FIRE SERVICE CREDIT UNION LTD.
ANNUAL FINANCIAL REPORT
For year ending 30 June 2017

Registered Head Office:	22 Chancery Lane, Adelaide SA 5000
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	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
Mastercard Prepaid Management Services

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 2017

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Fire Service Credit Union Ltd
Chairman's Report
For the year ended 30 June 2017

Following on from the successful 2015/16 financial year, the Fire Service Credit Union (the Credit Union) has continued to perform well and it is with much satisfaction that I share this result with you and present my report for the Credit Union for the 2016/17 financial year.

As I mentioned in my last report last year the Board made the decision to invest in technology to create a better banking experience for its members and the resultant web pages and mobile app have been welcomed by the membership, with encouraging take up rates.

With this expenditure behind us and new products offered I am pleased to report that once again the Credit Union has realised a modest profit in line with its budget and strategic plan. For the financial year ending June 2017 the profit was $87,000.

Last year I said the Credit Union would further refine its product suite in line with a changing competitive environment; this continues to be a focus of the board as they explore options for business and larger loans. We continued to build upon our capital strength while ensuring pricing across the product suite reflected the Credit Union need to balance continuing sustainability with our commitment to providing our members with value for money.

Another focus area for the Credit Union was marketing and promotion which resulted in several presentations to the new recruits, but also to the more established members with the CEO and Chairman commencing a roadshow to present information on the Fire Service Family and how we fit in the bigger picture of the Fire Service. We have been successful in gaining new members. Some cross promotion with the Fire Service Fund is also proving beneficial.

Recently the board reviewed all aspects of its strategic plan, including its 'Risk Appetite' and under the guidance of Tony Schesser, during a full day workshop refreshed the plan and have identified new opportunities for investments, goal setting for staff, director development options, and new marketing strategies, all of which set the scene for an exciting year ahead.

During the year there has been movement in the Board membership with the resignation of Mr. Greg Howard. I take this opportunity to thank Greg for his time on the board and his insight and contributions throughout his tenure. The Board is always interested to hear from members with appropriate skills who may be able to contribute to the ongoing vitality of the board as future board members.

The staff have once again shown their commitment to the members and have risen to the challenge of ensuring that you are offered a friendly, personal and the best possible assistance available.

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 commence another year.

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

Fire Service Credit Union Ltd
Directors Report
For the year ended 30 June 2017

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 2017 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 Assistant Chief Fire Officer Dip Engineering GIFireE MLshipMgmt	Appointed to the Board March 2011 Member of Remuneration Committee Appointed as Deputy Chair January 2015 Appointed as Acting Chair March 2015 Appointed as Chairman October 2015
Jeffrey D Swann – Deputy Chairman Station Officer – SAMFS Certificate 4 in Business Management Diploma of Management	Appointed to the Board March 2011 Member of Audit Committee Member of Remuneration Committee Appointed Deputy Chairman October 2015
Noel L Johnson – Director SA Fin (Life Member) FIPA Manager of Fire Service Fund	Appointed to the Board in March 2005 Member of Audit Committee Member of the Risk Committee
Eugene D Holzbauer - Director Chartered Accountant Bachelor of Arts Accountancy Diploma in Financial Services(SMSF Advice Only) Registered Tax Agent Registered SMSF Auditor	Appointed to the Board in March 2007 Chair of Audit Committee Chair of Risk Committee
Alexander Karapetian - Director Manager, Health Portfolio Budgets – SA Health Bachelor of Finance Graduate certificate in Finance	Appointed to the Board December 2013 Member of Remuneration Committee Member of Risk Committee
Gregory Howard - Director Dip WHS Bachelor of Social Science Masters Degree EMG MGT	Appointed to the Board July 2015 Member of Risk Committee Member of Remuneration Committee Resigned from the Board May 2017
Elizabeth Lew - Director Masters Business Administration Graduate Diploma in Legal Practice Bachelor of Laws Bachelor of Commerce CPA	Appointed to the Board November 2015 Member of Risk Committee
Gregory Northcott - Director United Firefighters Union of Australia	Appointed to the Board November 2015
Tricia Ireland - Company Secretary Chief Executive Officer Diploma of Banking Services Management	Appointed as CEO January 2010

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	11	12	4	4	-	-	2	2
Jeffrey Swann	12	12	4	4	-	-	1	1
Noel Johnson	9	12	4	4	4	4	-	-
Eugene Holzbauer	12	12	4	4	4	4	-	-
Alexander Karapetian	11	12	-	-	4	4	2	2
Gregory Howard	7	11	-	-	3	3	1	1
Elizabeth Lew	12	12	-	-	1	1	-	-
Gregory Northcott	12	12	-	-	-	-	-	-

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

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 3 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 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 of 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 Office 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 2017 was $87k (30 June 2016: $72k). 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 2017 (2016: 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 2017, which was paid by the Credit Union with cover amounting to $1,000,000 (2016: $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 2017.

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 21st day of September 2017

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 our audit for the financial year ended 30 June 2017, 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

21st September 2017

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Interest Revenue	5	2,110	2,151
Interest Expense		(816)	(895)
Net interest income		**1,294**	**1,256**
Other revenue	6	246	234
Personnel expenses	7	(604)	(594)
Other expenses	8	(823)	(798)
Profit before income tax		**113**	**98**
Income tax expense	9	(26)	(26)
Profit for the year		**87**	**72**
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		**87**	**72**
Total comprehensive income attributable to:			
Members of the Credit Union		87	72
Total comprehensive income for the year		87	72

The notes on pages 14 to 38 are an integral part of these financial statements.

Statement of financial position

As at 30 June 2017

	Note	2017 $'000	2016 $'000
Assets			
Cash and cash equivalents	10	3,746	6,500
Receivables and other assets		90	94
Investment receivables	11	116	64
Loans and advances	12	32,116	29,149
Investments	13	22,251	19,035
Deferred tax assets	15	39	41
Plant and equipment	16	133	158
Intangible assets	17	62	93
Total assets		**58,553**	**55,134**
Liabilities			
Members' deposits	14	53,257	50,086
Trade and other payables	18	402	247
Employee benefits	19	116	114
Income tax payable		4	-
Total liabilities		**53,779**	**50,447**
Net assets		**4,774**	**4,687**
Equity			
Redeemed preference shares reserve	20	24	23
General credit loss reserve	20	53	46
Retained earnings		4,697	4,618
Total members' funds		**4,774**	**4,687**

The notes on pages 14 to 38 are an integral part of these financial statements

Statement of changes in equity
For the year ended 30 June 2017

	Note	Redeemed preference shares $'000	General credit loss reserve $'000	Retained earnings $'000	Total equity $'000
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
Transfer from retained earnings					
Balance at 30 June 2016		23	46	4,618	4,687
Balance at 1 July 2016		23	46	4,618	4,687
Total comprehensive income for the year					
Profit for the year		-	-	87	87
Total comprehensive income for the year		-	-	87	87
Transfer from retained earnings		1	7	(8)	-
Balance at 30 June 2017		24	53	4,697	4,774

The notes on pages 14 to 38 are an integral part of these financial statements

Statement of cash flows

For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Interest received		2,058	2,121
Net (increase) / decrease in loans and advances		(2,969)	1,743
Net increase in deposit accounts		3,249	2,584
Dividends received from investments		13	13
Interest paid to members		(817)	(953)
Fees and commissions received		233	221
Income taxes paid		(19)	(56)
Cash paid to suppliers and employees		(1,286)	(1,283)
Net cash from / (used in) operating activities	10	462	4,390
Cash flows from investing activities			
Acquisition of plant and equipment	16	-	(38)
Net (increase) / decrease in investments		(3,216)	(3,013)
Net cash flows from / (used in) investing activities		(3,216)	(3,051)
Net cash flows from financing activities			
Net increase cash and cash equivalents		(2,754)	1,339
Cash and cash equivalents at beginning of year		6,500	5,161
Cash and cash equivalents at end of year	10	3,746	6,500

The notes on pages 14 to 38 are an integral part of these financial statements

Notes to the financial statements

For the year ended 30 June 2017

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 (AASB) 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 (IFRS) and interpretations adopted by the International Accounting Standards Board.

The financial report was authorised for issue by the directors on 21st September 2017.

(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 2017.

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 or 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:

	2017	2016
• fixtures and fittings	15.00%	15.00%
• office machines and furniture	10.00%	25.00%
• motor vehicles	20.00%	20.00%

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:

	2017	2016
• Software	20.00%	30.00%
• Website	20.00%	10.00%
• 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 provision 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

The following standards, amendments to standards and interpretations have been identified as those which may impact the Credit Union in the period of initial application. They are available for early adoption at 30 June 2017, but have not been applied in preparing this financial report:

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 actual impact of adopting AASB 9 on the Credit Union's financial statements on the application date is not known and cannot be reliably estimated because it will depend on the financial instruments that are held at a point in time, future economic conditions, accounting judgements and accounting elections that are yet to be made.

i. Classification - Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

Financial assets contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Based on a preliminary assessment of possible changes to the classification and measurement of financial assets as at 30 June 2017, the consolidated entity's current expectation is that:

- Investment securities currently classified as available for sale under AASB 139 would generally be measured at FVOCI under AASB 9;

- loans and advances to members measured at amortised cost under AASB 139 would generally continue to be measured at amortised cost under AASB 9;
- Interest earning deposits measured at amortised cost under AASB 139 would generally continue to be measured at amortised cost under AASB 9.

ii. Classification - Financial liabilities

AASB 9 largely retains the existing requirements for the classification of liabilities of AASB 139 with the exception of changes in fair value of financial liabilities designated at (FVTPL)

The Credit Union has not designated any financial liabilities at FVTPL and therefore treatment of financial liabilities will remain largely unchanged.

iii. Impairment

AASB 9 replaces the 'incurred loss' model applied in AASB 139 with an expected credit loss (ECL) model. This will require considerable judgement in how changes in economic factor affect ECLs.

The Credit Union expects AASB 9 will result in earlier recognition of expected losses and an increase to the provision for impairment but this impact has not been quantified as it requires further assessment of the application of AASB 9, including building and testing compliant impairment models.

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.

The Credit Union's initial assessment indicates the most predominate impact will be the recognition of new assets and liabilities for leased assets. In addition expenses relating to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for the right of use assets and interest expense on lease liabilities.

As at the reporting date, the Credit Union has non-cancellable operating lease commitments of $81,000 (see Note 22). The actual impact as at the date of transition will be affected by the transition method, exemptions chosen and the operating leases held as at the date of transition.

	2017 $'000	2016 $'000
5. Interest revenue		
Interest on loans	1,563	1,603
Interest on investments	547	548
	2,110	2,151
6. Other revenue		
Dividends	13	13
Member fee revenue	80	81
Commissions	153	140
	246	234

	2017 $'000	2016 $'000

7. Personnel expenses

	2017 $'000	2016 $'000
Wages and salaries	535	524
Superannuation expenses	67	65
Increase/(decrease) in provision for employee benefits	2	5
	604	594

8. Other expenses

	2017 $'000	2016 $'000
Depreciation and amortisation	56	56
Operating lease rental expense	26	26
Computer system related expenses	244	230
Marketing expenses	12	6
Distribution expenses	157	154
Administration expenses	142	147
Professional fee expenses	102	106
Other Expenses	84	73
	823	798

9. Income tax expense

	2017 $'000	2016 $'000
Current tax expense		
Current year	29	61
Under/(over) provision of previous year	(6)	-
	23	61
Deferred tax expense		
Origination and reversal of temporary differences	3	(35)
Total income tax expense	26	26

Numerical reconciliation between tax expense and pre-tax accounting profit

	2017 $'000	2016 $'000
Income tax using the Company's statutory income tax rate of 25.9% (2016: 30.0%)	29	29
Tax effect on permanent differences:		
Add:		
Non-deductible expenses	1	1
Franking credits	2	2
Change in DTA rate	6	
Less:		
Franking credits	(6)	(6)
Under/(over) provision of previous year	(6)	
	26	26

9. Income tax expense (continued)

For income tax purposes, Credit Unions are classified into 3 categories. Credit Unions with a notional taxable income of at least $50,000 but less than $150,000 are taxed at their taxable income above $49,999. On this basis, for the year ended 30 June 2017, the Credit Union's first $49,999 of taxable income is tax free and the remaining taxable income is taxed at 41.25%.

10. Cash and cash equivalents

	2017 $'000	2016 $'000
Bank balances	780	1,451
Call deposits	2,890	5,000
Teller cash	76	49
Cash and cash equivalents in the statement of cash flows	3,746	6,500

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

	2017 $'000	2016 $'000
Cash flows from operating activities		
Profit for the year	87	72
Adjustments for:		
Depreciation and amortisation	56	56
Asset written off	-	10
Provision for impairment	2	1
Operating profit before changes in working capital and provisions	145	139
Change in interest payable	(1)	(58)
Change in loans and advances	(2,969)	1,744
Change in deposits	3,171	2,584
Change in income tax payable	4	(41)
Change in accrued expenses and corporate cheques	156	48
Change in other income receivable	(52)	(30)
Change in trade receivable	4	(11)
Change in provisions for employee benefits	2	4
Change in deferred tax asset	2	11
Net cash used in operating activities	462	4,390

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.

11. Investment receivables

	2017 $'000	2016 $'000
Interest due from investments	116	64
	116	64

	2017 $'000	2016 $'000
12. Loans and advances		
Overdrafts (including lines of credit)	3,591	3,820
Term loans (excluding lines of credit)	28,530	25,332
Gross loans and advances	32,121	29,152
Provision for impairment	(5)	(3)
Net loans and advances	32,116	29,149
(a) Loans by purpose		
Residential loans	29,748	27,276
Personal loans	2,373	1,876
	32,121	29,152
(b) Loans by security		
Secured by mortgage	29,748	27,276
Unsecured	2,373	1,876
	32,121	29,152
(c) Loans by interest rate type		
Variable rate loans	32,121	29,152
	32,121	29,152
(d) Loans by geographical location		
Adelaide and suburban areas	32,121	29,152
	32,121	29,152
(e) There are no non-accrual loans where interest has been suspended		
(f) Balance of loans outstanding greater than 90 days on which interest is being charged (2017: No loan - 2016: 1 loan)	-	21
(g) The Statement of Financial Position does not take into account unused overdraft limits.	4,200	4,219
(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	32,121	29,152
Aggregate value of individual loans which exceed 10% of Total Members Funds in aggregate	5,492	4,826
Number of such loans	11	10

At 30 June 2017 $28,515,000 (2016: $25,311,000) of loans and advances to customers are expected to be recovered more than 12 months after the reporting date.

	2017 $'000	2016 $'000

13. Investments

	2017 $'000	2016 $'000
Interest earning deposits	22,159	18,943
Available-for-sale financial assets – shares in unlisted companies	92	92
	22,251	19,035

Available-for-sale investment securities are 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

	2017 $'000	2016 $'000
Call deposits	33,954	32,358
Term deposits	19,269	17,694
Members shares	34	34
	53,257	50,086
(a) Deposits by geographical locations		
South Australia	53,257	50,086

(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 members of the South Australian Emergency Services.

15 Deferred tax asset

Deferred tax assets comprise:

	2017 $'000	2016 $'000
Long service leave	22	25
Annual leave	8	9
Provision for FBT	-	-
Provision for audit fees	8	6
Property, plant and equipment	1	1
	39	41

16. Plant and equipment

	Motor Vehicles $'000	Office machines & furniture $'000	Fixtures & fittings $'000	Total $'000
Cost or deemed cost				
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
Balance at 1 July 2016	43	62	180	285
Reclassification	(6)	-	(17)	(23)
Disposals	-	(20)	(3)	(23)
Balance at 30 June 2017	37	42	160	239
Depreciation and impairment losses				
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
Balance at 1 July 2016	3	59	65	127
Reclassification	-	(6)	(17)	(23)
Depreciation for the year	7	3	15	25
Disposals	-	(20)	(3)	(23)
Balance at 30 June 2017	10	36	60	106
Carrying amounts				
At 1 July 2015	18	10	131	154
At 30 June 2016	40	3	115	158
At 1 July 2016	40	3	115	158
At 30 June 2017	27	6	100	133

17. Intangible assets

	Software $'000	Website $'000	VISA License $'000	Total $'000
Cost				
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
Balance at 1 July 2016	97	38	76	211
Addition	-	-	-	-
Disposal	(24)	-	-	(24)
Balance at 30 June 2017	73	38	76	187
Amortisation and impairment losses				
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
Balance at 1 July 2016	62	3	53	118
Amortisation for the year	8	8	15	31
Disposals	(24)	-	-	(24)
Balance at 30 June 2017	46	11	68	125
Carrying amounts				
At 1 July 2015	93	1	38	126
At 30 June 2016	35	35	23	93
At 1 July 2016	35	35	23	93
At 30 June 2017	27	27	8	62

	2017 $'000	2016 $'000
18. Trade and other payables		
Interest payable	114	115
Corporate cheques	201	27
Accrued expenses	87	105
	402	247
19. Employee benefits		
Current		
Liability for annual leave	32	29
Liability for long service leave	46	55
Total employee benefits – current	78	84
Non-Current		
Liability for long service leave	38	30
Total employee benefits – non-current	38	30
Total employee benefits	**116**	**114**

20. Reserves

	2017 $'000	2016 $'000
Redeemed preference share reserve		
Opening balance	23	23
Transfer from retained earnings	1	-
Closing balance	24	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.

	2017 $'000	2016 $'000
General reserve for credit losses		
Opening balance	46	46
Transfer from retained earnings	7	-
Closing balance	53	46

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 APRA. All investments are held with institutions with a BBB- or higher credit rating. (Some non-High Quality Liquid Asset (HQLA) are held with unrated ADIs).

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	2017 $'000	2016 $'000
Held-to-maturity investments	13	22,159	18,943
Loans and receivables	12	32,121	29,152
Cash and cash equivalents	10	3,670	6,451
		57,950	**54,546**

Impairment losses

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

	2017	2016
Not past due	32,055	29,080
Past due 0 – 30 days	66	51
Past due above 30 days	-	21
	32,121	**29,152**

During 2017 the Credit Union wrote off loans totalling Nil (2016: Nil).

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

	2017	2016
Balance at 1 July	3	2
Increase/(decrease) in provision	2	1
Balance at 30 June	**5**	**3**

"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 2017 (2016: 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.

Details of non-financial assets obtained by the Credit Union during the year by taking possession of collateral held as security against loans and advances are shown below:

	2017	2016
Residential Property	339	-

The residential property shown above was sold during the year.

"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 (2016: 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 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% (2016:16%). 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".

	2017	2016
Liquidity	28.48%	31.47%

	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 2017							
Non-derivative financial liabilities							
Members' deposits	14	53,257	53,257	19,269	-	-	33,988
Trade and other payables	18	402	402	402	-	-	-
		53,659	53,659	19,671	-	-	33,988
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

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	2017 $'000	2016 $'000
Fixed rate instruments			
Financial assets	13	17,159	16,944
Financial liabilities	14	19,269	17,694
Variable rate instruments			
Financial assets	10, 12 & 13	40,791	37,602
Financial liabilities	14	33,954	32,358

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 2017				
Financial assets	408	(408)	408	(408)
Financial liabilities	(340)	340	(340)	340
	68	(68)	68	(68)
30 June 2016				
Financial assets	376	(376)	376	(376)
Financial liabilities	(324)	324	(324)	324
	52	(52)	52	(52)

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 APRA 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 2017 was as follows:

	2017 %	2016 %
Capital Adequacy Ratio	18.14%	20.69%

Capital	**2017 $'000**	**2016 $'000**
Retained Earnings	4,697	4,618
Reserves	24	23
Common Equity Tier 1 Capital	**4,721**	**4,641**
Deferred Tax Assets	(39)	(41)
Intangible assets	(62)	(93)
Investments in banking and financial entities,	(92)	(92)
Regulatory Adjustment to Common Equity Tier 1 Capital	**(193)**	**(226)**
Tier 1 Capital	**4,528**	**4,415**
General Reserve for Credit Losses	53	46
Tier 2 Capital	**53**	**46**
Total Capital	**4,581**	**4,461**

21. Financial risk management and financial instruments (continued)

Repricing analysis

The Credit Union's repricing analysis as at 30 June 2017 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
2017							
Assets							
Cash and cash equivalents	3,746	3,670	-	-	-	-	76
Interest earning deposits	22,159	5,000	14,206	2,953	-	-	-
Investment Receivables	116	-	-	-	-	-	116
Loans and advances	32,121	32,121	-	-	-	-	-
Other investments	92	-	-	-	-	-	92
	58,234	40,791	14,206	2,953	-	-	284
Liabilities							
Member deposits	53,257	33,954	7,957	11,312	-	-	34
Other liabilities	402	-	-	-	-	-	402
	53,659	33,954	7,957	11,312	-	-	436
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

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.

	2017 $'000	2016 $'000

22. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2017 $'000	2016 $'000
Less than one year	-	26
One year or later and no later than 2 years	26	-
Later than 2 years	55	-
	81	26

23. Capital and other commitments

Capital expenditure commitments

The Credit Union has no capital expenditure commitments at 30 June 2017 (2016: nil).

Loans pending settlement

	2017 $'000	2016 $'000
Loans approved yet to be disbursed	1,910	707

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:

	2017 $'000	2016 $'000
Within one year	151	144
One year or later and no later than 2 years	-	-
Later than 2 years	-	-
	151	144

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 an Industry Support Contract (ISC) administered by CUFSS Limited. The ISC is certified by APRA under Section 11CB of the Banking Act 1959 (Cth) and is a voluntary financial support scheme whose members are Credit Unions, Mutual Bank and Cuscal Limited. CUFSS is a company limited by guarantee, each member's guarantee being $100.

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; 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 P Fletcher – Chairman	Mr N Johnson – Director
Mr A Karapetian – Director	Mr G Howard –Director – resigned May 2017
Mr E Holzbauer – Director	Mrs T Ireland – Company Secretary
Mr J Swann – Deputy chairman	Ms E Lew - Director
Mr G Northcott – Director	Ms J Driscoll – Finance Officer

Key management personnel compensation

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

	2017 $	2016 $
Short-term employee benefits	187,413	162,203
Post-employee benefits	27,758	26,323
Annual leave	17,806	16,544
Long service leave	4,616	(2,525)
	237,593	210,321

Loans to key management personnel

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

Principle and interest loans	408,906	446,826
Lines of credit	15,782	23,040
Balance outstanding	424,688	469,866

The aggregate amount of loans made during the year were:

Principle and interest loans	34,806	220,068
Lines of credit	31,908	82,085
	66,714	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	92,931	593,226
Lines of credit	40,668	76,469
	133,599	669,695

Interest charges made during the year were:

Principle and interest loans	20,205	42,825
Lines of credit	1,501	896
	21,706	43,721

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 $1,587,163 (2016: $1,562,245).

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

	2017 $	2016 $
Audit services		
Auditors of the Company		
KPMG Australia		
Audit of financial report and other assurance services	45,240	46,265
Other regulatory audit services	15,000	15,975
	60,240	62,240
KPMG Australia		
Taxation services	5,638	5,435
	5,638	5,435

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 2017.

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 2017 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 21st September 2017

KPMG

Independent Auditor's Report

To the members of Fire Service Credit Union Ltd

Opinion

We have audited the ***Financial Report*** of Fire Service Credit Union Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2017;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Fire Service Credit Union Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

KPMG

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

John Evans
Partner

Adelaide

21 September 2017

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 of Fire Service Credit Union Ltd for the financial year ended 30 June 2017 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

21 September 2017