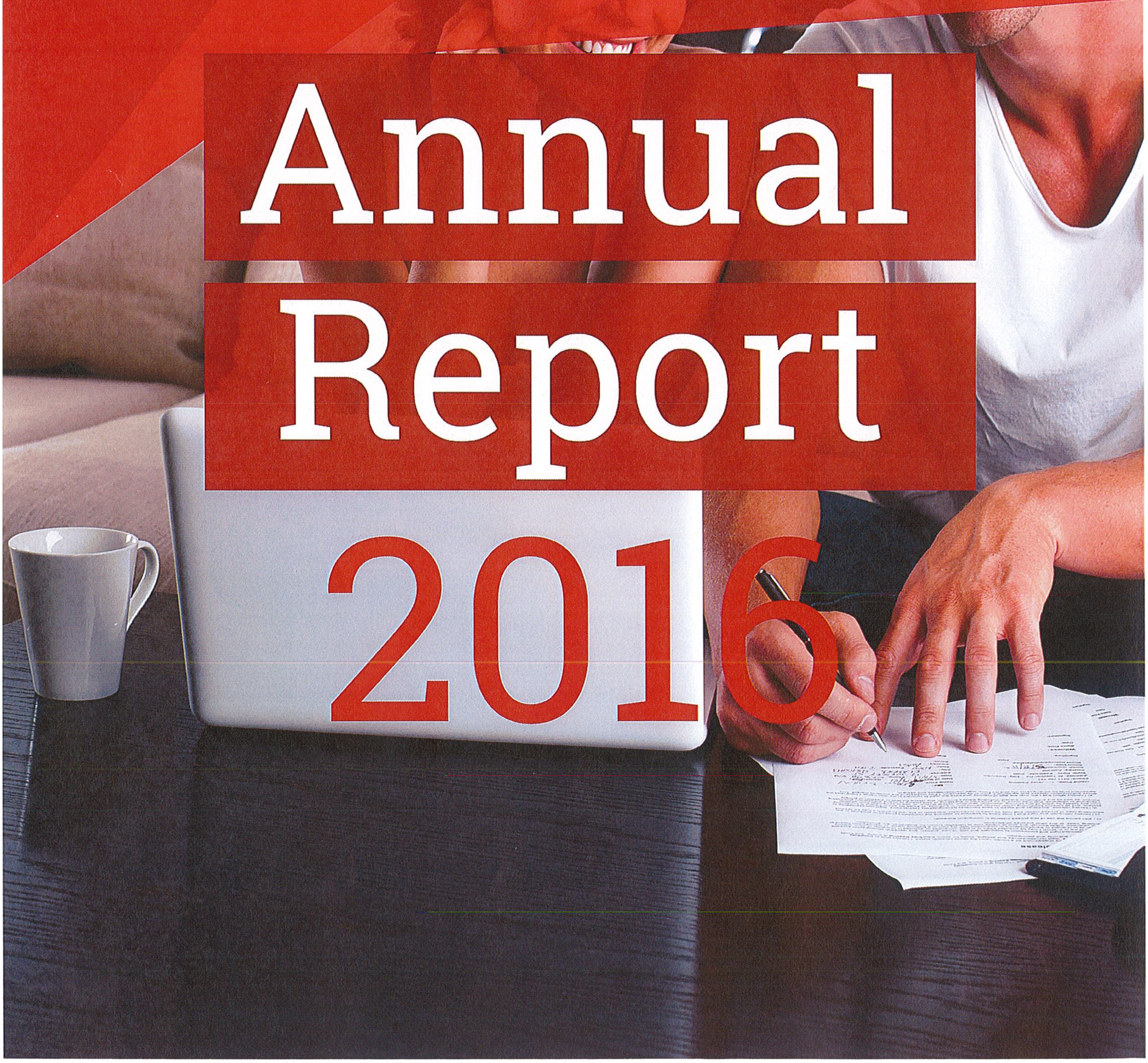
Fire Service Credit Union

Annual Report 2016



FIRE SERVICE CREDIT UNION LTD.

ANNUAL FINANCIAL REPORT

For year ending 30 June 2016

Registered Head Office

22 Chancery Lane, Adelaide SA 5000

Phone:	08 8227 2222
Fax:	08 8227 2422
Website:	www.fscu.com.au
Office Hours:	Monday – Friday 8:30am – 4:45pm
	Except Tuesdays 9:30am – 4:45pm
BSB	805-013
ABN:	17 087 651 152
AFSL:	237515
Australian Credit Licence:	237515

Affiliations

Cuscal Ltd
Customer Owned Banking Association
Data Action Pty Ltd
Bridges Personal Investment Services
Allianz Australia Insurance Ltd
Western Union Business Solutions
Access Prepaid Worldwide

Auditors

KPMG
151 Pirie Street, Adelaide SA 5000

Solicitors

Piper Alderman
70 Franklin Street, Adelaide SA 5000

Fire Service Credit Union Ltd
Annual Report
For the year ended 30 June 2016

Contents

Fire Service Credit Union Ltd
Chairman's Report
For the year ended 30 June 2016

As the current Chair of the Fire Service Credit Union (FSCU) I present the Chairman's report for the 2015/16 financial year.

Following on from last year the Credit Union has again provided a sound but modest profit despite the difficult financial climate in which we operate and the results are in line with the strategic plan developed by the Board. I report of profit of $72,000 (2015: $74,000).

There have been major upgrades to the technology which the Credit Union uses and the recent introduction of the improved website along with the new mobile application has further enhances the members' banking experience; it is the aim of the Board to meet the banking requirements and expectations of the members wherever possible.

Product improvement and better options has also been a focus of our planning this financial year and this has seen the introduction of various special home and unsecured loans and we are continually exploring options to improve the loan processing. This year we will be concentrating on marketing strategies and the best methods of reaching out to the membership to encourage growth, better use of our products, and recruitment of new members, including extended family. As a community owned financial institution we also strive to support community events where possible and will continue our sponsorships of significant events such as the Jack Crossman Memorial Retirement Social and Children's Christmas Party.

Increased compliance requirements have once again been challenging resulting in the development of additional policy development and reporting criteria, to which, on behalf of the Board, I wish to acknowledge and thank CEO Trish Ireland and the Credit Union staff for their dedication and hard work, but especially the friendly manner in which they interact with us all.

There have been recent changes to the board membership following the resignations of Mr Greg Crossman and Mr David Mack; we welcomed two new Directors, Ms Lisa Lew and Mr Greg Northcott, and Mr Jeff Swann accepted the role of Deputy Chairman. The experience, size and diversity of the Board means that discussion and decision making at the meetings is robust and considered, always with the membership benefits at the fore of its thinking.

As always I thank you, the members, for your continued loyalty to the Credit Union. We do consider ourselves part of the firefighter family and will continue to be the best we can be and remain relevant and competitive as we look forward to another exciting year.

Mr. Paul Fletcher, MLshipMgmt, G.I.Fire E.

Chairman

Fire Service Credit Union Ltd
Directors Report
For the year ended 30 June 2016

The directors present their report together with the financial report of Fire Service Credit Union Ltd ("the Credit Union") for the financial year ended 30 June 2016 and the auditor's report thereon.

1. Directors

The directors and key management personnel of the Credit Union at any time during or since the end of the financial year are:

Paul M Fletcher – Chairman	Appointed to the Board March 2011
Assistant Chief Fire Officer	Member of Remuneration Committee
Dip Engineering	Appointed as Deputy Chair January 2015
GIFireE	Appointed as Acting Chair March 2015
MLshipMgmt	Appointed as Chairman October 2015
Gregory Crossman – Retired Chairman	Appointed to the Board in May 1996
Chief Officer	Leave of Absence from March 2015 to October 2015
Masters Business Administration	Resigned as Chairman and from the Board October 2015
AFSM (Australian Fire Service Medal)	
Jeffrey D Swann – Deputy Chairman	Appointed to the Board March 2011
Station Officer – SAMFS	Member of Audit Committee
Certificate 4 in Business Management	Appointed Deputy Chairman October 2015
Diploma of Management	
Noel L Johnson – Director	Appointed to the Board in March 2005
SA Fin (Life Member)	Member of Audit Committee
FIPA	Member of the Risk Committee
Manager of Fire Service Fund	
Eugene D Holzbauer - Director	Appointed to the Board in March 2007
Chartered Accountant	Chair of Audit Committee
Bachelor of Arts Accountancy	Chair of Risk Committee
Diploma in Financial Services(SMSF Advice Only)	
Registered Tax Agent	
Registered SMSF Auditor	
Alexander Karapetian - Director	Appointed to the Board December 2013
Senior Funding Analyst – SA Health	Member of Remuneration Committee
Bachelor of Finance	Member of Risk Committee
Graduate certificate in Finance	
Gregory Howard - Director	Appointed to the Board July 2015
Dip WHS	Member of Risk Committee
Bachelor Social Science	Member of Remuneraton Committee
Masters Degree EMG MGT	
Elizabeth Lew - Director	Appointed to the Board November 2015
Masters Business Administration	
Gradual Diploma in Legal Practice	
Bachelor Laws	
Bachelor of Commerce	
Associate Member CPAAustralia	
Gregory Northcott - Director	Appointed to the Board November 2015
United Firefighters Union of Australia	
Tricia Ireland - Company Secretary	Appointed as CEO January 2010
Chief Executive Officer	
Diploma of Banking Services Management	

2. 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 were as follows:

Director	Board Meetings		Audit Committee Meetings		Risk Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B
Paul Fletcher	12	12	2	2	-	-	2	2
Gregory Crossman*	-	-	-	-	-	-	-	-
Jeffrey Swann	9	12	1	2	-	-	-	-
Noel Johnson	12	12	2	2	2	2	-	-
Eugene Holzbauer	10	12	2	2	2	2	-	-
Alexander Karapetian	11	12	-	-	2	2	2	2
Gregory Howard	8	12	-	-	2	2	1	1
Elizabeth Lew	7	8	-	-	-	-	-	-
Gregory Northcott	8	8	-	-	-	-	-	-

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year
*G Crossman – Leave of Absence from the Board March 2015 to October 2015

3. Corporate Governance Statement

Board of Directors

During the year there was a maximum of 8 directors. The Board has operated within the rules of the Credit Union constitution with 8 directors elected by members. The primary role of the Board of Directors is to protect the interest of the members. It is responsible for the overall conduct of the business by performing its duties in accordance with the approved Board Terms of Reference.

In accordance with these Terms of Reference the Board governance includes:

Strategic planning

The strategic planning direction of the Credit Union is analysed each year and the business plan is prepared and reviewed at Board Planning Days..

Risk management

In conjunction with management, risk management systems are reviewed on a regular basis. Key areas considered include:

- Review and monitor interest rates;
- Ratify loans within a delegated authority;
- Formulate and review risk management policies annually;
- Review remuneration and performance of senior management;
- Monitor the performance of the Credit Union;
- Report against strategic goals; and
- Review and enhance Board reporting.

Approving budgets and capital expenses

Budgets are prepared annually by management and approved by the Board. Performance compared to key indicators is reported by management to the Board on a monthly basis.

Ethical conduct

Ethical conduct is of paramount importance for the Board as this forms the basis of a strong bond with our members and maintains the integrity of the Credit Union.

3. Corporate Governance Statement (continued)

Audit Committee

The Audit Committee comprises 2 non-executive directors with an independent chairman. The responsibilities of the Audit Committee are to:

- Monitor reporting to the Australian Prudential Regulation Authority (APRA);
- Review risk management systems;
- Oversee the independence of the external auditors;
- Review the findings of the external auditors; and
- Review the annual financial report and recommend Board approval.

Remuneration Committee

The Remuneration Committee comprises 3 non-executive directors. The responsibilities of the Remuneration Committee are to:

- Ensure the Credit Union's remuneration policy is sufficiently robust, effective and capable of contributing to the Credit Union's objectives;
- Making determinations in relation to the application of the remuneration policy;
- Reviewing and making recommendations to the Board on performance assessment processes;
- Making recommendations to the Board on the remuneration of Senior Management; and
- Evaluating the remuneration of material service providers.

Risk Committee

The Risk Committee is responsible for assisting the Board in providing an objective non-executive oversight of the implementation and operation of the Credit Union's risk management, taking into account the Credit Union's Risk Appetite Statement, the overall business strategy and management expertise. This includes the establishment, implementation, review and monitoring or risk systems and policies for the following:

- Market and Investment Rate Risk
- Liquidity and Funding Risk
- Credit Risk
- Insurance Risk
- Risks arising from the Credit Union's strategic objectives and business plans
- Fraud Risk
- Data Risk (security and data integrity)
- Reputational Risk
- Operational Risk; and
- Other risks that in isolation or in combination with different risks may have a material impact on the Credit Union.

3. Corporate Governance Statement (continued)

Ethical Standards

All directors, management and staff are expected to act with the utmost integrity, striving to enhance the credibility and performance of the Credit Union. In this regard the Credit Union directors must abide by a conflicts of interest policy. Where an actual or potential conflict arises, the director must remove themselves from any discussion or decision making with respect to matters where there is such a conflict or potential conflict.

Communication with Members

Members are encouraged to participate in the Annual General Meetings to ensure a high level of accountability.

Annual reports are available from the Credit Union Offices and the Credit Union's website (www.fscu.com.au).

A newsletter also provides members with updates to events and services encouraging them to provide feedback to enhance the excellent relationship that the Credit Union currently enjoys.

4. Operating and financial review

The profit after tax of the Credit Union for the year ended 30 June 2016 was $72k (30 June 2015: $74k). The Credit Union continues to meet all statutory and regulatory obligations including APRA's liquidity and capital requirements.

5. Significant changes 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.

6. Principal activities

The principal activities of the Credit Union during the course of the financial year were the provision of retail financial services to our members and acting as an insurance agent.

There were no significant changes in the nature of the activities of the Credit Union during the year.

7. Dividends

The Credit Union has not paid or declared a dividend out of Share Capital during the year ended 30 June 2016 (2015: nil).

8. Environmental regulations

The Credit Union's operation is not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes 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 environmental requirements as they may apply to the Credit Union during the year covered by this report.

9. Likely developments

The Credit Union will continue to provide services to members and does not anticipate any significant developments in the foreseeable future.

10. Directors' interests

During the financial year, no directors of the Credit Union have received or become entitled to receive any benefit other than a benefit included in the aggregated amount of remuneration received or due by directors shown in the financial statements by reason of contract made by the Credit Union or with any director or with a firm of which a director is a member, or with any entity of which a director has a substantial interest.

11. Indemnification and insurance of officers

The Credit Union holds a Directors' and Officers' insurance policy on behalf of directors for the year ended 30 June 2016, which was paid by the Credit Union with cover amounting to $1,000,000 (2015: $1,000,000).

The policy indemnifies directors against damages, legal costs and expenses arising from any claim made against them jointly or separately in relation to their duties as directors of the Credit Union.

The insurance policy does not cover the external auditor.

12. Public disclosure of prudential information

Prudential Standard APS 330 Public Disclosure requires the Credit Union to meet minimum requirements for the public disclosure of information on its risk profile, risk management, capital adequacy, capital instruments and remuneration practices. This information is published on the Credit Union's public website at http://www.fscu.com.au/about-us-disclosure-documents.html.

13. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 9 and forms part of the directors' report for financial year ended 30 June 2016.

14. Rounding off

The amounts contained in this report and in the financial statements have been rounded off to the nearest thousand dollars (unless otherwise stated) in accordance with Instrument 2016/191 issued by Australian Securities and Investment Commission dated 24 March 2016, as the Credit Union has total assets greater than $10,000,000.

This report is made in accordance with a resolution of the directors:

Mr Paul Fletcher, MLshipMgmt, G.I.Fire E.
Chairman
Dated at Adelaide this 25 day of October 2016

KPMG

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

To: the Directors of Fire Service Credit Union 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

John Evans
Partner

Adelaide

25 October 2016

Statement of profit and loss and other comprehensive income

For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Interest Revenue	5	2,151	2,322
Interest Expense		(895)	(1,043)
Net interest income		**1,256**	**1,279**
Other revenue	6	234	219
Personnel expenses	7	(594)	(583)
Other expenses	8	(798)	(816)
Profit before income tax		**98**	**99**
Income tax expense	9	(26)	(25)
Profit for the year		**72**	**74**
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		**72**	**74**
Total comprehensive income attributable to:			
Members of the Credit Union		72	74
Total comprehensive income for the year		72	74

The notes on pages 14 to 37 are an integral part of these financial statements.

Statement of financial position

As at 30 June 2016

	Note	2016 $'000	2015 $'000
Assets			
Cash and cash equivalents	10	6,500	5,161
Receivables and other assets		94	83
Investment receivables	11	64	34
Loans and advances	12	29,149	30,893
Investments	13	19,035	16,022
Deferred tax assets	15	41	52
Plant and equipment	16	158	154
Intangible assets	17	93	126
Total assets		**55,134**	**52,525**
Liabilities			
Members' deposits	14	50,086	47,502
Trade and other payables	18	247	257
Employee benefits	19	114	110
Income tax payable		-	41
Total liabilities		**50,447**	**47,910**
Net assets		**4,687**	**4,615**
Equity			
Redeemed preference shares reserve	20	23	23
General credit loss reserve	20	46	46
Retained earnings		4,618	4,546
Total members' funds		**4,687**	**4,615**

The notes on pages 14 to 37 are an integral part of these financial statements

Statement of changes in equity

For the year ended 30 June 2016

	Note	Redeemed preference shares $'000	General credit loss reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2014		22	46	4,473	4,541
Total comprehensive income for the year					
Profit for the year		-	-	74	74
Total comprehensive income for the year		-	-	74	74
Transfer from retained earnings		1	-	(1)	-
Balance at 30 June 2015		23	46	4,546	4,615
Balance at 1 July 2015		23	46	4,546	4,615
Total comprehensive income for the year					
Profit for the year		-	-	72	72
Total comprehensive income for the year		-	-	72	72
Balance at 30 June 2016		23	46	4,618	4,687

The notes on pages 14 to 37 are an integral part of these financial statements

Statement of cash flows

For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Interest received		2,121	2,322
Net decrease in loans and advances		1,743	1,348
Net increase in deposit accounts		2,584	4,706
Dividends received from investments		13	13
Interest paid to members		(953)	(1,043)
Fees and commissions received		221	205
Income taxes paid		(56)	(20)
Cash paid to suppliers and employees		(1,283)	(1,758)
Net cash from / (used in) operating activities	10	4,390	5,773
Cash flows from investing activities			
Acquisition of plant and equipment	16	(38)	(123)
Net (increase)/ decrease in investments		(3,013)	(7,275)
Net cash flows from/(used in) investing activities		(3,051)	(7,398)
Net cash flows from financing activities			-
Net increase cash and cash equivalents		1,339	(1,625)
Cash and cash equivalents at beginning of year		5,161	6,786
Cash and cash equivalents at end of year	10	6,500	5,161

The notes on pages 14 to 37 are an integral part of these financial statements

Notes to the financial statements
For the year ended 30 June 2016

1. Reporting entity

Fire Service Credit Union Ltd (the 'Credit Union') is an entity domiciled in Australia. The address of the Credit Union's registered office is 22 Chancery Lane, Adelaide, 5000.

The Credit Union is a for-profit entity and is primarily involved in the provision of retail financial services to our members, and acting as an insurance agent.

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) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Credit Union complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

The financial report was authorised for issue by the directors on October 2016.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Credit Union's functional currency.

The Credit Union is of a kind referred to in ASIC Instrument 2016/191 dated 24 March 2016 and in accordance with that instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, 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. These accounting policies have been consistently applied by the Credit Union.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In particular, significant areas of estimation uncertainty and critical areas where judgement has been applied are as follows:

- loans and advances are carried net of impairment provisions, which are based on the estimated recoverable amount, refer to note 4(a) *(ii)*.

3. Change in accounting policies

There were no changes in accounting policies during the year ended 30 June 2016.

4. Significant accounting policies

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

(a) Financial instruments

The Credit Union initially recognises loans and advances and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Credit Union becomes a party to the contractual provisions of the instrument.

The Credit Union derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Credit Union is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Credit Union has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Credit Union has the following categories of non-derivative financial assets:

- held-to-maturity financial assets;
- loans and advances; and
- available-for-sale financial assets.

Non-derivative financial assets

(i) Held-to-maturity financial assets

If the Credit Union has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held- to-maturity investments as available-for-sale, and prevent the Credit Union from classifying investment securities as held-to-maturity for the current and the following two financial years.

(ii) Loans and advances

Loans and advances comprise home loans, personal loans and car loans.

Loans and advances are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and advances are measured at amortised cost using the effective interest method, less any impairment losses.

Bad debts

Bad Debts are written off when identified. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Statement of Profit and Loss and Other comprehensive income.

4. Significant accounting policies (continued)

(a) Financial instruments (continued)

Recoverable amount

The recoverable amount in loans and advances 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. For mortgage secured loans and unsecured personal loans that are known to be impaired, individual provisions for impairment are recognised for loan losses that may be incurred to reduce the carrying amount of loans and advances to the estimated recoverable amount of the underlying security. Individually significant provisions are calculated based on discounted cash flows.

Mortgage secured loans and unsecured personal loans that are not known to be impaired are grouped together according to their risk characteristics and are then assessed for impairment. Based on historical loss data and current available information an appropriate provision for impairment is raised.

Specific provisions for impaired debts are created where it is deemed that part of the principal or interest on a loan will not be collected. Specific provisions are also created against unsecured loans based on the length of time they are in arrears.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Credit Union's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Initial recognition is at fair value including direct and incremental transaction costs, with subsequent measurement at fair value and changes therein, other than impairment losses (see note 4(e)), recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss and reported under operating income.

Shares in unquoted equities whose fair value cannot be reliably estimated, are valued at cost less impairment.

Interest, premiums and dividends are reflected in operating income when earned.

(iv) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and the balance of overnight accounts with other financial institutions.

These assets are brought to account at face value. Interest is taken to the Statement of Profit or Loss and Other Comprehensive Income using the effective interest method.

Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities comprise members' deposits, and trade and other payables.

(b) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

Any gain or loss on disposal of an item of property, plant and equipment (calculated so the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit and loss.

(ii) Subsequent costs

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

4. Significant accounting policies (continued)

(b) Plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated depreciation rate for the current and comparative years are as follows:

	2016	2015
• fixtures and fittings	15.00%	15.00%
• office machines and furniture	25.00%	25.00%
• motor vehicles	20.00%	25.00%

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

(c) Intangible assets

Software, website costs and VISA license are recognised at cost less amortisation and impairment losses (refer to note 4(e)).

Amortisation is calculated to allocate the cost of intangible assets less their estimated residual value using the straight line method over their effective useful lives and is generally recognised in profit or loss

The estimated amortisation rate for the current and comparative years are as follows:

	2016	2015
• Software	30.00%	30.00%
• Website	10.00%	25.00%
• VISA License	20.00%	20.00%

(d) Leased assets

Leases in terms of which the Credit Union assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The Credit Union is not currently engaged in any finance leases.

Other leases are classified as operating leases and the leased assets are not recognised in the Credit Union's Statement of Financial Position. Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

(e) Impairment of non-financial assets

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

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit and Loss and Other Comprehensive Income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the Statement of Profit and Loss and Other Comprehensive Income.

4. Significant accounting policies (continued)

(f) Employee benefits

(i) Long service leave

The Credit Union's net obligation in respect of long service leave is the amount of future benefits that employees have earned in return for their service in the current and prior years. The obligation is calculated using expected future increases in wage and salary rates including the related on-costs. The benefit is discounted to determine its present value.

The discount rate is the yield at the reporting date on Australian high quality corporate bonds that have maturity dates approximating the terms of the Credit Union's obligations.

(ii) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave represent the present obligation resulting from employees' service provided to reporting date. For annual leave expected to be settled within 12 months, the provision is calculated at undiscounted amounts based on remuneration wage and salary rates that the Credit Union expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. For annual leave not expected to be settled within 12 months, the provisions is calculated based on expected future wage increases including related on costs at expected settlement dates based on historical usage dates and is discounted to its present value.

(iii) Superannuation

The Credit Union contributes to defined contribution superannuation funds. The Credit Union has no legal or constructive obligation to fund any shortfall in the fund's assets to meet payments due to employees. Employer contributions are based on various percentages of employees' gross salaries. Obligations for contributions are recognised as an expense in the Statement of Profit and Loss and Other Comprehensive Income when they are due.

(g) Provisions

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

(h) Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Credit Union and that revenue can be reliably measured. The principle sources of revenue are interest income, fees and commissions.

(i) Interest revenue

Interest income is recognised on an accrual basis using the effective interest method.

(ii) Dividend income

Dividend income is recognised when the right to receive the dividend has been established, which in the case of unlisted securities is when the dividend is declared.

(iii) Commissions

When the Credit Union acts in the capacity of an agent rather than the principal in a transaction the revenue recognised is the net amount of commission earned by the Credit Union.

(iv) Member fee revenue

Fees that relate to the execution of a significant act are recognised when the significant act has been completed.

4. Significant accounting policies (continued)

(i) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss 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 provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. 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.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(j) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are available for early adoption for annual periods beginning on or after 1 July 2015, and have not been applied in preparing these financial statements. Those which may be 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 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification of financial instruments, including a new expected credit loss model for calculating impairment of financial assets AASB 9 carries forward the guidance on recognition and de-recognition of financial instruments from AASB 139. AASB 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Credit Union is assessing the potential impact resulting from 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. AASB 15 supersedes AASB 118 Revenue, along with a number of Interpretations. AASB 15 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Credit Union is assessing the potential impact resulting from application of AASB 15.

AASB 16 Leases

AASB 16 removes the lease classification test for lessees and requires all leases (including those classified as operating leases) to be brought onto the balance sheet. There is new guidance on when an arrangement would meet the definition of a lease. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 Revenue from Contracts with Customers is adopted at the same time. The Credit Union is assessing the potential impact resulting from application of AASB 16.

	2016 $'000	2015 $'000

5. Interest revenue

	2016 $'000	2015 $'000
Interest on loans	1,603	1,820
Interest on investments	548	502
	2,151	2,322

6. Other revenue

	2016 $'000	2015 $'000
Dividends	13	13
Member fee revenue	81	101
Commissions	140	105
	234	219

7. Personnel expenses

	2016 $'000	2015 $'000
Wages and salaries	524	525
Superannuation expenses	65	62
Increase/(decrease) in provision for employee benefits	5	(4)
	594	583

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8. Other expenses

	2016 $'000	2015 $'000
Depreciation and amortisation	56	51
Operating lease rental expense	26	22
Computer system related expenses	230	238
Marketing expenses	6	6
Distribution expenses	154	157
Administration expenses	147	148
Professional fee expenses	106	129
Other Expenses	73	65
	798	816

	2016 $'000	2015 $'000
9. Income tax expense		
Current tax expense		
Current year	61	19
	61	19
Deferred tax expense		
Origination and reversal of temporary differences	(35)	6
Total income tax expense	26	25
Numerical reconciliation between tax expense and pre-tax accounting profit		
Income tax using the Company's statutory income tax rate of 30% (2015: 30%)	29	30
Tax effect on permanent differences:		
Add:		
Non-deductible expenses	1	1
Franking credits	2	1
Less:		
Franking credits	(6)	(7)
Under/(over) provision of previous year		-
	26	25

10. Cash and cash equivalents

	2016 $'000	2015 $'000
Bank balances	1,451	595
Call deposits	5,000	4,500
Teller cash	49	66
Cash and cash equivalents in the statement of cash flows	6,500	5,161

The Credit Union's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21.

Reconciliation of cash flows from operating activities

	2016 $'000	2015 $'000
Cash flows from operating activities		
Profit for the year	72	74
Adjustments for:		
Depreciation and amortisation	56	51
Asset written off	10	-
Provision for impairment	1	-
Operating profit before changes in working capital and provisions	139	125
Change in interest payable	(58)	(95)
Change in loans and advances	1,744	1,348
Change in deposits	2,584	4,706
Change in income tax payable	(41)	(3)
Change in accrued expenses and corporate cheques	48	(404)
Change in other income receivable	(30)	(6)
Change in trade receivable	(11)	103
Change in provisions for employee benefits	4	(2)
Change in deferred tax asset	11	-
Net cash used in operating activities	4,390	5,773

Deposits from members have been reclassified to operating cash-flows in the current year from the financing cash-flows to better reflect the nature of such deposits and their impact on cash flows.

	2016 $'000	2015 $'000
11. Investment receivables		
Interest due from investments	64	34
	64	34

	2016 $'000	2015 $'000
12. Loans and advances		
Overdrafts (including lines of credit)	3,820	3,625
Term loans (excluding lines of credit)	25,332	27,270
Gross loans and advances	29,152	30,895
Provision for impairment	(3)	(2)
Net loans and advances	29,149	30,893
(a) Loans by purpose		
Residential loans	27,276	27,788
Personal loans	1,876	3,105
	29,152	30,893
(b) Loans by security		
Secured by mortgage	27,276	27,788
Unsecured	1,876	3,105
	29,152	30,893
(c) Loans by interest rate type		
Variable rate loans	29,152	30,893
	29,152	30,893
(d) Loans by geographical location		
Adelaide and suburban areas	29,152	30,893
	29,152	30,893
(e) There are no non-accrual loans where interest has been suspended		
(f) There is only one loans which is outstanding greater than 90 days in which interest is being charged	21	-
(g) The Statement of Financial Position does not take into account unused overdraft limits.	4,219	4,100
(h) Concentration of loans The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:		
South Australia	29,152	30,893
Aggregate value of individual loans which exceed 10% of Total Members Funds in aggregate	4,826	5,326
Number of such loans	10	11

At 30 June 2016 $25,311,000 (2015: $23,014,000) of loans and advances to customers are expected to be recovered more than 12 months after the reporting date.

	2016 $'000	2015 $'000

13. Investments

	2016 $'000	2015 $'000
Interest earning deposits	18,943	15,930
Available-for-sale financial assets – shares in unlisted companies	92	92
	19,035	16,022

Available-for-sale investment securities carried at cost, as these investments are in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured because the information about this company that would be required to estimate their fair value is not readily available.

The Credit Union's exposure to credit and interest rate risks related to other investments is disclosed in note 21.

14. Members' deposits

	2016 $'000	2015 $'000
Call deposits	32,358	30,431
Term deposits	17,694	17,038
Members shares	34	33
	50,086	47,502
(a) Deposits by geographical locations		
South Australia	50,086	47,502

(b) Concentration of deposits
There are no members' deposits comprising major concentration of more than 10% of total liabilities.

Due to the nature of the Credit Union's membership base there is significant concentration of deposits held by member of the South Australian Emergency Services.

15 Deferred tax asset

Deferred tax assets comprise:

	2016 $'000	2015 $'000
Long service leave	25	24
Annual leave	9	9
Provision for FBT	-	-
Provision for audit fees	6	8
Property, plant and equipment	1	11
	41	52

16. Plant and equipment

	Motor Vehicles $'000	Office machines & furniture $'000	Fixtures & fittings $'000	Total $'000
Cost or deemed cost				
Balance at 1 July 2014	42	67	178	287
Additions	-	6	117	123
Disposals	-	(11)	(116)	(127)
Balance at 30 June 2015	42	62	179	283
Balance at 1 July 2015	42	62	179	283
Additions	37	-	1	38
Disposals	(36)	-	-	(36)
Balance at 30 June 2016	43	62	180	285
Depreciation and impairment losses				
Balance at 1 July 2014	16	59	159	234
Depreciation for the year	8	6	10	24
Disposals	-	(13)	(116)	(129)
Balance at 30 June 2015	24	54	53	131
Balance at 1 July 2015	24	54	53	131
Depreciation for the year	10	5	12	27
Disposals	(31)	-	-	(31)
Balance at 30 June 2016	3	59	65	127
Carrying amounts				
At 1 July 2014	26	8	19	53
At 30 June 2015	18	10	131	154
At 1 July 2015	18	10	131	154
At 30 June 2016	40	3	115	158

17. Intangible assets

	Software $'000	Website $'000	VISA License $'000	Total $'000
Cost				
Balance at 1 July 2014	48	13	76	137
Acquisitions	91	-	-	91
Balance at 30 June 2015	139	13	76	228
Balance at 1 July 2015	139	13	76	228
Re-classification	(38)	38	-	-
Disposal	(4)	(13)	-	(17)
Balance at 30 June 2016	97	38	76	211
Amortisation and impairment losses				
Balance at 1 July 2014	43	9	23	75
Amortisation for the year	9	3	15	27
Balance at 30 June 2015	52	12	38	102
Balance at 1 July 2015	52	12	38	102
Amortisation for the year	10	4	15	29
Disposals	-	(13)	-	(13)
Balance at 30 June 2016	62	3	53	118
Carrying amounts				
At 1 July 2014	5	4	53	62
At 30 June 2015	93	1	38	126
At 1 July 2015	93	1	38	126
At 30 June 2016	35	35	23	93

	2016 $'000	2015 $'000
18. Trade and other payables		
Interest payable	115	173
Corporate cheques	27	32
Accrued expenses	105	52
	247	257
19. Employee benefits		
Current		
Liability for annual leave	29	29
Liability for long service leave	55	50
Total employee benefits – current	84	79
Non-Current		
Liability for long service leave	30	31
Total employee benefits – non-current	30	31
Total employee benefits	**114**	**110**

20. Reserves

	2016 $'000	2015 $'000
Redeemed preference share reserve		
Opening balance	23	22
Transfer from retained earnings	-	1
Closing balance	23	23

Under the *Corporations Act 2001*, redeemable preference shares (members' $10 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 Credit Union has therefore transferred the value of the member shares redeemed since 1st July 1999 (the date that the *Corporations Act 2001* applied to the Credit Union), by transferring the value of those shares from retained earnings to the redeemed preference share capital account.

	2016 $'000	2015 $'000
General reserve for credit losses		
Opening balance	46	46
Closing balance	46	46

The Australian Prudential Regulatory Authority (APRA) requires Authorised Deposit taking institutions to maintain a General Reserve for Credit Losses in equity. The reserve for credit losses is raised to recognise that loans that are currently not in default have a probability of future loss. The reserve is calculated based on current non- delinquent credit balances and total loans and advances.

21. Financial risk management and financial instruments

Overview

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

- credit risk;
- liquidity risk;
- interest rate risk; and
- operational risk.

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Our approach to risk management is built on formal governance processes and relies on individual responsibility and reporting.

Risk management policies are established to identify and analyse the risks faced by the Credit Union, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Credit Union's activities. The Credit Union, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Credit Union if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Management of credit risk

In relation to loans and advances, the Credit Union has clearly defined credit policies for the approval and management of credit risk. Current credit risk policies incorporate an assessment of a counterparty's repayment capacity and security and specifies acceptable terms and conditions for all types of loan products.

Secured residential loans have a maximum loan-to-security valuation ratio of 80% unless mortgage protection insurance is purchased by the counterparty. Consumer and revolving credit is generally unsecured.

A proactive approach to the identification and control of loan impairment is maintained on a weekly basis and reported to the Board monthly.

Lending policies and limits are reviewed and approved annually by the Board. The Board ensures that any exposures to credit risk, and significant changes in policy remain within the overall risk exposure levels as agreed by the Board.

The Credit Union limits its exposure on its held-to-maturity investments by only investing in funds with authorised deposit taking institutions (ADIs) which are regulated by the Australian Prudential Regulation Authority (APRA). All investments are held with institutions with a BBB or higher credit rating. (some non-High Quality Liquid Asset (HQLA) ADIs are unrated)

21. Financial risk management and financial instruments (continued)

Exposure to credit risk

The carrying amount of the Credit Union's financial assets represents the maximum credit exposure. The Credit Union's maximum exposure to credit risk at the reporting date was:

	Note	2016 $'000	2015 $'000
Held-to-maturity investments	13	18,943	15,930
Loans and receivables	12	29,152	30,895
Cash and cash equivalents	10	6,451	5,095
		54,546	**51,920**

Impairment losses

The ageing of the Credit Union's loans and advances at the reporting date was:

Not past due	29,080	30,889
Past due 0 – 30 days	51	6
Past due above 30 days	21	-
	29,152	**30,895**

During 2016 the Credit Union wrote off loans totalling nil (2015: Nil).

The movement in the allowance for impairment in respect of loans and advances during the year was as follows:

Balance at 1 July	2	1
Increase/(decrease) in provision	1	1
Balance at 30 June	**3**	**2**

"Non-accrual loans" are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful and there is insufficient security. Unsecured loans are treated as non-accrual once they are 180 days in arrears. The category also includes any credit risk facility for which a specific provision for impairment has been raised.

"Restructured loans" arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms, and the revised terms are not comparable to new facilities. Loans with revised terms are included in non-accrual loans when impairment provisions are required or the collection and recovery of all interest and principal is considered to be reasonably doubtful. There were no restructured loans as at 30 June 2016 (2015: nil).

"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. The recoverable value of such assets form part of the net value of loans and advances. There were no assets acquired through the enforcement of security as at 30 June 2016 (2015: nil).

"Past due loans" are loans which the member fails to make a payment when it is contractually due. Full recovery of both principal and interest is expected. If an impairment provision is required or the collection and recovery of all interest and principal is considered to be reasonably doubtful, the loan is included in non-accrual loans.

There was no impairment loss recognised with respect to held-to-maturity investments during the year (2015: nil).

21. Financial risk management and financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Credit Union will not be able to meet its financial obligations as and when they fall due. The Credit Union's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Credit Union's reputation.

The Credit Union ensures that obligations are met day to day in normal market conditions at the lowest costs. Protection against an unexpected outflow of funds is provided for within the liquidity management process and from a stock of high quality liquid assets held (HQLA).

The liquidity shortfall could be caused by many factors including:

- The withdrawal of customer deposits; and
- The drawdown of members' borrowings and growth of non-liquid assets.

Management of liquidity risk

Liquidity risk management within the Credit Union considers both the overall Statement of Financial Position and the projected daily liquidity requirements, measuring the combined effects of assets and liability maturity mismatches and the undrawn commitments. It considers the time periods over which the liquidity demands are most strong and financial markets. The Credit Union has a policy to maintain a liquidity ratio of 16% (2015:12%). The day to day management of liquidity is the responsibility of the management of the Credit Union, and reporting is undertaken weekly to the management and is reported monthly to the Board.

Liquidity policy is approved by the Board and is always in excess of the regulatory guidelines. "APRA requires the Credit Union to maintain a minimum holding of 9% of its liabilities in specified high quality liquid assets at all times".

	2016	2015
Liquidity	31.47%	34.61%

	Note	Carrying amount $'000	Contractual cash flows $'000	12 months or less $'000	1-5 years $'000	More than 5 years $'000	At Call Deposits $'000
30 June 2016							
Non-derivative financial liabilities							
Members' deposits	14	50,086	50,201	17,809	-	-	32,392
Trade and other payables	18	247	247	247	-	-	-
		50,333	50,448	18,056	-	-	32,392
30 June 2015							
Non-derivative financial liabilities							
Members' deposits	14	47,502	47,675	17,211	-	-	30,464
Trade and other payables	18	257	257	257	-	-	-
		47,759	47,932	17,468	-	-	30,464

21. Financial risk management and financial instruments (continued)

Market risk management

Market risk is the risk of exposure to changes to financial prices affecting the value of positions held by the Credit Union as part of normal trading activities. As the Credit Union does not deal in foreign exchange contracts or commodities, market risk consists solely of interest rate risk.

Interest rate risk management

The management of net interest rate risk is primarily through monitoring the sensitivity of the Credit Union's financial assets and liabilities to standard and non-standard interest rates offered on loans and deposits.

Profile of interest rate risk

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

	Note	2016 $'000	2015 $'000
Fixed rate instruments			
Financial assets	13	16,944	13,930
Financial liabilities	14	17,694	17,038
Variable rate instruments			
Financial assets	10, 12 & 13	37,602	37,990
Financial liabilities	14	32,358	30,431

A change of 1% in interest rates at the reporting date would have increased / (decreased) equity and profit and loss by the amounts shown below.

	Profit or loss		Equity	
	1% Increase $'000	1% Decrease $'000	1% Increase $'000	1% Decrease $'000
30 June 2016				
Financial assets	376	(376)	376	(376)
Financial liabilities	(324)	324	(324)	324
	52	(52)	52	(52)
30 June 2015				
Financial assets	380	(380)	380	(380)
Financial liabilities	(304)	304	(304)	304
	76	(76)	76	(76)

21. Financial risk management and financial instruments (continued)

Operational risk

Operational risk is the potential risk of financial loss or impairment to reputation resulting from inadequate or failed internal processes and systems, from the actions of people or from external events.

Major sources of operational risk include:

- outsourcing of operations;
- key person risk;
- dependence on key suppliers;
- IT security;
- internal and external fraud;
- implementation of strategy change;
- regulatory non-compliance; and
- process errors and external threats such as the loss of a critical site.

The Credit Union's Chief Executive Officer manages this risk through implementing appropriate controls and loss mitigation actions including insurance. These actions include a balance of policies, procedures and internal controls to ensure compliance with laws and regulations. Risk and control assurance is facilitated by the Chief Executive Officer and reported quarterly to the Board Audit Committee and on an annual basis to the Board.

The Credit Union has a Business Continuity Plan and a process in place to recognise, assess, and report risk if needed.

Capital adequacy

The primary objectives of the Credit Union's capital management are to ensure that the Credit Union complies with externally imposed capital requirements, maintains capital ratios to support the business and to cover risks inherent to its activities.

The management of the capital is a fundamental part of its risk management process, as an essential element of capital is its availability to absorb future, unexpected and unidentified losses.

Effective management of capital risk involves the maintenance of adequate levels of capital. This means having a level suitable for the activities it undertakes.

The Board has a duty to ensure that the Credit Union maintains an appropriate level and quality of capital commensurate with the level and extent of risks to which the Credit Union is exposed from its activities. It does have an Internal Capital Adequacy Assessment Process (ICAAP) and capital management plan.

The Credit Union's capital will have the following characteristics:

(a) provide a permanent and unrestricted commitment of funds;

(b) be freely available to absorb losses;

(c) not impose any unavoidable servicing charge against earnings; and

(d) rank behind the claims of depositors and other creditors in the event of winding up.

21. Financial risk management and financial instruments (continued)

Capital adequacy (continued)

For capital adequacy purposes the Credit Union's capital is assessed in two tiers:

(a) Tier 1 capital comprises the highest quality component of capital that fully satisfies all the essential characteristics as above.

(b) Tier 2 capital includes other elements which to varying degrees, fall short of the quality of Tier 1 capital but none the less contribute to the overall strength of the Credit Union as a going concern.

The Credit Union's capital base (the numerator of the capital ratio) is defined as the sum of eligible Tier 1 capital and Tier 2 capital net of all specified deductions and amortisation, subject to the limits that apply under APS 110.

The Credit Union has complied with the Australian Prudential Regulation Authority requirements.

The capital management position is set out by the Board annually and reported monthly.

The Credit Union's capital position as at 30 June 2016 was as follows:

	2016 %	2015 %
Capital Adequacy Ratio	20.69%	21.76%

Capital	**2016 $'000**	**2015 $'000**
Retained Earnings	4,618	4,546
Reserves	23	23
Common Equity Tier 1 Capital	**4,641**	**4,569**
Deferred Tax Assets	(41)	(52)
Intangible assets	(93)	(126)
Investments in banking and financial entities,	(92)	(92)
Regulatory Adjustment to Common Equity Tier 1 Capital	**(226)**	**(270)**
Tier 1 Capital	**4,415**	**4,299**
General Reserve for Credit Losses	46	46
Tier 2 Capital	**46**	**46**
Total Capital	**4,461**	**4,345**

21. Financial risk management and financial instruments (continued)

Repricing analysis

The Credit Union's repricing analysis as at 30 June 2016 was as follows:

	Balance Sheet Total $'000	Floating interest rate $'000	0-3 months $'000	3-12 months $'000	1-5 years $'000	Over 5 years $'000	Non-interest bearing $'000
2016							
Assets							
Cash and cash equivalents	6,500	6,451	-	-	-	-	49
Interest earning deposits	18,943	1,999	16,944	-	-	-	
Investment Receivables	64	-	-	-	-	-	64
Loans and advances	29,152	29,152	-	-	-	-	
Other investments	92	-	-	-	-	-	92
	54,751	37,602	16,944	-	-	-	205
Liabilities							
Member deposits	50,086	32,358	7,833	9,861	-	-	34
Other liabilities	247	-	-	-	-	-	247
	50,333	32,358	7,833	9,861	-	-	281
2015							
Assets							
Cash and cash equivalents	5,161	5,095	-	-	-	-	66
Interest earning deposits	15,930	2,000	13,930	-	-	-	-
Investment Receivables	34	-	-	-	-	-	34
Loans and advances	30,895	30,895	-	-	-	-	-
Other investments	92	-	-	-	-	-	92
	52.112	37,990	13,930	-	-	-	192
Liabilities							
Member deposits	47,502	30,431	2,983	7,719	6,336	-	33
Other liabilities	257	-	-	-	-	-	257
	47,759	30,431	2,983	7,719	6,336	-	290

21. Financial risk management and financial instruments (continued)

Fair values
The following methods and assumptions are used to determine the fair values of financial assets and liabilities based on the assumptions in the summary of significant accounting policies at Note 4.

The different levels have been defined as follows:
• **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities (the Credit Union has no such financial instruments)
• **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
• **Level 3:** inputs for the asset or liability that are not based on observable market data.

The fair value hierarchy applied to each category of financial asset and liability is noted below.

The carrying amount of financial assets and financial liabilities are reasonable approximation of their fair value.

The net fair value estimates were determined by the following methodologies and assumptions:

(i) Cash and cash equivalents, receivables due from other financial institutions (Level 2)

The carrying values of cash and cash equivalents and receivables due from other financial institutions approximate their net fair value as they are either physically held as cash or they are short term in nature or are receivable on demand.

(ii) Loans and advances (Level 3)

The carrying value of loans, advances and other receivables is net of specific provisions for impairment and interest/fees reserved.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of net fair value.

(iii) All other financial assets (Level 2)

The carrying values of all other financial assets have been deemed to be representative of net fair value. The assets will either be held to maturity, cannot be redeemed, or are not interest rate sensitive.

(iv) Member deposits (Level 2)

The net fair value, which includes the value of non-interest-bearing, call and variable rate deposits repricing within six months. The carrying value as at balance date approximates their net fair value as they are either physically held as cash or they are short term in nature or are receivable on demand.

(v) All other financial liabilities (Level 3)

The carrying value of financial liabilities has been deemed to be representative of their net fair market value.

	2016 $'000	2015 $'000

22. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2016 $'000	2015 $'000
Less than one year	26	26
	26	26

23. Capital and other commitments

Capital expenditure commitments

The Credit Union has no capital expenditure commitments at 30 June 2016 (2015: nil).

Loans pending settlement

	2016 $'000	2015 $'000
Loans approved yet to be disbursed	707	542

Commitments to expenditure on banking system

The Credit Union signed a 5 year contract in 2010 with Data Action for the provision of computer bureau services and computer support. The contract includes a clause agreeing to a 3%p.a. increase. This contract continues on a rolling basis with one month's notice.
Based on the most recent financial information provided by Data Action, the bureau fees are likely to be:

	2016 $'000	2015 $'000
Within one year	144	10
One year or later and no later than 2 years	-	-
Later than 2 years	-	-
	144	10

24. Contingencies

Details of contingent liabilities and contingent assets where the probability of future payments/receipts is not considered remote are set out below, as well as details of contingent liabilities and contingent assets, which although considered remote, the directors consider should be disclosed.

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Credit Union Financial Support System (CUFSS)

With effect from 1 July 1999, the Credit Union is a party to CUFSS. CUFSS is a voluntary scheme that all Credit Unions who are affiliated with the Credit Union Services Corporation (Australia) Limited (CUSCAL) have agreed to participate in.

As a member of CUFSS, the Credit Union:

- May be required to advance funds up to 3% (excluding permanent loans) of total assets to another Credit Union requiring financial support;
- May be required to advance permanent loans of up to 0.2% of total assets per financial year to another Credit Union requiring financial support; and
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

No such direction has, at balance date, been given to the Credit Union.

25. Related parties

Transactions with 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 following were key management personnel of the Credit Union at any time during the reporting period, and unless otherwise indicated were directors for the entire year:

Mr G Crossman – Retired Chairman retired Oct 2015	Mr N Johnson – Director
Mr P Fletcher – Chairman	Mr G Howard –Director
Mr Alexander Karapetian – Director	Mrs T Ireland – Company Secretary
Mr E Holzbauer – Director	Ms E Lew – Director appointed November 2015
Mr J Swann – Deputy chairman	Mr G Northcott – Director appointed Nov 2015

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 7) are as follows:

	2016 $	2015 $
Short-term employee benefits	162,203	165,888
Post-employee benefits	26,323	24,153
Annual leave	16,544	16,429
Long service leave	(2,525)	4,662
	210,321	211,132

Loans to key management personnel

The following loan facilities were conducted by Directors at normal member rates during the year:

Principle and interest loans	446,826	891,462
Lines of credit	23,040	16,529
Balance outstanding	469,866	907,991

The aggregate amount of loans made during the year were:

Principle and interest loans	220,068	-
Lines of credit	82,085	-
	302,153	-

The aggregate amount of loans made during the year excludes amount redrawn from existing loans.

The aggregate amount of loans repayments received this year were:

Principle and interest loans	593,226	108,016
Lines of credit	76,469	37,607
	669,695	145,623

Interest charges made during the year were:

Principle and interest loans	42,825	48,417
Lines of credit	896	1,030
	43,721	49,447

The key management personnel of the Credit Union and their families conduct loans, savings and investments with the Credit Union at normal member rates and conditions. No conditions were breached during the financial year.

Other key management personnel transactions with the Credit Union

Apart from the details disclosed above, no key management personnel have entered into a material contract with the Credit Union since the end of the previous financial year and there were no material contracts involving Directors' interests existing at the year end.

27. Dividend franking account

The Credit Union has generated franking credits from the payment of income tax since the 1996 financial year. The total of franking credits adjusted for credits which will arise from the payment of income tax provided for in the financial statements is $1,562,245 (2015: $1,503,723).

However, the ability of the Credit Union to utilise these credits is restricted by the rules of the Credit Union, which do not permit the Credit Union to pay dividends. The Credit Union is prevented from distributing the balance of the franking credits.

28. Auditor's remuneration

	2016 $	2015 $
Audit services		
Auditors of the Company		
KPMG Australia		
Audit of financial report and other assurance services	46,265	55,760
Other regulatory audit services	15,975	15,260
	62,240	71,020
KPMG Australia		
Taxation services	5,435	5,000
	5,435	5,000

29. Subsequent Events

There have been no events subsequent to balance sheet date which would have a material effect on the Credit Union's financial statements as at 30 June 2016.

Directors' declaration

In the opinion of the directors of Fire Service Credit Union Ltd ('the Credit Union'):

(a) the financial statements and notes that are set out on pages 10 to 38, are in accordance with the *Corporations Act 2001*, including:

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

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

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

(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 in accordance with a resolution of directors.

Mr Paul Fletcher MLshipMgmt G.I.Fire E.
Chairman

Dated at Adelaide this 25 October 2016

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

We have audited the accompanying financial report of Fire Service Credit Union Ltd (the Company), which comprises the Statement of Financial Position as at 30 June 2016, and the Statement of Profit and Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(a), the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

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

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

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

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

KPMG

John Evans
Partner

Adelaide

25 October 2016