	1,900	-	107	-	2,007
Amortisation and Impairment					
Balance at 1 July 2014	(1,358)	(450)	(20)	-	(1,828)
Amortisation	(271)	-	(75)	-	(346)
Disposals	-	450	-	-	450
Closing balance as at 30 June 2015	(1,629)	-	(95)	-	(1,724)
Net book value as at 30 June 2015	271	-	12	-	283

Core deposits and insurance intangible assets were created as a result of the merger between Satisfac Direct Credit Union Limited and Powerstate Credit Union Ltd. The merger was effective 1 October 2009.

Notes to the Financial Statements

Note 17. OTHER ASSETS

	2016	2015
	$'000	$'000
Prepayments	120	42

Note 18. MEMBER DEPOSITS

	2016	2015
	$'000	$'000
Withdrawable shares	92	95
Deposits carried at amortised cost:		
At call deposits	548,137	460,423
Term deposits	279,644	321,040
Total member deposits	827,873	781,558
Maturity analysis		
At call (including withdrawable shares)	548,229	460,518
Up to 3 months	129,197	150,554
From 3 to 6 months	66,507	71,281
From 6 to 12 months	60,390	69,867
Later than 1 year but not later than 5 years	23,550	29,338
Total deposits	827,873	781,558

The Credit Union has an exposure to groupings of individual deposits which concentrate risk and create exposure to the employment sector of educators in both the government and non-government South Australian school systems. As at 30 June 2016, deposits from members of the education community of South Australia totalled $122.877 million (2015: $108.412 million). This represents approximately 14.8% of total deposits (2015: 13.9%).

As at 30 June 2016 deposits from members currently residing in South Australia totalled $784.002 million (2015: $737.280 million). This represents approximately 94.7% of total deposits (2015: 94.3%).

As at 30 June 2016, the Credit Union has no individual or group of deposit facilities with an outstanding balance in excess of 10.0% of its total liabilities (2015: Nil).

Notes to the Financial Statements

Note 19. TRADE AND OTHER PAYABLES

	2016	2015
	$'000	$'000
Trade creditors	643	600
Accrued interest payable on deposits	2,538	3,422
Derivative interest payable	14	14
Other creditors and accruals	15	84
	3,210	4,120

The average credit period in relation to trade and other is less than 30 days.

Notes to the Financial Statements

Note 20. PROVISIONS

	2016	2,015
	$'000	$'000
Provision for onerous contract		
Opening balance	239	282
Provision created	255	-
Provision utilised	(47)	(43)
Closing Balance	447	239
Provision for lease incentive		
Opening balance	522	643
Provision utilised	(120)	(121)
Closing Balance	402	522
Provision for long service leave		
Opening balance	1,708	1,486
Provision created	280	294
Provision utilised	(69)	(72)
Closing Balance	1,919	1,708
Provision for annual leave		
Opening balance	665	632
Provision created	104	84
Provision utilised	(41)	(51)
Closing Balance	728	665
Total Provisions	3,496	3,134
Number of employees		
Number of full time equivalent employees at year end	134	127

The provision for onerous contract represents the remaining life of the lease held on the ground floor and level 12, 115 Grenfell St. The provision calculation includes payments relative to the tenancy for the period 1 July 2016 through to 30 September 2016, when the lease period expires. Provision has been included for sub tenancy during part of this term.

The provision for lease incentive represents lease discounts and the up-front cash contribution on signing the lease agreements applicable to the Credit Union's head office at 400 King William Street and the Grenfell Street Branch. The provisions are being written back to profit over the term of the leases, being 10 years.

Notes to the Financial Statements

Note 21. EQUITY

(a) Retained earnings
Retained earnings comprise the accumulated profits of the Credit Union net of transfers to the general reserve for credit losses, redeemed member shares and transfers from the fair value reserve. Retained earnings are held in order for the Credit Union to meet its prudential requirements.

(b) Redeemed member shares
Under the Corporations Act 2001, redeemed member shares (member's $2 shares) may only be redeemed out of the Credit Union's profit or through a new issue of shares for the purpose of the redemption. The value of member shares for existing members is disclosed as a liability in note 19.

(c) General Reserve for Credit Losses
Whilst provisions for impairment determined under Australian Accounting Standards are only to be recognised when there is objective evidence of impairment, APRA requires that ADI's maintain a general reserve for cred it losses. This reserve constitutes a provision against potential (but not certain) losses which are intrinsic to the overall business of the ADI (refer note 3(g)).

(d) Cash Flow Hedge Reserve
The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments used in cash flow hedges pending subsequent recognition in the profit or loss as the hedged cash flows affect the profit or loss.

(e) Other Reserves
Other reserves represents the fair value assets of the merger. This was created as a result of the merger between Satisfac Direct Credit Union Ltd and Powerstate Credit Union Ltd on 1st October 2009. The reserve was created as per AASB 3: Business Combinations, where assets and liabilities held by Powerstate Credit Union Ltd were transferred at fair value. This reserve represents the net fair value of net assets received. With the intangible asset being fully amortised as at 30 June 2016 the reserve has been transferred to retained earnings.

Note 22. FINANCING FACILITIES

The Credit Union has access to the following lines of credit:

	2016 $'000	2015 $'000
Total Facilities Available		
Overdraft facilities	5,000	5,000
	5,000	**5,000**
Facilities not utilised at balance date		
Overdraft facilities	5,000	5,000
	5,000	**5,000**

The above facilities are established through Cuscal Ltd and secured against a fixed and floating charge over the assets of the Credit Union. Interest on these facilities is charged at prevailing market rates.

Note 23. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Lease commitments

Leases as lessee

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016	2015
	$'000	$'000
Less than 1 year	1,392	1,951
Between one and five years	3,134	4,530
More than 5 years	-	-
	4,526	6,481

Operating leases relate to the Credit Union's head office and branches. The lease term for the head office building is 10 years with options to extend for a further 10 years. Lease terms for branches are up to 5 years. All operating lease contracts contain market review clauses in the event that the Credit Union exercises its option to renew. The Credit Union does not have an option to purchase the leased asset at the expiry of the lease period.

Leases as lessor

The Credit Union sub leases branch area to accommodate ATM's and has sublet office space relating to an operating lease it holds as a lessee outlined above. At the end of the reporting period, the future minimum lease payments under non-cancellable leases are receivable as follows:

	2016	2015
	$'000	$'000
Less than 1 year	86	425
Between one and five years	11	97
More than 5 years	-	-
	97	522

Operating leases, including its sublease, relate to the Credit Union's head office and branches.

(b) Capital commitments

	2016	2015
	$'000	$'000
Capital expenditure commitments	65	-

Notes to the Financial Statements

Note 23. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

(c) Outstanding loan commitments

	2016	2015
	$'000	$'000
Loans approved but not yet funded		
Residential	11,788	11,963
Personal	195	312
	11,983	12,275

(d) Members' unused credit facilities

	2016	2015
	$'000	$'000
Revolving credit and redraw facilities	189,659	174,222

(e) Credit Union Financial Support System Limited

The Credit Union is a party to the Credit Union Financial Support System Limited (CUFSS). CUFSS is a voluntary scheme that Credit Unions affiliated with Cuscal Ltd have agreed to participate in.

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

As a member of CUFSS, the Credit Union:

- May be required to advance funds of up to 3.0% (excluding permanent loans) of total assets to another Credit Union requiring financial support.
- May be required to advance permanent loans of up to 0.1% of total assets per financial year to another Credit Union requiring financial support.

This support has not been called upon during the 2016 financial year.

(f) Contingent Liabilities

At reporting date the Credit Union had fully secured financial guarantees in place, to the beneficiary of ANZ Banking Group Ltd and Cuscal Ltd, that it had provided on behalf of members totalling $0.207 million (2015: $0.215 million). The unsecured balance of these guarantees totals $0.031 million (2015: $0.031 million). No loss on these guarantees is anticipated.

Note 24. KEY MANANGEMENT PERSONNEL

(a) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any Director of the Credit Union.

The names of persons who were key management personnel of the Credit Union at any time during the financial year are as follows:

Non-executive Directors -
A.Cannon, C.Butterick, C.A.Mitchell, N.S.Rantanen, R.P.Shannahan, K.A.Jordan, S.E. Paterson.

Executive Management Committee -
G.S. Strawbridge, T.J. Davis, J.W.Koerber, P.M.Kwan, C.A.Ryan, P.G. Langley

(b) Aggregate income (including superannuation payments) received, or due and receivable by all key management personnel of the Credit Union or related parties is included in employee benefits (Note 6):

The aggregate compensation of the key management personnel of the Credit Union is set out below:

	2016	2015
	$	$
Short-term employee benefits	1,650,427	1,399,405
Payments to defined contribution plans	208,035	209,391
Other long-term benefits	10,615	5,339
	1,869,077	1,614,135

The Credit Union does not pay any post employment benefits or share-based payments to key management personnel.

Note 24. KEY MANANGEMENT PERSONNEL (continued)

(c) Loans to key management personnel

	2016	2015
	$	$
Aggregate loans to key management personnel outstanding at reporting date;		
Mortgage and personal loans	1,602,636	1,396,925
Lines of credit (including unsecured overdrafts)	3,357	8,259
	1,605,993	1,405,184
Aggregate amount of loans made during the year to key management personnel:		
Total loans made during the year	387,656	75,504
Aggregate amount of interest charged during the year to key management personnel:		
Mortgage and personal loans	82,962	79,181
Aggregate amount of repayments made during the year to key management personnel:		
Mortgage and personal loans	264,907	552,404
Net movement in lines of credit (including unsecured overdrafts) including interest charged	(4,902)	5,603

The key management personnel who held loan accounts with the Credit Union during the year were A.Cannon, C.Butterick, N.S.Rantanen, R.P.Shannahan, T.J.Davis, P.G. Langley and S.E. Paterson.

Loans to key management personnel may include joint loans with partners where both parties are jointly and severally liable. Mortgage loans are secured and personal loans are unsecured. Overdrafts may be secured or unsecured. All loans were subject to normal terms and conditions and there were no breaches of these terms and conditions during the year. All key management personnel hold a $2 withdrawable share as members of the Credit Union. No impairment losses have been recorded against balances outstanding during the period with key management personnel and no specific allowance made for impairment.

Note 25. FINANCIAL RISK MANAGEMENT

(a) Financial risk management

The Credit Union has exposure to the following risks arising from financial instruments:

- Liquidity risk
- Credit risk
- Market risk

This note presents information about the Credit Union's exposure to each of the above risks, the Credit Union's objectives, policies and processes for measuring and managing risk, and the Credit Union's management of capital.

The Credit Union's Board of Directors is ultimately responsible for the sound and prudent management of the Credit Union. The Board of Directors has established a Risk Committee that is responsible for establishing an effective risk management framework to manage the Credit Union's exposure to risk. It is also responsible for ensuring that risks are managed within approved limits and for overseeing compliance to relevant policies. The Risk Committee reports regularly to the Board of Directors on its activities.

The Credit Union's 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 to reflect changes in market conditions and the Credit Union's activities.

The Credit Union's Board of Directors has established an Audit Committee to assist the Board of Directors in fulfilling its responsibilities relating to internal controls and the accounting and reporting practices of the Credit Union. It serves as an independent and objective party to review the financial information presented by management to members, regulators and the general public and is responsible for reviewing the effectiveness of internal controls and risk management systems established by management to enable compliance with legislation, prudential standards, accounting standards and Board Policies. The Audit Committee is assisted in its oversight role by Internal Audit. The Audit Committee reports to the Board of Directors on its activities.

(b) Liquidity risk management

Liquidity risk is the risk that the Credit Union will not be able to meet its payment obligations as they fall due, including repaying member deposits, or that the Credit Union has insufficient capacity to fund increases in assets. The timing mismatch of cash flows and the related liquidity risk is inherent in all banking operations and is closely monitored by the Credit Union.

The Credit Union's approach to managing liquidity is to maintain a portfolio of liquid assets to manage potential stresses in funding sources. The liquidity portfolio held is in accordance with APRA's Prudential Standard APS210 which requires the Credit Union to hold high quality liquid assets to 9% (2015: 9%) of adjusted liabilities as a minimum liquidity holding (MLH). The Credit Union prudently, under its liquidity risk policy, has minimum liquidity holding of 10% (2015: 10%) which it terms a MLH ratio. The Credit Union's Board liquidity risk policy requires the MLH ratio to be managed between 12% and 15%, allowing for surplus liquidity above the 15% upper limit to be invested in non-MLH investments. The MLH and Total Liquidity ratios are reported to management daily and to the Board on a monthly basis.

In addition to the liquidity portfolio the Credit Union also has a $5.000 million (2015: $5.000m) overdraft facility (refer to note 22).

Notes to the Financial Statements

Note 25. FINANCIAL RISK MANAGEMENT (continued)

The Credit Union's MLH liquidity ratio and total liquidity ratio as at the end of the reporting period and comparative period were as follows:

	2016	2015
	%	%
As at 30 June:		
Liquidity holding - MLH	16.05	17.63
Liquidity holding - Total	18.34	24.24

The tables below summarise the maturity profile of the Credit Union's financial liabilities as at reporting date based on contractual undiscounted repayment obligations. The Credit Union expects that many members will not request repayment on the earliest date the Credit Union could be required to pay and the tables do not reflect the cash flows indicated by the Credit Union's deposit retention history.

	Carrying amount $'000	Contractual Cash flows $'000	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000
2016						
Financial Liabilities						
Member deposits	827,873	827,873	548,229	129,197	126,897	23,550
Interest payable	2,552	7,776	-	3,492	3,535	749
Trade and other payables	658	658	-	658	-	-
Derivative liabilities	293	293	-	-	-	293
	831,376	836,600	548,229	133,347	130,432	24,592
2015						
Financial Liabilities						
Member deposits	781,558	781,558	460,518	150,554	141,148	29,338
Interest payable	3,436	10,324	-	4,723	4,487	1,114
Trade and other payables	684	683	-	683	-	-
Derivative liabilities	306	306	-	-	-	306
	785,984	792,872	460,518	155,960	145,635	30,758

(c) Credit risk management

Credit risk arises from the possibility that the counterparty to a financial instrument will not adhere to the terms of the contract with the Credit Union when settlement becomes due.

The largest exposure to credit risk is in the area of loans and advances and amounts due from other financial institutions. Risk in this area is managed in the following ways:

- credit risk policies are in place and each loan application is assessed using these policies;
- appropriate insurance over underlying security for loans is put in place where necessary;
- procedures exist to ensure that credit exposures to members and other financial institutions are monitored and followed up if necessary; and
- compliance reviews are undertaken by Internal Audit.

Notes to the Financial Statements

Note 25. FINANCIAL RISK MANAGEMENT (continued)

The Credit Union's accounting policy for impaired loans is disclosed in Note 3(g).

The Credit Union holds collateral against loans and advances to members in the form of mortgage interests over real property and guarantees. 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.

Details of the Credit Union's impaired loans and advances as at the reporting date are disclosed below and in Note 12.

	2016	2015
	$'000	$'000
Exposure to credit risk		
Individually impaired		
- Mortgage secured	-	-
- Other loans	230	184
Gross amount	230	184
Less Allowance for impairment	(202)	(166)
Carrying amount	28	18
Collectively impaired		
- Mortgage secured	210	178
- Other loans	61	90
Gross amount	271	268
Less Allowance for impairment	(35)	(63)
Carrying amount	**236**	205
Past due but not impaired		
1 - 29 days	9,542	9,788
30 - 59 days	315	439
60 - 89 days	117	-
90 days or greater	697	1,441
Gross amount	10,671	11,668
Less Allowance for impairment	-	-
Carrying amount	10,671	11,668
Neither past due nor impaired	**745,293**	653,917
Total Carrying Amount	756,228	665,808

The majority of past due loans are mortgage loans secured by property with no loss expected.

The Credit Union limits its credit exposure to other financial institutions by investing its liquidity portfolio in instruments in accordance with APRA's minimum investment grade criteria and limits its counterparties to Australian domiciled ADI's (meeting the Board liquidity policy requirements). The Credit Union does not expect any counterparty to fail to meets its obligations.

Note 25. FINANCIAL RISK MANAGEMENT (continued)

The Credit Union's maximum exposure to credit risk at the reporting date (without taking into account the value of any collateral or other security in the event other parties fail to perform their obligations under financial instruments) in relation to each class of recognised financial asset is the carrying amount of those assets (net of any provision for impairment). The Credit Union's maximum exposure to credit risk at the reporting date was:

	Note	2016 $'000	2015 $'000
Cash and cash equivalents	8	30,072	31,176
Due from other financial institutions	9	130,956	170,144
Trade and other receivables	10	1,474	1,353
Loans and advances	11, 12	756,228	665,808
Other financial assets	13	1,661	1,661
Total maximum exposure		920,391	870,142

(d) Market risk management

Market risk is the risk to the Credit Union's earnings that arise from fluctuations in interest rates and credit spreads (the Credit Union is not exposed to equity, foreign currency or commodity price movements). The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. The Credit Union is predominately exposed to interest rate risk. Interest rate risk is managed principally through monitoring the sensitivity of the Credit Union's financial assets and liabilities, measured as discounted cash-flows, against interest rate movement scenarios and the use of derivatives. Derivatives, in the form of interest rate swaps, are utilised to manage the repricing mismatch between assets and liabilities. The Credit Union is exposed to a declining interest rates. An analysis of the Credit Union's sensitivity, both as dollars and as a percentage of capital, to a 100 basis point parallel (increase)/decrease in market rates is as follows:

	2016 $'000	2015 $'000
Sensitivity:		
As at 30 June	591	1,349
Average for the period	925	1,061
Maximum for the period	1,380	1,842
Minimum for the period	322	630

	2016 %	2015 %
Sensitivity as a percentage of total capital:		
As at 30 June	0.71%	1.67%
Average for the period	1.13%	1.34%
Maximum for the period	1.71%	2.33%
Minimum for the period	0.39%	0.81%

Note 25. FINANCIAL RISK MANAGEMENT (continued)

To manage exposure to interest rate risk, the Credit Union has quantified acceptable risk parameters, and has put in place a third party interest rate risk management system to monitor performance against those parameters and a risk management framework periodically reviewed by the Board and Risk Committee, together with reporting of results to the Board and Risk Committee.

The following summarises the Credit Union's interest rate gap position (before discounting cash flows) and the effective interest rates of financial assets and financial liabilities for the Credit Union. Financial instruments are classified by the date at which the applicable rate will next be reset.

2016	< 1 month	1 month to 12 months	1 year to 5 years	Non-interest Earning/ Bearing	Total Carrying Value	Weighted Average Rate
	$'000	$'000	$'000	$'000	$'000	%
Financial Assets						
Cash and cash equivalents	28,114	-	-	1,958	30,072	1.78%
Due from other financial institutions	29,737	101,219	-	-	130,956	3.52%
Loans and advances	561,863	41,877	152,400	88	756,228	4.85%
Other financial assets	-	-	-	1,661	1,661	-
Trade and other receivables	-	-	-	1,474	1,474	-
Derivative assets	-	9	-	-	9	0.54%
	619,714	143,105	152,400	5,181	920,400	4.53%
Financial Liabilities						
Member Deposits	444,574	204,730	23,550	155,019	827,873	4.51%
Trade and other payables	-	-	-	3,210	3,210	-
Derivative Liabilities	-	-	293	-	293	0.64%
	444,574	204,730	23,843	158,229	831,376	2.00%
Interest Rate Swaps assets/(liabilities)	(5,000)	25,000	(20,000)	-	-	-

2015	< 1 month	1 month to 12 months	1 year to 5 years	Non-interest Earning/ Bearing	Total Carrying Value	Weighted Average Rate
	$'000	$'000	$'000	$'000	$'000	%
Financial Assets						
Cash and cash equivalents	26,926	-	-	4,250	31,176	2.86%
Due from other financial institutions	43,466	126,677	-	-	170,144	3.30%
Loans and advances	442,476	89,733	133,483	116	665,808	5.32%
Other financial assets	-	-	-	1,661	1,661	-
Trade and other receivables	-	-	-	1,353	1,353	-
	512,868	216,410	133,483	7,380	870,142	4.82%
Financial Liabilities						
Member Deposits	374,194	227,939	29,338	150,089	781,559	2.35%
Trade and other payables	-	-	-	4,120	4,120	-
Derivative liabilities	-	-	306	-	306	0.29%
	374,194	227,939	29,644	154,209	785,985	2.36%
Interest Rate Swaps assets/(liabilities)	5,000	15,000	(20,000)	-	-	-

Notes to the Financial Statements

Note 25. FINANCIAL RISK MANAGEMENT (continued)

(e) Capital Management

The Credit Union's capital management approach is designed to best serve the interests of its members and adhere to the minimum capital requirements set by APRA under its capital adequacy standard APS 110. The Credit Union ensures compliance with regulatory capital requirements through its internal capital adequacy assessment process (ICAAP). The ICAAP, which forms a component of the capital management policy and represents an annual review of capital adequacy, considers both current capital levels and future capital requirements.

The Credit Union maintains capital through the appropriation of retained earnings to general reserves (refer Note 24(a)). No other capital instruments are utilised.

In accordance with the Basel III capital framework, the Credit Union has adopted a standardised approach to the calculation of credit risk when determining the capital adequacy ratio.

There have been no material changes in the Credit Union's management of capital during the period. Details of the Credit Union's capital adequacy ratio as at the reporting date were as follows:

	2016	2015
	$'000	$'000
Total qualifying capital	83,771	80,748
Risk Weighted Assets	417,256	402,544

	2016	2015
	%	%
Capital adequacy ratio		
As at 30 June	20.08	20.06

Notes to the Financial Statements

Note 26. FINANCIAL INSTRUMENTS

(a) Fair Values

The aggregate fair value of financial assets and financial liabilities, both recognised and unrecognised at the reporting date of the Credit Union, are as follows:

	Total carrying amount as per Statements of Financial Position		Aggregate net fair value		Fair value hierarchy
	2016	2015	**2016**	2015	
	$'000	$'000	**$'000**	$'000	
Financial Assets					
Cash and cash equivalents	30,072	31,176	30,072	31,176	Level 1
Due from other financial institutions	130,956	170,144	131,160	170,548	Level 2
Net Loans and advances	756,228	665,808	755,365	667,101	Level 2
Other financial assets	1,661	1,661	1,661	1,661	Level 3
Trade and other receivables	1,474	1,353	1,474	1,353	Level 1
Derivative assets	9	-	9	-	Level 2
	920,400	**870,142**	**919,740**	**871,839**	
Financial Liabilities					
Members' deposits	827,873	781,558	827,542	781,059	Level 3
Accounts payable and other liabilities	3,210	4,120	3,210	4,120	Level 1
Derivative liabilities	293	306	293	306	Level 2
	831,376	**785,984**	**831,045**	**785,485**	

The following methods and assumptions were used to determine the net fair values of financial assets and financial liabilities:

Cash and cash equivalents:
The carrying amount equates to fair value due to the short term nature of these financial instruments.

Due from other financial institutions:
These financial assets represent the Credit Union's liquidity portfolio and are comprised of MLH investments and term deposits held with Australian domiciled ADIs. Where the MLH investments have a residual maturity of greater than twelve months, the fair value of those investments have been reported at their current market values. The fair value of all other investments are reported at their carrying value.

Loans and advances:
Fair value has been determined through the discounting of future cash flows which represents a difference between existing loan interest rates and current market interest rates. For fixed rate loans the discount factor is based on the applicable benchmark bank bill swap rate. For variable rate loans, which are repriced at the discretion of the Credit Union, fair value is set at the carrying value.

Other financial assets:
Where appropriate, net fair value for other financial assets has been determined by reference to the most recent formal valuation. Where a fair value cannot be determined due to the absence of a quoted market price, the cost price will be used where it is determined as the only reliable estimate of fair value.

Note 26. FINANCIAL INSTRUMENTS (continued)

Trade and other receivables:
These financial assets are substantially short-term in nature and predominantly comprise individual assets with variable interest rates, consequently carrying value approximates fair value because of the short term repricing opportunity. For those financial assets that will be repriced beyond twelve months, the aggregate net fair value has been determined by calculating the net present value of future cash flows using market rates as at reporting date.

Accounts payable and other liabilities:
These financial liabilities are substantially short-term in nature and predominantly comprise individual liabilities with variable interest rates, consequently carrying value approximates fair value because of the short term repricing opportunity. For those financial liabilities that will be repriced beyond twelve months, the aggregate net fair value has been determined by calculating the net present value of future cash flows using market rates as at reporting date.

Members' deposits:
Fair value has been determined through the discounting of future cash flows which represents a difference between existing deposit interest rates and current market interest rates. For fixed term deposits the discount factor is based on the applicable benchmark bank bill swap rate. For at-call deposits, which are repriced at the discretion of the Credit Union, fair value is set at the carrying value.

Derivatives:
Fair value for the Credit Union's interest rate swaps has been determined by discounting future cash flows which are based on current implied forward rates as at the reporting date.

(b) Fair value hierarchy

The table below analyses the Credit Union's financial instruments carried at fair value.

The different levels have been identified as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets and liabilities either directly (ie: as prices) or indirectly (ie: derived from prices)
- Level 3: Inputs for assets and liabilities that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2016				
Derivative assets	-	9	-	9
Derivative liabilities	-	293	-	293
Other financial assets	-	-	1,661	1,661
2015				
Derivatives assets	-	-	-	-
Derivatives liabilities	-	306	-	306
Other financial assets	-	-	1,661	1,661

Valuation assumptions used as the basis for the level 3 allocation of other financial assets is as noted in Note 13. Derivative liabilities are valued based on the discounted future cash flows based on the implied 90 day forward interest rates for the remaining term to maturity of each interest rate swap.

There have not been any changes in the classification between levels during the year (2015: nil)

Notes to the Financial Statements

Note 27. RELATED PARTY DISCLOSURES

a) The Credit Union provides payroll processing and administration services on behalf of Blackwood Nominees Pty Ltd. All transactions are under normal terms and conditions.

b) The Credit Union engages Data Action Pty Ltd to provide software and technology hosting services. As a shareholder of Data Action Pty Ltd the Credit Union received a discount on the provision of some of these services in 2015. For 2016 Data Action provides the software and technology services at arms' length and benefits are recognised through equity accounted earnings, refer Note 14.

Ownership interest

	Note	**2016**	2015
		%	%
Data Action	14	15.90	20.80
Blackwood Nominees Pty Ltd	14	50.00	50.00

Aggregate amounts included in profit before income tax expense that resulted from transactions with the non key management personnel related parties:

	2016	2015
	$	$
technology services	2,085,189	1,696,379
management fee	9,273	12,000
interest expense	65,584	151,062

Aggregate amounts payable to non key management personnel related party:		
at call deposits	4,231	4,978
term deposits	2,000,000	2,000,000

Notes to the Financial Statements

Note 28. AUDITORS' REMUNERATION

	2016 $	2015 $
Audit services		
Auditors of the Credit Union		
KPMG Australia:		
- Audit of financial statements	103,294	102,076
- Other regulatory audits	25,711	23,174
	129,005	125,250
Other services		
Auditors of the Credit Union		
KPMG Australia:		
- In relation to tax and other services	15,450	15,450
Total auditor remuneration	144,455	140,700

Note 29. FRANKING ACCOUNT

The Credit Union has generated franking credits through paying income tax since the 1994/95 financial year. The ability to utilise these credits is restricted by the constitution of the Credit Union which does not currently permit dividend payments.

The balance of the consolidated franking account, adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements is $21.353 million (2015: $19.650 million).

The Credit Union is prevented from distributing the balance of the franking accounts.

Note 30. SEGMENT INFORMATION

The Credit Union operates predominately in the retail finance industry within South Australia.

Specific segmentation of loans and deposits is set out in Notes 11 and 19.

Note 31. ECONOMIC DEPENDENCY

The Credit Union has an economic dependency on the following suppliers of services.

Cuscal Ltd
As a provider and aggregator of financial service products to the financial services industry, this entity supplies the Credit Union with access to payment and settlement facilities in the form of BPay, Direct Entry and Chequing as well as access to acquiring and settlement facilities for electronic fund services via the ATM and EFTPOS networks. Cuscal Ltd also provides the Credit Union with rediCARD and VISA card services. In addition, Cuscal Ltd supplies transactional banking and money market services to the Credit Union. Cuscal Ltd also provides the electronic link between automatic teller machines, Bank@Post terminals, point of sale terminals and BPay transactions to members' accounts. The Credit Union invests a proportion of its high quality liquid assets with Cuscal Ltd. The Credit Union is a shareholder in Cuscal Ltd.

Data Action Pty Ltd
The Credit Union is a shareholder in Data Action Pty Ltd. Data Action Pty Ltd provides the Credit Union with computer software solutions and hosted technology services.

Note 32. SUBSEQUENT EVENTS

There have been no events subsequent to reporting date which would have a material impact on the Credit Union's 30 June 2016 financial statements.

Credit Union SA Ltd

ABN 36 087 651 232
AFSL/Australian Credit Licence Number 241066

Principal registered office in Australia

Level 3, Credit Union SA Centre
400 King William St, Adelaide
South Australia 5000, Australia.

Telephone

08 8202 7777

Facsimile

08 8410 0812

Annual General Meeting

Thursday 19 November 2015
5.30pm, Adelaide Pavilion Conference Centre
Corner South Terrace and Peacock Road, Adelaide

Bankers

Cuscal Limited
National Australia Bank Limited

Auditors

KPMG

Tax Agent

KPMG

Solicitors

Wallmans Lawyers
Hunt & Hunt Lawyers
Fisher Jefferies

CEO

Grant Strawbridge

BA (Acc), FCPA, GAICD, F Fin

Grant has over 25 years experience in Executive and Senior Management roles within the mutual sector of the financial services industry within Australia and is currently the Chief Executive Officer of Credit Union SA Limited.

Grant’s experience includes managing corporate strategic initiatives relating to mutual mergers, organisational transformation and design, large entity acquisitions, organisation wide re-engineering programs, enterprise wide risk management programs and finance, technology and balance sheet management.

Grant is also a Director of Data Action Pty Ltd and the Credit Union Pageant Company.

Credit Union SA Ltd
Principal registered office in Australia
ABN 36 087 651 232
AFSL/Australian Credit Licence Number 241066
400 King William Street Adelaide SA 5000