Annual Report
for the year ended 30 June 2017

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CORPORATE INFORMATION

Ford Co-operative Credit Society Limited (the Society) was established in September 1974 by a small, dedicated group of employees of the Ford Motor Company in Geelong, to provide banking services to Geelong Ford employees and their families, and has continued to grow and prosper with many of our members spread all over Australia. In fact 90% of our members and our total deposit funds are held by members from the local and wider community.

The Society is mutually owned by its member customers, as such profits are returned to Members through our products and services and are not paid away to shareholders.

Ford Co-operative Credit Society Limited is prudentially regulated and approved as an Authorised Deposit-taking Institution (ADI).

All ADIs are equally subject to the depositor-protection provisions of the Banking Act 1959 and overseen by the Australian Prudential Regulatory Authority (APRA).

Ford Co-operative Credit Society Limited is a public company limited by shares, incorporated and domiciled in Australia and registered under the Corporations Act 2001.

CORPORATE DIRECTORY

Established:	The Society was incorporated in Victoria under the Co-operative Act on 12th September 1974.
Registered Office:	Head Office: 107 Gheringhap Street, Geelong VIC 3220
External Auditors:	Crowe Horwath, 200 Malop Street, Geelong VIC 3220
Internal Auditors:	Aspire Accounting Holdings Pty Ltd, 2 Enterprise Drive, Bundoora VIC 3083
Solicitors & Legal Corporate Advisors:	Daniels Bengtsson, Level 4, 171 Clarence St, Sydney NSW 2000,
Bankers:	Credit Union Services Corporation (Australia) Limited, 1 Margaret Street, Sydney NSW 2001
	National Australia Bank Limited, Malop Street, Geelong VIC 3220
Insurers:	Arranged through Adroit Insurance Group, 231 Moorabool Street, Geelong, Vic. 3220.

CHAIRMAN'S REPORT

Dear Fellow Members,

The 2016–17 financial year was another very successful one for our business and we are pleased and proud to present this report on our activities.

The last 12 months has seen us through a period of consolidation with the closure of the Ford Motor Company manufacturing operations and both our Broadmeadows and Sydney branches.

Over this next 12 months and beyond we will be embarking on the next stage of our growth and development and investing in our brand, better telling our story and delivering on our strategic vision to be the partner of choice for our members and our community. In 2016/17 we welcomed 121 new members to the business.

Operating Environment

The outlook for the Australian economy remains subdued, interest rates are likely to remain low and tighter regulatory limits on lending by APRA will present challenges for not only FCCS in the near term but all others in the banking sector.

This year will see the Credit Union repaying the final $1.7m in borrowed capital without impacting its capital adequacy. The continued improvement in our financial position has been achieved through a disciplined approach to interest margin, cost and balance sheet management delivering a solid result over the year:

- Operating profit before tax $689,152 ($796,832 2015/16)
- Capital adequacy 15.32% (14.08% 2015/16)

Strategic Objectives & the Year Ahead

The board has appointed Vivien Allen to the position of Business Development Manager who brings a wealth of experience in business development, marketing and sales to assist us to achieve our strategic objectives:

- *Increased awareness and relevance* - build on our awareness in the community and improve our relevance to the needs of our members with our great product range.
- *Operational excellence* – make it easier for our members to bank with us.
- *People and culture* – build the capability of our people.

Emerging banking trends around member experience and engagement are heavily reliant on technology and FCCS will continue to partner with like minded organisations to enable us to offer great banking solutions. This year we were pleased to launch our enhanced contactless redicard, a new credit card offering - *Amigo* and new mobile banking app which have been very well accepted by our members.

In the year ahead we will be launching Android and Apple pay wallets where you will be able to use your mobile phone to make contactless purchases. We are also upgrading to a responsive new website and FCCS will be participating in the National Payments Platform (NPP) where you will be able to send and receive funds instantaneously.

Acknowledgments

Congratulations to the Board for its continual hard work developing strategies that enhance our Brand and continue to provide a stable business for the membership.

We would like to thank the leadership team and all of our employees for their commitment, effort and initiative to deliver on the direction set by the Board. We also thank you for your loyalty as members.

As we move forward together beyond 2017, we are committed and determined to adapt to the changing, competitive landscape of our industry and will strive to make the upcoming year another one of returning value to our members.

Respectfully,

Dominic Raimondo
Chairman

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2017.

DIRECTORS

The names and details of the Directors of the Ford Co-operative Credit Society (the Society) in office at the date of this report are:

Names and qualifications

Dominic M Raimondo
Dip Eng; MAICD
D.M. Raimondo is the Chairman of the Board and Chairman of the Governance Committee. An alternate Director from 2002 to 2007. Director since 2007.

Tim J Boyd
DegMgt, CAHRI, GAICD
T S Boyd is the Vice Chair of the Board, Chair of the Risk Committee, Vice Chair of the Governance Committee and was an Associate Director from August 2013 to October 2014 and has been a Director since October 2014.

Peter F. Bone
P.F. Bone is the Vice-Chairman of the Risk Committee and member of the Governance Committee. Has extensive (27 years) experience in the finance industry. Alternate Director from 1993 to 1995. Director since 1995.

Scott D Randall
BEng
S D Randall is the Chair of the Audit Committee and was an Associate Director from August 2013 to October 2014 and has been a Director since October 2014.

David J S Burke
BEng
D.J.S. Burke is the Vice-Chairman of the Audit Committee and was Chairman of the Board from 1997 to 2014. Director since 1993.

Chris G MacDonald
BCom
C.G. MacDonald a member of the Audit Committee. Director since 1992.

Terry A O'Brian
BEng, MBA

T.A. O'Brian is a member of the Risk Committee. Alternate Director from 2002 to 2008. Director since 2008.

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

All Directors are considered to be independent non-executive Directors.

COMPANY SECRETARY

Mr Peter Vecoli, General Manager of the Society, was appointed Company Secretary on 19 April 2012 and continues to act in this capacity post year end.

PRINCIPAL ACTIVITIES

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

No significant changes in the nature of these activities occurred during the year.

DIRECTOR BENEFITS

No Director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Society, controlled by the Society, or a related body corporate with a Director, a firm of which is a member or Society in which a Director has a substantial financial interest, other than disclosed in Note 34 of the financial report.

OPERATING RESULTS

Profit after income tax for the financial year was $456,509 (2016: $557,072)

REVIEW OF OPERATIONS

The results of the Society's operations from its activities of providing financial services to its members did not change significantly from those of the previous year and a review of those operations are set out in the Chairman's Report.

DIVIDENDS

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the Directors of the Society.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Society during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect:

1. The operations of the Society;
2. The results of those operations; or
3. The state of affairs of the Society;

in subsequent financial years, except for matters noted in the Chairman's Report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors do not foresee any likely developments in the operations of the Society that will affect the results of those operations in subsequent financial years.

INDEMNIFICATION AND INSURANCE

During the year, a premium was paid in respect of a contract insuring Directors and officers of the company against liability.

The officers of the company covered by the insurance contract include the Directors, executive officers, secretary and employees.

In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the company.

CORPORATE GOVERNANCE

The Society is committed to achieving high standards of corporate governance. The Society is directed and controlled by its Board of Directors, and through systems of delegation and policies, so as to achieve its business objectives responsibly and in accordance with high standards of accountability and integrity.

The Society complies with the Australian Prudential Regulation Authority Standard CPS 510 *Governance,* CPS 520 *Fit & Proper* and the Prudential Practice Guide PPG 511 *Remuneration*.

DIRECTORS' REPORT (cont…)

DIRECTORS' MEETINGS

The numbers of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Board Meetings	Governance Committee	Audit Committee Meetings	Risk Committee Meetings
Number of meetings held:	12	8	4	5
Number of meetings attended:				
D.M. Raimondo	12	7	-	-
C.G. MacDonald	12	4	2	2
P.F. Bone	12	3	-	3
T.J. Boyd	11	7	-	4
D.J.S. Burke	11	-	3	-
T.A. O'Brian	11	-	2	3
S.D. Randall	10	-	3	-

Directors are appointed to Board Committees restricting attendance to Committee members unless otherwise invited to attend by the Chairman of the Committee.

In addition to the above meetings, as part of continuing professional development Directors also attend various Industry and Regulatory meetings and seminars.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded off under the option available to the Society under ASIC Corporations Instrument 2016/191. The Society is an entity to which the Class Order applies.

AUDITOR'S INDEPENDENCE DECLARATION

The Directors have received the following declaration from the Society's auditor which can be found on page 6.

Signed in accordance with a resolution of the Directors.

C.G. MacDonald
Director

D.J.S. Burke
Director

Geelong, 27th September 2017

Crowe Horwath
PART OF FINDEX

Auditor Independence Declaration Under S307C of the *Corporations Act 2001* to the Directors of Ford Co-Operative Credit Society Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of:

I. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
II. any applicable code of professional conduct in relation to the audit.

Crowe Horwath Melbourne

CROWE HORWATH MELBOURNE

David Munday

David Munday
Partner

Melbourne, Victoria
27 September 2017

Crowe Horwath Melbourne is a member of Crowe Horwath International, a Swiss verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omission of financial services licensees.

Board of Directors

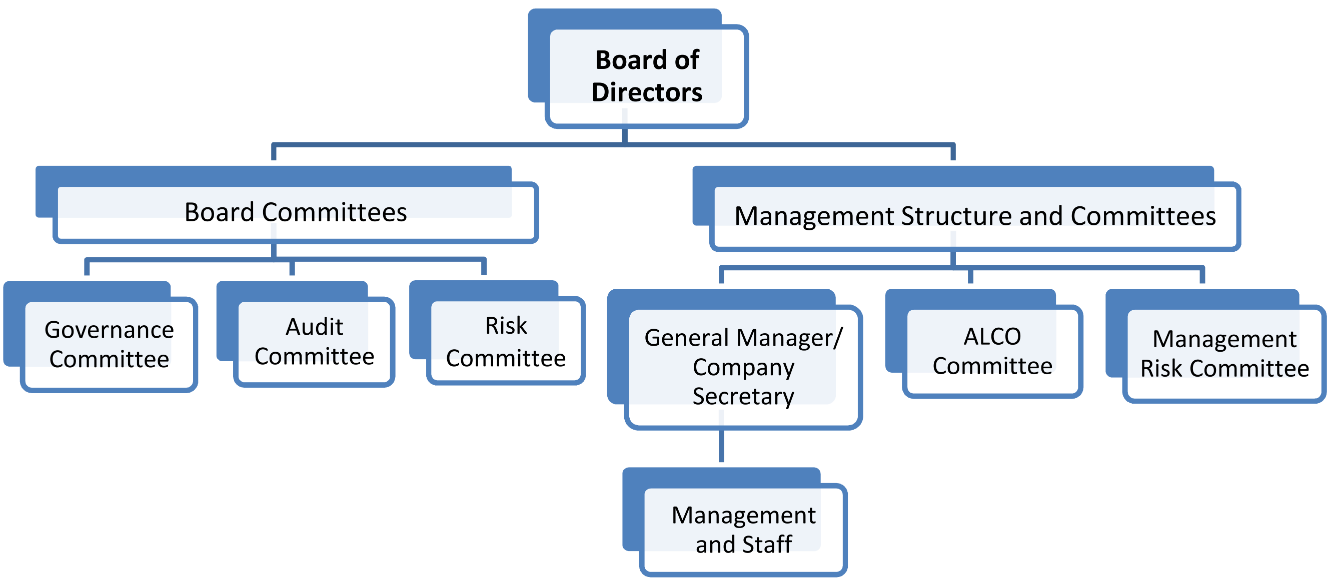
The Board of Directors is responsible for the corporate governance of the Society. The Board guides and monitors the business and affairs of the Society on behalf of the members by whom they are elected and to whom they are accountable. An important feature of the Board is to ensure compliance with the prudential and solvency requirements of the Australian Prudential Regulatory Authority (APRA) and the Australian Securities & Investments Commission (ASIC).

The key responsibilities of the Board include:

- Approving the strategic direction and related objectives and monitoring management performance in the achievement of these objectives;
- Adopting an annual budget and business plan and monitoring the financial performance of the Society;
- Overseeing the establishment and maintenance of internal controls and effective monitoring systems;
- Ensuring all major business risks are identified and effectively managed;
- Ensuring the Society meets its legal and statutory obligations.

Structure of the Board

Directors of the Society are considered to be independent and free from any business or other relationship that could interfere with, or could be perceived to materially interfere with the exercise of their unfettered and independent judgement.



Board Committees

The Board has established the following committees which operate under a charter approved by the Board.

Governance Committee

The purpose of the Governance Committee is to assist the board in the exercise of effective corporate governance, including oversight of the Society's Governance and Fit & Proper Policies.

The purpose of the Governance Policy is to ensure strong Corporate Governance in the prudent management and financial soundness of the Society and in maintaining public confidence in the financial system.

The purpose of the Fit & Proper – Responsible Person Policy is to manage the risk to its business or financial standing that persons acting in Responsible Person positions are fit and proper.

The committee has also been appointed by the board to fulfil the role of the Nominations and Remuneration Committees incorporating board renewal, remuneration and nominations.

Audit Committee

The Audit Committee will assist the Board in fulfilling its oversight responsibilities and act as an interface between the board and the internal and external auditors. The Audit Committee will review:

- The system of internal control;
- The financial and regulatory/compliance reporting process; and
- The audit process.

Risk Committee

The Committee will assist the board in fulfilling its oversight responsibilities and will be responsible for:

- oversight of the risk profile and risk management of the Society within the context of the Board determined risk appetite (although ultimate responsibility for risk oversight and risk management rests with the Board, and the Committee will refer all matters of significant importance to the Board);
- making recommendations to the Board concerning the risk appetite and particular risks or risk management practices;
- reviewing management's plans for mitigation of the material risks faced by the Society;
- oversight of the implementation and review of risk management and internal compliance and control systems;
- promotion of awareness of a risk based culture and the achievement of a balance between risk and reward for risks accepted.

Management Committees

Assets & Liabilities Committee (ALCO)

ALCO is a committee responsible for managing the financial assets and liabilities of the Society. The committee recommends policy, sets strategy and monitors risks related to the management of the Society's assets and liabilities regarding:

- Pricing of the financial assets and liabilities including interest rates and fees;
- Interest margin;
- Interest rate risk;
- Funding and liquidity management;
- Investment management;
- Profitability and capital management.

Management Risk Committee

The Management Risk Committee is responsible for periodically reviewing the Society's risk profile, fostering a risk-aware culture and reporting to the Board Risk Committee (BRC) on the effectiveness of the risk management framework and of the company's management of its material business risks.

The primary function of the Committee is:

- the implementation and review of risk management and internal compliance and control systems;
- reporting to the BRC on management's plans for mitigation of the material risks faced by the Society;
- making recommendations to the BRC concerning the risk appetite and particular risks or risk management practices; and
- promotion of awareness of a risk based culture amongst staff and the achievement of a balance between risk and reward for risks accepted.

Risk Management Objectives and Policies

The Board of Directors has implemented a Risk Management Policy which establishes the overall Risk Management Framework for managing operational risk. Specifically, the Risk Management Policy aims to:

- Contribute to profitable prudential performance by achieving an appropriate balance between realising opportunities while minimising losses.
- Maintain a comprehensive and up-to-date Risk Appetite Statement that addresses all material risks and sets the risk limits acceptable to the Board.
- Be concerned with risk as exposure to the consequences of uncertainty, or potential deviations from that which is planned or expected.
- Address Capital Management – refer Note 27.
- Facilitate regular reporting to Senior Management, the Board and relevant committees.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established separate Audit and Risk Committees which are responsible for developing and monitoring risk management processes. The committee reports regularly to the Board of Directors on its activities.

Risk management policies and procedures are established to identify and analyse the risks faced by the Society, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management processes and systems are reviewed regularly to reflect changes in market conditions and the Society's activities.

Risk Management Framework (cont…)

The Audit and Risk Committees oversee how management monitors compliance with the Society's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Society. The Audit and Risk Committees are assisted in its oversight role by Internal Audit. Internal Audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the Audit & Risk Committees.

The Society has undertaken the following strategies to minimise risks.

Market Risk

The Society is not exposed to currency risk, and does not trade in the financial instruments it holds on its books.

Credit Risk – Loans

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The Board policy is to maintain at least 85% of loans in well secured residential mortgages which carry an 80% Loan to Valuation ratio or less. Note 10 (c) describes the nature of the security held against the loans as at the balance date.

The Society has a concentration in the retail lending for members who comprise employees and family in the Ford Motor Company. This concentration is considered acceptable on the basis that the Society was formed to service these members, and the employment concentration is not exclusive. Should members leave the industry the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans. The details of the geographical and industry concentrations are set out in Note 10(e).

Credit Risk – Liquid Investments

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration in one entity.

The Board policy is that investments shall be widespread to avoid any undue concentration of risk and all investments must be with financial institutions with a rating in excess of BBB- or higher.

Credit Risk – Equity Investments

All investments in equity instruments are solely for the benefit of service to the Society. The Society invests in entities set up for the provision of services such as IT solutions, treasury services etc where specialisation demands quality staff which is best secured by one entity. Further details of the investments are set out in Note 11.

Liquidity Risk

The Society has set out in Note 26 the maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms.

The Society is required to maintain at least 12% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under the APRA Prudential standards. The Society policy is to apply 15% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level the management and the Board are to address the matter and ensure that the liquid funds are obtained from new deposits and borrowing facilities available.

Operational Risk

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

The Society's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Society's reputation with overall cost effectiveness.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 June 2017	Notes	2017 $'000	2016 $'000
INTEREST REVENUE	2	5,204	5,645
INTEREST EXPENSE	2	2,504	2,929
NET INTEREST REVENUE	2	2,700	2,716
OTHER REVENUE	3(a)	588	706
TOTAL OPERATING INCOME		3,288	3,422
EMPLOYEE BENEFITS EXPENSE	3(b)	1,014	1,103
LOAN IMPAIRMENT EXPENSE	10(g)	(47)	(78)
DEPRECIATION AND AMORTISATION	3(b)	256	244
OTHER EXPENSES	3(b)	1,375	1,356
PROFIT BEFORE INCOME TAX	4	690	797
INCOME TAX EXPENSE	5	(233)	(240)
PROFIT AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS		457	557
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Asset revaluation reserve movement (net of tax)	23	(85)	259
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS		372	816

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2017	Notes	2017 $'000	2016 $'000
ASSETS			
Cash and cash equivalents	6	**4,494**	5,237
Deposits with other financial institutions	7	**14,650**	13,550
Accrued receivables	8	**258**	218
Investment securities	9	**14,507**	17,009
Net loans and advances	10	**95,852**	95,269
Other investments	11	**264**	264
Property, plant and equipment	12	**2,739**	2,744
Intangible assets	14	**157**	237
Other assets		**76**	85
Deferred tax assets	13	**235**	327
TOTAL ASSETS		**133,232**	134,940
LIABILITIES			
Deposits from members	15	**120,867**	122,644
Payables	16	**497**	737
Tax liabilities	17	**8**	97
Employee benefits	18	**305**	371
Deferred tax liabilities	19	**389**	304
Subordinated debt	20	**1,697**	1,690
TOTAL LIABILITIES		**123,763**	125,843
NET ASSETS		**9,469**	9,097
MEMBERS' EQUITY			
Capital reserve account	21	**119**	112
Reserves	22	**3,102**	3,102
Asset revaluation reserve	23	**1,011**	1,096
Retained profits	24	**5,237**	4,787
TOTAL MEMBERS' EQUITY		**9,469**	9,097

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN MEMBERS' EQUITY

YEAR ENDED 30 JUNE 2017	Notes	Capital $'000	Retained Profits $'000	Capital Reserve Account $'000	Asset Revaluation Reserve	Reserves $'000	Total $'000
Total at 1 July 2015		1,759	4,339	108	837	3,102	10,145
Net Profit for the year		-	557	-	-	-	557
Less Dividends paid		-	(64)	-	-	-	(64)
Less redeemed preference shares	22	-	(4)	4	-	-	-
Less Capital repaid	21	(1,759)	(41)	-	-	-	(1,800)
Revaluation increments/(decrements)	23	-	-	-	259	-	259
Total at 30 June 2016		-	4,787	112	1,096	3,102	9,097
Total at 1 July 2016		**-**	**4,787**	**112**	**1,096**	**3,102**	**9,097**
Net Profit for the year		**-**	**457**	**-**	**-**	**-**	**457**
Less redeemed preference shares	21	**-**	**(7)**	**7**	**-**	**-**	**-**
Revaluation increments/(decrements)	23	**-**	**-**	**-**	**(85)**	**-**	**(85)**
Total at 30 June 2017		**-**	**5,237**	**119**	**1,011**	**3,102**	**9,469**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2017	Notes	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**5,211**	5,671
Dividends received		**43**	42
Borrowing costs		**(2,522)**	(2,992)
Other non interest income received		**491**	635
Personnel and occupancy costs paid		**(1,134)**	(1,244)
General expenses paid		**(1,241)**	(1,101)
Income tax paid		**(229)**	(187)
Net movement in loans, advances and other receivables		**(595)**	(6,454)
Net movement in deposits and shares		**(1,777)**	842
NET CASH FLOWS USED IN OTHER OPERATING ACTIVITIES	30(a)	**(1,753)**	(4,788)
CASH FLOWS FROM OTHER INVESTING ACTIVITIES			
Net movement in investments		**1,402**	4,246
Acquisition of property, plant and equipment		**(182)**	(260)
Proceeds from sale of property, plant and equipment		**11**	25
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		**1,231**	4,011
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital repaid		**-**	(1,800)
Dividends paid		**-**	(64)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**-**	(1,864)
NET INCREASE/(DECREASE) IN CASH HELD		**(522)**	(2,641)
Add opening cash brought forward		**5,016**	7,657
CLOSING CASH CARRIED FORWARD	30(b)	**4,494**	5,016

The accompanying notes form part of these financial statements.

30 June 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Financial Statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. For the purpose of preparing the financial statements, and in accordance with AASB 1054, the Society is a for-profit entity.

International Financial Reporting Standards (“IFRS”) form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS (“AIFRS”). The financial statements of the Society comply with IFRSs and interpretations adopted by the International Accounting Standards Board, to the extent outlined below.

Basis of Preparation

The financial statements have been prepared on the basis of historical costs, unless stated otherwise.

The preparation of the financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences 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 Society.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The financial report was authorised for issue by the Directors on 28th September 2017.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Financial instruments

Recognition & initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Society becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont…)

Classification & subsequent measurement

(i) Financial assets at fair value through profit & loss

Financial assets are classified at fair value through the profit and loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Society's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

The equity investment in Cuscal Limited and TransAction Solutions Ltd are measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss. Gains and losses on these assets are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses, which are recognised in profit or loss.

(iv) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Fair value measurement hierarchy

The entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont…)

measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Impairment

At each reporting date, the Society assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

Loans and advances

Basis of inclusion

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred, and are subsequently measured at amortised cost.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Society at balance date, less any allowance or provision against debts considered doubtful. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the Board of Directors.

The loan interest is calculated on the basis of daily balance outstanding and is charged in arrears to a members account on the last day of each month.

Loan Impairment

Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

In addition to the above provisions, the Board has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties. The General Reserve for Credit Losses is based on estimation of potential risk in the loan portfolio.

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 comprehensive income.

The APRA Prudential Standards requires a minimum provision to be maintained, based on specific percentages of the loan balance which are contingent upon the length of time the repayments are in arrears.

All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described below:

Non-Accrual Loans - are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful, and hence provisions for impairment are recognised. While still legally recoverable interest is not brought to account unless recovery is assured.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont…)

Assets acquired through the enforcement of security - are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

Past-due loans - are loans where payments of principal and/or interest are more than 1 day in arrears. Full recovery of both principal and interest is expected.

Impairment

The carrying amounts of the Society's assets, other than deferred tax assets are reviewed at each balance sheet 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 or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income unless the 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 Comprehensive Income.

Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable amounts will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Society will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Receivables - related parties entities

Amounts receivable from related parties/entities are carried at amortised cost. Details of the terms and conditions are set out in Note 34.

Property, plant and equipment & intangible assets

The Society recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred; if it is probable that the future economic benefits embodied within the item will flow to the Society, and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

Cost and valuation

Land is valued under the revaluation model at least every 3 years and all other items are carried at cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont…)

Depreciation

Depreciation is provided on a straight line basis (except motor vehicles where the diminishing value method is used) over the estimated useful life of all property, plant and equipment, other than freehold land. The estimated useful life in the current and comparative periods are as follows:

Major depreciation periods are:

Freehold buildings:	40 years
Leasehold improvements:	10 years (lease term)
Plant and equipment:	3 to 7 years

Intangible Assets

Computer software held as intangible assets is amortised over the expected useful life of the software from the date installed ready for use. The expected useful life of computer software is 3 to 10 years.

Recoverable amount

The carrying amounts of the society's PPE are reviewed at each reporting date to determine whether there is any indicator of impairment. If any such indicator exists then the assets recoverable amount is estimated. In determining recoverable amount the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate. Where carrying values exceed this recoverable amount assets are written down. Land is not revalued to an amount above its recoverable amount.

Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Society and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

(i) Interest revenue

Interest revenue is recognised using the effective interest method. Interest charged on members accounts is calculated on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

(ii) Fees and commissions

Fees and commissions are recognised once the right to receive consideration has been attained.

(iii) Dividend income

Dividend income is taken into revenue as received.

Member Deposits

Member savings and term investments are quoted at the aggregate amount of money owing to depositors.

Interest on savings is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each savings and term deposit account as varied from time to time. The amount of the accrual is shown as part of amounts payable.

Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the loans and borrowings using the effective interest method.

Borrowing costs are recognised as the liability for interest accrued.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont…)

Subordinated debt

Subordinated debt is initially recorded at fair value, less capital raising costs – refer Note 20. It is subsequently measured at amortised cost using the effective interest rate method, less capital raising costs which are amortised over the expected period of the instrument.

Provision for Employee Benefits

Provision is made for the Society's liability for employee benefits arising from services rendered by employees to balance date.

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Society expects to pay as a result of the unused entitlement. Annual leave is discounted when calculating the leave liability as the Society does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period.

Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits discounted using corporate bond rates.

Provision for long service leave is on a pro-rata basis from commencement of employment with the Society based on the present value of its estimated future cash flows.

Annual leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at balance date.

Contributions are made by the Society to an employee's superannuation fund and are charged to the income statement as incurred.

Provisions

A provision is recognised when the Society has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, 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, where appropriate, the risks specific to the liability.

Goods and Services Tax

As a financial institution the Society is Input Taxed on all income except other income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to Reduced Input Tax Credits, of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included where applicable GST is collected. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont…)

New or emerging standards not yet mandatory

Certain accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period. The Society's assessment of the impact of these new standards and interpretations is set out below. Changes that are not likely to impact the financial report of the Society have not been reported.

AASB 9 Financial Instruments

AASB 9 replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement.* AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities as well as the general hedge accounting requirements.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The main changes are:

a. financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows

b. allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument

c. introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments

d. financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases

e. where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

   - the change attributable to changes in credit risk are presented in other comprehensive income (OCI)
   - the remaining change is presented in profit or loss

Furthermore, AASB 9 introduces a new 'expected' credit loss model for calculating impairment on financial assets. This moves away form the current 'incurred' loss model required under AASB 139.

Under the expected credit loss model, the Society will be required to consider a broader range of information when assessing credit risk and measuring expected credit losses including past experience of historical losses for similar financial instruments.

The Society has conducted a high-level diagnostic on the impact of this standard. This highlighted that the move to an expected credit loss model for impairment will impact the Society with earlier recognition of expected credit losses. This is expected to impact the level of the provision for impairment at Note 10. APRA released guidance in July 2017 highlighting the prudential reporting approach with regards to AASB 9.

The quantitative impact of the expected credit loss model has not yet been determined by the Society. Based on the nature of the Society's financial assets, the classification and measurement of financial assets are not expected to have a material change. The Society does not conduct any hedge accounting, so these changes are not applicable.

Management are developing an implementation project to quantify the impact of this standard during the 2018 financial year. To date, management have focused on analysing historical credit losses to enable a starting point for this implementation project.

Effective for annual reporting period beginning on or after 1 January 2018.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont…)

New or emerging standards not yet mandatory

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces most of the existing standards and interpretations relating to revenue recognition including AASB 118 *Revenue*.

The standard shifts the focus from the transaction level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to, while measurement encompasses estimation by the Company of the amount expected to be entitled for performing under the contract.

Based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted, as most of the Company's revenue arises from the provision of financial services which are governed by AASB 9 *Financial Instruments*.

AASB 9 continues the effective interest rate method for financial instruments carried at amortised cost. This is the method currently required under AASB 139.

Effective for annual reporting period beginning on or after 1 January 2018.

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

Introduces flexibility in relation to the presentation of notes and information in the financial report and clarifies the ability to use judgement when applying the disclosure requirements in Australian Accounting Standards to remove immaterial information that can obstruct the usefulness of information in the financial report.

Refer to section on AASB 15 for expected impact.

Effective for annual reporting period beginning on or after 1 January 2018.

AASB 2014-7 Australian Accounting Standards arising from AASB 9

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9.

Refer to section on AASB 9 for expected impact.

Effective for annual reporting period beginning on or after 1 January 2018.

AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15

AASB 2015-8 amends the mandatory application date of AASB 15 Revenue from Contracts with Customers so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. It also defers the consequential amendments that were originally set out in AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.

Refer to section on AASB 15 for expected impact.

Effective for annual reporting period beginning on or after 1 January 2017.

AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15

The amendments clarify the application of AASB 15 in three specific areas to reduce the extent of diversity in practice that might otherwise result from differing views on how to implement the requirements of the new standard. They will help companies:

1) Identify performance obligations (by clarifying how to apply the concept of 'distinct');
2) Determine whether a company is a principal or an agent in a transaction (by clarifying how to apply the control principle);
3) Determine whether a licence transfers to a customer at a point in time or over time (by clarifying when a company's activities significantly affect the intellectual property to which the customer has rights).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont…)

New or emerging standards not yet mandatory

The amendments also create two additional practical expedients available for use when implementing AASB 15:

1. For contracts that have been modified before the beginning of the earliest period presented, the amendments allow companies to use hindsight when identifying the performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.
2. Companies applying the full retrospective method are permitted to ignore contracts already complete at the beginning of the earliest period presented.

Refer to section on AASB 15 for expected impact.

Effective for annual reporting period beginning on or after 1 January 2018.

AASB16 Leases

The standard replaces the existing AASB 117 *Leases.*

The classification of leases as either finance leases or operating leases is eliminated for lessees. Leases will be recognised in the Statement of Financial Position by capitalising the present value of the minimum lease payments and showing a ‘right-of-use’ asset, while future lease payments will be recognised as a financial liability. This is similar to the current treatment for finance leases under IAS 17, with some variations.

The nature of the expense recognised in the profit or loss will change. Rather than being shown as rent, or as leasing costs, it will be recognised as depreciation on the ‘right-of-use’ asset, and an interest charge on the lease liability. The interest charge will be calculated using the effective interest method, which will result in a gradual reduction of interest expense over the lease term.

There is an exemption for low value items (typically less than $5,000). For these assets, the expense may be recognised on a straight-line basis over the lease term in a manner consistent with the current treatment for operating leases. This is expected to apply to commonly leased items such as mobile phones, electronic equipment, and furniture. An exemption also exists for leases of less than 12 months where no purchase option exists.

Accounting for lessors is largely unchanged when compared with AASB 117.

Significant implementation guidance is included with the standard.

The impact on the Society is expected to be minimal due to the low exposure to leases.

Effective for annual reporting period beginning on or after 1 January 2019.

New standards applicable for current year

AASB 2015-1 Annual Improvements

Miscellaneous changes to a number of standards, including those relating to servicing contracts, the discount rate for post-employment benefit obligations and changes in the method of disposal when applying AASB 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Amendments to various standards:

- AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*: Changes in methods of disposal and clarification of reclassification of an asset from held for sale to held for distribution to owners, and vice-versa
- AASB 7 *Financial Instruments: Disclosures*: clarifies ‘continuing involvement’ in the context a transferred financial asset and the applicability of the offsetting amendments in AASB 2012-2 to condensed interim financial statements
- AASB 119 *Employee Benefits*: clarifies that the discount rate to be used to measure defined benefit obligations is the rate denominated in the same currency as the obligation

AASB 134 *Interim Financial Reporting*: defines when disclosure of information ‘elsewhere in the interim financial report’ is acceptable by way of cross-reference.

Effective for annual reporting period beginning on or after 1 January 2016.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont…)

AASB 2015-2 Presentation of financial statements

Entities will be able to use the amendments to streamline or simplify disclosures in the financial statements. The amendments clarify that specific disclosures need not be made if the financial information resulting from the disclosure is not material; even if an Australian Accounting Standard states that the disclosure is a minimum requirement. Only significant accounting policies should be disclosed. There is flexibility as to the order in which notes are presented.

Introduces flexibility in relation to the presentation of notes and information in the financial report and clarifies the ability to use judgement when applying the disclosure requirements in Australian Accounting Standards to remove immaterial information that can obstruct the usefulness of information in the financial report.

Effective for annual reporting period beginning on or after 1 January 2016.

AASB 2014-4 Acceptable methods of depreciation and amortisation.

Clarifies that the basis of depreciation and amortisation is the expected pattern of consumption of future economic benefits of an asset. Establishes that revenue-based methods are not appropriate as a depreciation method and unlikely to be appropriate (rebuttable presumption) as an amortisation method.

Effective for annual reporting period beginning on or after 1 January 2016.

Use of estimates and judgements

In the process of applying the Society's accounting policies management has used judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

(i) Impairment losses on loans and advances

The Society reviews its individually significant loans and advances on a monthly basis to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired, and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont…)

30 June 2017	Notes	2017 $'000	2016 $'000
2. INTEREST REVENUE AND INTEREST EXPENSE			
Interest Revenue			
Deposits with other financial institutions		**770**	1,123
Investment securities		**91**	104
Loans and advances		**4,343**	4,415
Loans to capital investors		**-**	3
		5,204	5,645
Interest Expense			
Deposits		**2,372**	2,789
Short term borrowings		**-**	1
Subordinated debt		**132**	139
		2,504	2,929
Net Interest Income		**2,700**	2,716
3. OTHER REVENUE AND OTHER OPERATING EXPENSES			
(a) Other Revenue			
Dividends			
- Other corporations		**43**	42
Profit on disposal of other investments, plant and equipment		**-**	6
Fees and commissions			
- Loan fee income		**38**	48
- Other fee income		**153**	180
- Insurance commissions		**195**	222
- Other commissions		**79**	97
Bad debts recovered		**3**	13
Other revenue			
- Income from property		**74**	93
- Other		**3**	5
Total other revenue		**588**	706
(b) Other Operating Expenses			
Depreciation and amortisation			
- Plant and equipment		**151**	121
- Buildings		**25**	25
- Leasehold improvements		**-**	18
- Intangible assets		**80**	80
		256	244
Employee benefits expense			
- Personnel costs		**878**	965
- Provision for employee entitlements		**29**	25
- Contributions to accumulation superannuation funds		**107**	113
		1,014	1,103
Other Expenses			
- IT/Software		**474**	440
- General and administration		**901**	916
		1,375	1,356
Total other operating expenses		**2,645**	2,703

30 June 2017	Notes	2017 $'000	2016 $'000

4. PROFIT BEFORE INCOME TAX EXPENSE

Profit from ordinary activities before income tax expense does not include any items whose disclosure is not relevant in explaining the financial performance of the Society.

5. INCOME TAX

(a) The prima facie tax payable on operating profit is reconciled to the income tax expense in the accounts as follows:

		2017 $'000	2016 $'000
Profit from operations before tax		**690**	797
Prima facie tax payable on operating profit before income tax at 30%		**207**	239
Add tax effect of expenses not deductible			
- Other non-deductible expenses		**6**	7
Subtotal		**213**	246
Add			
- Deferred Tax Expense		**92**	6
Less			
- (Overprovision)/underprovision of tax in prior year		**(23)**	6
- Tax deferral adjustment on GRCL		**(31)**	-
- Franking Rebate		**(18)**	(18)
Income tax expense attributable to operating profit		**233**	240

(b) Franking Credits

		2017 $'000	2016 $'000
The amount of franking credits held by the Society after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year is:		**2,307**	2,060

6. CASH AND CASH EQUIVALENTS

		2017 $'000	2016 $'000
Cash on hand		**273**	635
Deposits at call		**4,221**	4,602
		4,494	5,237

7. DEPOSITS WITH OTHER FINANCIAL INSTITUTIONS

		2017 $'000	2016 $'000
Interest earning deposits		**14,650**	13,550
Maturity Analysis			
Not longer than 3 months		**10,050**	12,550
Longer than 3 and not longer than 12 months		**4,600**	1,000
		14,650	13,550

30 June 2017	Notes	2017	2016
		$'000	$'000
8. ACCRUED RECEIVABLES			
Interest receivable		129	136
Other		129	82
		258	218
9. INVESTMENT SECURITIES			
Floating rate notes		14,507	17,009
Maturity Analysis			
Not longer than 3 months		5,000	4,000
Longer than 3 and not longer than 12 months		1,000	3,002
Longer than 1 and not longer than 5 years		8,507	10,007
		14,507	17,009
10. LOANS AND ADVANCES			
Overdrafts		189	619
Term loans		96,081	94,968
Loans to capital investors		-	180
		96,270	95,767
Provision for impairment	10(g)(i)	(418)	(498)
Total loans and advances (net)		95,852	95,269
(a) Aggregate amounts receivable from related parties:			
Directors and Director-related entities			
– Directors		250	264
(b) Maturity Analysis			
Overdrafts		189	619
Not longer than 3 months		2	1
Longer than 3 and not longer than 12 months		77	103
Longer than 1 and not longer than 5 years		2,218	2,432
Longer than 5 years		93,784	92,612
		96,270	95,767
c) Credit Quality – Security Dissection			
Secured by mortgage		92,174	90,945
Secured other		3,486	4,179
Unsecured		610	643
Total		96,270	95,767

30 June 2017	Notes	2017 $'000	2016 $'000
10. LOANS AND ADVANCES (Cont...)			
d) Funds Under Management			
At 30 June 2017 the Society provided management for $7,072,348 (2016 - $7,994,708) of off balance sheet securitised loans to members which are financed by Perpetual Trustee Company Ltd (mortgage provider). These loans do not qualify for recognition in the books of the Society and accordingly are not brought to account in the books of the Society at any time. The Society receives fees and commissions from borrowers and the mortgage provider for the establishment of the loans and for the ongoing management of the loans. The mortgage provider assumes all of the risk in relation to these loans.			
(e) Concentration of Risk			
The Society has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:			
(i) Geographic			
- Victorian residents		**85,634**	84,859
- Other		**10,218**	10,410
		95,852	95,269
(ii) Industry			
- Employed by Ford Motor Company Limited		**15,272**	23,039
The Society's loan portfolio includes eight loans totalling $10,824,081 which represents 10% or more of capital.			
(f) Loans to Capital Investors			
Subordinated loans to Preference share investors		**-**	180

30 June 2017	**Notes**	**2017 $'000**	2016 $'000
10. LOANS AND ADVANCES (Cont...)			
(g) Provision on Impaired Loans			
(i) Loan Provisions Comprise:			
- Prescribed provision required under the APRA Prudential Standards		**13**	25
- Additional specific and collective provisions		**405**	473
		418	498
In assessing the specific provision the APRA reporting requirements recognise the inclusion of a collective provision.			
(ii) Movement in the Specific Provision			
Balance at the beginning of year		**498**	598
Impairment charge for the year		**(47)**	(78)
Bad debts written off		**(33)**	(22)
Specific Provision Balance at end of year		**418**	498
Bad Debts recovered in the period		**3**	13
(iii) Impairment of loans and advances			
The policy covering impaired assets is set out in Note 1			
Non-accrual loans		**31**	31
(h) Past due but not impaired			
As at 30 June 2017 loans and advances of $628,302 (2016 $1,147,230) were past due but not impaired. Adequate security is held to cover recovery of the debt. The ageing analysis is as follows:			
Past due up to 90 days (fully secured)		**607**	968
Past due 90 - 365 days (fully secured)		**21**	179
		628	1,147

Key assumptions in determining the provision for impairment
In the course of the preparation of the annual report the Society has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Society is required to estimate the potential impairment using the length of time the loan is in arrears, the historical losses arising in past years, and the security held. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment.

30 June 2017	Notes	2017 $'000	2016 $'000
11. OTHER INVESTMENTS			
Shares in Unlisted companies – at cost			
- Credit Union Services Corporation (Aust) Limited	36	**254**	254
- Transaction Solutions Pty Limited	36	**10**	10
TOTAL INVESTMENTS		**264**	264

Disclosures on Shares held at cost:

(a) Credit Union Services Corporation (Aust) Limited (CUSCAL)

The shareholding in CUSCAL is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the member Credit Unions and does not have an independent business focus. These shares are held to enable the Society to receive essential banking services – refer to Note 36. The shares are not able to be traded and are not redeemable.

The financial reports of CUSCAL record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of CUSCAL, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily.

The Society is not intending, nor able to dispose of these shares, without a majority of CUSCAL shareholder approval.

(b) Transaction Solutions Pty Ltd

The shareholding in Transaction solutions Pty Ltd (TAS) is measured at cost as its fair value could not be measured reliably. These shares are held to enable the Society to receive essential banking services – refer to Note 36.

The Society is not intending, nor able to dispose of these shares, without a majority of TAS shareholder approval.

12. PROPERTY, PLANT AND EQUIPMENT		2017	2016
Freehold land			
At fair value		**2,050**	2,050
Buildings on freehold land			
At cost		**1,022**	1,022
Less Provision for depreciation		**659**	634
		363	388
Total freehold land and buildings		**2,413**	2,438
Leasehold improvements			
At cost		**-**	31
Less Provision for depreciation		**-**	31
Total leasehold improvements		**-**	-

30 June 2017	Notes	2017 $'000	2016 $'000
12. PROPERTY, PLANT AND EQUIPMENT (cont…)			
Plant and equipment			
At cost		**1,798**	1,996
Less Provision for depreciation		**1,472**	1,690
Total plant and equipment		**327**	306
Total property, plant and equipment			
At cost		**2,820**	3,049
At fair value		**2,050**	2,050
Less Provision for depreciation		**2,131**	2,355
Total written down amount		**2,739**	2,744

(a) Valuations

Land is independently valued at frequencies not exceeding three years. The independent valuation of land at 30 June 2016 was performed by (Opteon) - Shane Irwin, AAPI Certified Practicing Valuer, API No. 62356.

The valuation basis for land is fair value in compliance with AASB13 Fair Value. The fair value of non-financial assets takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. In the opinion of the Directors there have been no significant changes in market value since this date.

The revaluation surplus net of applicable deferred income taxes was credited to asset revaluation reserves in Note 23.

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

30 June 2017	**Land** $'000	**Bldgs** $'000	**L/hold Improve** $'000	**Plant & Equip.** $'000	**Total** $'000
Carrying amount at start of year	**2,050**	**388**	**-**	**306**	**2,744**
Additions	**-**	**-**	**-**	**182**	**182**
Less Disposals	**-**	**-**	**-**	**(11)**	**(11)**
Less Depreciation	**-**	**(25)**	**-**	**(151)**	**(176)**
Carrying amount at end of year	**2,050**	**363**	**-**	**326**	**2,739**

30 June 2016	Land $'000	Bldgs $'000	L/hold Improve $'000	Plant & Equip. $'000	Total $'000
Carrying amount at start of year	1,680	413	18	186	2,297
Revaluation increments	370	-	-	-	370
Additions	-	-	-	260	260
Less Disposals	-	-	-	(19)	(19)
Less Depreciation	-	(25)	(18)	(121)	(164)
Carrying amount at end of year	2,050	388	-	306	2,744

30 June 2017	**Notes**	**2017 $'000**	2016 $'000
13. DEFERRED TAX ASSETS			
Deferred Tax Assets comprise:			
Provisions for Impairment on Loans		**125**	180
Provisions for Staff entitlements		**101**	139
Provisions for other liabilities		**9**	8
		235	327
14. INTANGIBLE ASSETS			
Computer software		**799**	799
Less Provision for amortisation		**642**	562
Total written down amount		**157**	237

	2016/17 Computer Software $'000	2015/16 Computer Software $'000
Carrying amount at start of year	**237**	317
Less Amortisation	**80**	80
Carrying amount at the end of year	**157**	237

		2017 $'000	2016 $'000
15. DEPOSITS FROM MEMBERS			
Call deposits		**86,750**	87,798
Term deposits		**34,079**	34,803
Total Deposits		**120,829**	122,601
Members withdrawable shares		**38**	43
		120,867	122,644
(a) Maturity Analysis			
On call		**86,750**	87,798
Not longer than 3 months		**19,219**	18,681
Longer than 3 and not longer than 12 months		**14,860**	16,122
No maturity specified		**38**	43
		120,867	122,644
(b) Concentration of Deposits			
The Society has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments as follows:			
(i) Geographic			
- Victorian residents		**98,635**	98,335
- Other		**22,232**	24,309
		120,867	122,644
(ii) Industry			
- Employed by Ford Motor Company Limited		**4,240**	6,899

The Society's deposit portfolio does not include any deposit which represents 10% or more of total liabilities.

30 June 2017	Notes	2017 $'000	2016 $'000
15. DEPOSITS FROM MEMBERS (cont…)			
(c) Members withdrawable shares			
Since all member shares issued are withdrawable at the discretion of the member, on closure of their account, shares are recognised as liabilities rather than equity. All shares carry the same voting entitlements.			
Shares at beginning of the year		43	45
Shares issued in the year		2	2
Shares redeemed from share account		(7)	(4)
		38	43
16. PAYABLES			
Bank overdraft		-	221
Trade creditors		216	103
Accrued interest payable		222	238
Other creditors		59	175
		497	737
17. TAX LIABILITIES			
Taxation Payable		8	97
18. EMPLOYEE BENEFITS			
Annual Leave		104	120
Long Service Leave		201	251
		305	371
19. DEFERRED TAX LIABILITIES			
Deferred tax liabilities		389	304
Deferred income tax liability comprises			
Tax on revalued property held in equity		389	304
20. SUBORDINATED DEBT			
Balance at the beginning of the year		1,690	1,682
Add back of debt raising costs		7	8
Balance at the end of year		1,697	1,690

Subordinated Debt

The Society entered into an agreement to issue Subordinated Debt, which was approved at the members meeting held on 30 March 2006. The subordinated debt maturing on 21 June 2016 was repaid on 15 November 2012 and replaced with the current subordinated debt issue also for $1.7m which has a maturity of 10 years with repayment date on 9 November 2022. The Society however, may exercise its rights to call up and repay the subordinated debt earlier by 9 November 2017 being the de-recognition date of the capital instrument as per APRA Prudential Standards - Basel III transitional arrangements (APS 111) applying to this capital instrument. Interest is payable quarterly at 90 Day BBSW plus a margin of 5.93% over the financial year. The subordinated debt forms part of the regulatory capital of the Society – refer Note 27.

30 June 2017	Notes	2017	2016
		$'000	$'000
21. CAPITAL RESERVE ACCOUNT			
Balance at beginning of the year		**112**	108
Redeemed member shares		**7**	4
Balance at end of the year		**119**	112

Under the Corporations Act 2001 (S.254K) redeemable shares (member shares) may only be redeemed out of profits or new shares issued for the purpose of the redemption. The Capital Reserve Account represents the shares redeemed by members. Member shares for existing and new members of the Society are shown as Liabilities – refer Note 15(c)

		2017	2016
22. RESERVES			
General Reserve		**3,000**	3,000
General Reserve for Credit Losses		**102**	102
TOTAL RESERVES		**3,102**	3,102

General Reserve
The general reserve is used from time to time to transfer profits from retained earnings for appropriation purpose. There is no policy of regular transfer. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.

General Reserve for Credit Losses

This reserve records amounts previously set aside as a General Provision and is maintained to comply with the Prudential Standards set down by APRA.

		2017	2016
Movements in Reserves			
Balance at beginning of year		**102**	102
Balance at end of year		**102**	102

		2017	2016
23. ASSET REVALUATION RESERVE			
Asset revaluation reserve - land		**1,011**	1,096

Movement in reserves

Asset revaluation reserve - land

The asset revaluation reserve accounts for the unrealised gains on assets due to revaluation to fair value.

		2017	2016
Balance at the beginning of the year		**1,096**	837
Add: increase on revaluation of land		**-**	370
Less: tax effect		**(85)**	(111)
Balance at the end of the year		**1,011**	1,096

During 2017, an immaterial adjustment was made to the asset revaluation reserve
and deferred tax liability to correctly reflect the tax effect of previous revaluations.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont…)

30 June 2017	Notes	2017 $'000	2016 $'000
24. RETAINED PROFITS			
Retained Profits at the beginning of the financial year		**4,787**	4,339
Add Profit for the year		**457**	557
Less Dividends Paid		**-**	(64)
Less Permanent Share Costs		**-**	(41)
Less Transfer to Reserve Capital account on redemption of shares		**(7)**	(4)
Retained Profits at the end of the Financial Year		**5,237**	4,787

25. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes.

	Notes	2017 $'000	2016 $'000
Financial assets - carried at amortised cost			
Cash	6	**273**	635
Receivables	8	**129**	82
Receivables from financial institutions	6,7,8,9	**33,507**	35,297
Loans to members	10	**95,852**	95,089
Loans to capital investors	10	**-**	180
Total loans and receivables		**129,761**	131,283
Available for sale investments - carried at cost	11	**264**	264
Total available for sale investments		**264**	264
TOTAL FINANCIAL ASSETS		**130,025**	131,547
Financial liabilities – carried at amortised cost			
Payables	16	**497**	737
Deposits from members	15	**120,867**	122,644
Long term borrowings	20	**1,697**	1,690
TOTAL FINANCIAL LIABILITES		**123,061**	125,071
NET FINANCIAL ASSETS		**6,964**	6,476

30 June 2017

26. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in event that current repayment conditions are varied. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly these values will not agree to the Statement of Financial Position.

2017	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	After 5 years $	No Maturity $	TOTAL $
ASSETS							
Cash	273	-	-	-	-	-	273
Receivables from other financial institutions	4,225	15,091	5,641	8,550	-	-	33,507
Loans to members	188	2	81	2,725	136,644	-	139,640
Total financial Assets	4,686	15,093	5,722	11,275	136,644	-	173,420
LIABILITIES							
Borrowings	-	-	-	-	-	-	-
Creditors	497	-	-	-	-	-	497
Deposits from members							
- at call	86,750	-	-	-	-	38	86,788
Deposits from members							
- at term	9,144	9,794	15,112	102	-	-	34,152
Subordinated debt	-	-	-	-	1,697	-	1,697
On Balance Sheet	96,391	9,794	15,112	102	1,697	38	123,134
Undrawn commitments	2,140	-	-	-	-	-	2,140
Total financial Liabilities	98,531	9,794	15,112	102	1,697	38	125,274

30 June 2017

26. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABLIITIES (Cont…)

2016	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	After 5 years $	No Maturity $	TOTAL $
ASSETS							
Cash	635	-	-	-	-	-	635
Receivables from other financial institutions	4,604	16,642	4,014	10,037	-	-	35,297
Loans to members	619	1	108	3,024	137,335	-	141,087
Loans to capital investors	-	-	180	-	-	-	180
Total financial Assets	5,858	16,643	4,302	13,061	137,335	-	177,199
LIABILITIES							
Borrowings	221	-	-	-	-	-	221
Creditors	516	-	-	-	-	-	516
Deposits from members							
- at call	87,798	-	-	-	-	43	87,841
Deposits from members							
- at term	9,222	9,173	16,416	52	-	-	34,863
Subordinated debt	-	-	-	-	1,690	-	1,690
On Balance Sheet	97,757	9,173	16,416	52	1,690	43	125,131
Undrawn commitments	1,172	-	-	-	-	-	1,172
Total financial Liabilities	98,929	9,173	16,416	52	1,690	43	126,303

30 June 2017	Notes	2017 $'000	2016 $'000

27. CAPITAL MANAGEMENT

The Society maintains an actively managed capital base to cover its risks inherent in the business. The adequacy of the Society's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking and adopted by the Australian Prudential Regulatory Authority (APRA).

The primary objectives of the Society's capital management are to ensure that the Society complies with externally imposed capital requirements and that the Society maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise members' value.

The Society has a capital management plan and an Internal Capital Adequacy Assessment Process (ICAAP) to ensure it maintains an appropriate capital base to cover the risks inherent in the business. The plan and ICAAP includes addressing the capital requirements prescribed by regulators, principally through the Society's strategy for managing capital resources over time, its capital target, how the required capital is to be met and actions and procedures for monitoring compliance with minimum regulatory capital adequacy requirements. The strategy primarily focuses on building accumulated reserves from earnings but may include share issues and subordinated debt raisings.

Capital adequacy is determined as a ratio of the capital base to the Society's risk weighted exposures. Risk weighted exposures comprises all assets and certain other credit commitments, and operational risk, discounted by regulatory prescribed factors as appropriate, to reflect the lower risk profile of certain assets, commitments and operational risk.

The Society manages as capital the following:

	2017 $'000	2016 $'000
Regulatory Capital Base	**9,809**	9,437
Less regulatory prescribed adjustments	**424**	715
Capital Base	**9,385**	8,722
Risk weighted exposures	**61,274**	61,945
Capital adequacy ratio	**15.32%**	14.08%

During the past year, the Society has complied in full with all its externally imposed capital requirements and met its desired capital goals.

30 June 2017	Notes	2017 $'000	2016 $'000
28. FINANCIAL COMMITMENTS			
(a) Outstanding loan commitments			
Loans approved but not funded		**409**	82
(b) Loan redraw facilities			
Loan redraw facilities available		**13,424**	12,611
(c) Undrawn loan facilities			
Loan facilities available to members for overdrafts and line of credit loans are as follows:			
Total value of facilities approved		**921**	929
Less: Amount advanced		**190**	619
Net undrawn value		**731**	310
These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.			
Total financial commitments		**14,564**	13,003
29. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL			
(a) Remuneration of Key Management Persons [KMP]			
KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Society, directly or indirectly, including any Director (whether executive or otherwise) of that Society. Control is the power to govern the financial and operating policies of a Society so as to obtain benefits from its activities. KMP have been taken to comprise the Directors (see Note 34) and the executive management being responsible for the day to day financial and operational management of the society. The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for was as follows:			
Short-term employee benefits – salaries/annual leave/fees/non monetary		**407**	383
Post-employment benefits - superannuation contributions		**34**	31
Other long-term benefits – long service leave		**14**	10
Total		**455**	424
(b) Loans to Directors and other KMP.			
Balance owing at 30 June 2017		**663**	664
Summary of transactions:			
New loans advanced		**36**	36
Interest and fees charges		**29**	36
Repayments		**65**	97
Revolving credit facilities:			
Total value extended		**3**	4
Balance utilised at 30 June 2017			
Savings and term deposit services:			
Amounts deposited at 30 June 2017		**1,191**	1,010

Loans and revolving credit facilities are made to KMP in the course of ordinary business on normal commercial terms and conditions. These include secured and unsecured loans. Loans must be repaid and paid out in cash. No loan or revolving credit is impaired and no loan has been written off as a bad debt. Savings and term deposit services are extended to KMP in the course of ordinary business on normal commercial terms and conditions. The KMP declare that they have no influence over, or are influenced by, close family members or other related parties that have lending or banking relationships with the Society. These close family members or related parties conduct transactions with the Society on normal terms and conditions offered to all other members.

30 June 2017	Notes	2017 $'000	2016 $'000
30. STATEMENT OF CASH FLOWS			
(a) Reconciliation of the operating profit after tax to the net cash flows from operations			
Profit after tax		**457**	557
Depreciation and amortisation of property, plant & equipment		**256**	244
Amortisation of debt raising costs		**7**	8
(Profit)/Loss on disposal of other investments, plant and equipment		**-**	(6)
Changes in assets and liabilities			
Other financial assets		**9**	(5)
Accrued receivables		**(40)**	8
Payables		**(19)**	18
Tax provision		**(89)**	47
Provision for employee benefits		**(66)**	25
Deferred tax asset		**92**	6
Loans and advances		**(583)**	(6,532)
Member deposits		**(1,777)**	842
Net cash flow from operating activities		**(1,753)**	(4,788)
(b) Reconciliation of cash			
Cash balance comprises:			
– Cash		**273**	635
– Other short-term liquid assets		**4,221**	4,602
– Bank overdraft		**-**	(221)
Closing cash balance		**4,494**	5,016

(c) Cash flows arising from the following activities are presented on a net basis in the Cash Flow Statement:
(i) customer deposits to and withdrawals from deposit accounts;
(ii) borrowings and repayments on loans, advances and other receivables;
(iii) purchases of and proceeds from redemption of investments.

(d) Bank Overdraft Facility

The Society has an overdraft facility available to the extent of $1,000,000 (2016 $1,000,000).

The overdraft facility is provided by Credit Union Services Corporation (Australia) Limited and is secured by way of cash security deposits.

31. EXPENDITURE COMMITMENTS

Capital expenditure commitments

Estimated capital expenditure contracted for at balance date but not provided for is nil.

30 June 2017	Notes	2017 $'000	2016 $'000

32. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

In the normal course of business the Society enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of customers.

The Society uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets. The Society holds collateral supporting these commitments where it is deemed necessary.

(a) Contingent Liabilities

Credit Union Financial Support System Limited

With effect from 1 July 1999, Ford Co-operative Credit Society Limited is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme in which all Credit Unions that are affiliated with Credit Union Services Corporation (Australia) Limited (Cuscal) have agreed to participate.

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

As a member of CUFSS, the Society:

- May be required to advance funds of up to 3% (excluding permanent loans) of total assets capped at a maximum of $100m to another Credit Union requiring financial support;
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

(b) Credit related commitments

	Notes	2017 $'000	2016 $'000
Binding commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Approved but undrawn loans and unused continuing credit facilities		**409**	82

30 June 2017	Notes	2017 $'000	2016 $'000
33. AUDITOR'S REMUNERATION			
Amounts received or due and receivable by the auditors of Ford Co-operative Credit Society Limited for:			
– an audit or review of the financial statements of the Society		**41**	39
– other services in relation to the Society		**9**	10
		50	49

34. RELATED PARTY DISCLOSURES

(a) The Directors of Ford Co-operative Credit Society Limited during the financial year were:
D.M. Raimondo;
T.J. Boyd;
P.F. Bone;
D.J.S. Burke;
C.G. McDonald;
T.A. O'Brian; and
S.D. Randall.

(b) The following related party transactions occurred during the financial year:

Transactions with the Directors of Ford Co-operative Credit Society Limited
Loans and advances to Directors:
Loans and advances amounting to $10,000 (2016 $36,126) have been provided and repayments amounting to $24,363 (2016 $51,882) have been received by Ford Co-operative Credit Society Limited. The terms and conditions of all loans and advances to Directors are on the same basis as members and have not been breached. Each director would hold at least 1 share in the Credit Union.

35. SEGMENT INFORMATION

The Society operates predominantly in the finance industry within the regions of Geelong, Melbourne and Sydney. The operations mainly comprise the acceptance of deposits and the provision of loans. Specific segmentation of loans and deposits are set out in Notes 10 & 15.

36. OUTSOURCING ARRANGEMENTS

The Society has entered into contracts with, and has outsourcing arrangements with, the following organisations and service providers:

(a) Credit Union Services Corporation (Australia) Limited.
This company is the national services company for the affiliated Credit Union Movement within Australia. This company operates the payment switch used to link Redicards operated through Reditellers, and other approved ATM and EFTPOS suppliers to the Society's information system. The Society has entered into an agreement with this entity for licences to operate computer software, support for software, rights to Redicards, and the provision of central banking facilities.

(b) Transaction Solutions Pty Ltd
This company owns and operates the information system utilised by the Society on a bureau basis and provides computer disaster recovery facilities.

(c) Ultradata Australia Pty Limited
Provides and maintains the application software utilised by the Society to deliver its banking services.

(d) Other Relationships
Relationships also exist with Ford Motor Company of Australia and with other service providers for a range of other services to members, including: BPay, Bridges Personal Investment, Bank@Post and QBE Insurance.

30 June 2017

37. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

The Society's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
(i) Financial assets			
Cash and cash equivalents; Bank Overdrafts	6	Cash and cash equivalents are stated at cost. Interest is recognised when earned. The bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.	Cash and cash equivalents are available at call. Interest is charged at the benchmark rate. Details of the security over the overdrafts are set out in Note 30.
Loans and advances	10	Interest revenue is recognised using the effective interest method. Interest charged on members accounts is calculated on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.	All housing loans are secured by registered mortgages. The remaining loans are assessed on an individual basis.
Receivables – related parties/entities	10	Amounts receivable from related parties/entities are carried at amortised cost.	Details of the terms and conditions are set out in Note 34.
Deposits with other financial institutions and investment securities	7, 9	These amounts are stated at amortised cost. Interest is recognised in the profit and loss when earned.	These amounts have an average maturity of 326 days and effective interest rates of 0.70% to 3.40%, (2016: 1.30% to 3.88%).
Other investments	11	Unlisted shares are stated at cost. Dividend income is recognised when the dividends are received.	N/A
(ii) Financial liabilities			
Payables	16	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Society.	Trade liabilities are normally settled on 30 day terms.
Deposits from members	15	Deposits are recorded at the principal amount.	Details of maturity terms are set out in Note 15. Interest is balance outstanding.
Subordinated debt	20	After initial recognition, the subordinated debt is recognised using the effective interest rate method, less debt raising costs which are amortised over the expected period of the debt.	Details of maturity terms are set out in Note 20.

30 June 2017

37. FINANCIAL INSTRUMENTS (Cont...)

(b) Interest rate risk

The Society's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:						Non-interest Bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
			1 year or less		1 - 5 years		More than 5 years							
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	**2017 %**	2016 %
(i) Financial assets														
Cash and liquid assets	**4,221**	4,602	**-**	-	**-**	-	**-**	-	**273**	635	**4,494**	5,237	**1.51%**	1.54%
Deposits with other financial institutions	**-**	-	**14,650**	13,550	**-**	-	**-**	-	**-**	-	**14,650**	13,550	**2.48%**	2.84%
Loans and advances - related parties/entities	**250**	264	**-**	-	**-**	-	**-**	-	**-**	-	**250**	264	**4.59%**	5.60%
Unlisted shares	**-**	-	**-**	-	**-**	-	**-**	-	**264**	264	**264**	264	**N/A**	N/A
Government and semi-government bonds	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**N/A**	N/A
Floating rate notes	**-**	-	**14,507**	17,009	**-**	-	**-**	-	**-**	-	**14,507**	17,009	**2.74%**	3.14%
Loans and advances	**95,602**	95,005	**-**	-	**-**	-	**-**	-	**-**	-	**95,602**	95,005	**4.57%**	4.87%
Total financial assets	**100,073**	99,871	**29,157**	30,559	**-**	-	**-**	-	**537**	899	**129.767**	131,329		
(ii) Financial liabilities														
Deposits from members	**86,750**	87,798	**34,079**	34,803	**-**	-	**-**	-	**38**	43	**120,867**	122,644	**2.00%**	2.04%
Payables	**-**	-	**-**	-	**-**	-	**-**	-	**497**	737	**497**	737	**N/A**	N/A
Subordinated debt	**1,697**	1,690	**-**	-	**-**	-	**-**	-	**-**	-	**1,697**	1,690	**7.76%**	8.20%
Total financial liabilities	**88,447**	89,488	**34,079**	34,803	**-**	-	**-**	-	**535**	780	**123,061**	125,071		-

N/A - not applicable for non-interest bearing financial instruments

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37. FINANCIAL INSTRUMENTS (Cont...)

(c) Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, are as follows.

	Total carrying amount as per the statement of financial position		Aggregate net fair value	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Financial assets				
Cash and cash equivalents	**4,494**	5,237	**4,494**	5,237
Deposits with other financial institutions	**14,650**	13,550	**14,650**	13,550
Loans & advances - related parties/entities	**250**	264	**250**	264
Floating rate notes	**14,507**	17,009	**14,507**	17,009
Loans and advances	**95,602**	95,005	**95,602**	95,005
Unlisted shares	**264**	264	**264**	264
Total financial assets	**129,767**	131,329	**129,767**	131,329
Financial liabilities				
Deposits from members	**120,867**	122,644	**120,880**	122,669
Payables	**497**	737	**497**	737
Subordinated debt	**1,697**	1,690	**1,697**	1,690
Total financial liabilities	**123,061**	125,071	**123,074**	125,096

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

The fair value is required to be disclosed where the financial instruments are not measured at fair value in the statement of financial position. Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

Assets where the fair value is lower than the book value have not been written down in the accounts of the Society on the basis that they are held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

The Society has assessed that at balance date, the carrying amount of all financial instruments approximates fair value. The description of the valuation techniques and assumptions are detailed below:

Cash and Liquid assets due from other financial institutions

The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 12 months approximates their fair value as they are short term in nature and are receivable on demand.

Loans and advances

The majority of the Society's loans are variable rate loans. The carrying amount of these loans is considered to approximate fair value. The net fair values of any non variable rate loans are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

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37. FINANCIAL INSTRUMENTS (Cont...)

(c) Net fair values (cont…)

Deposits from members

The fair value of call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the statement of financial position. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related period to maturity. The maximum term for fixed term deposits accepted by the Society is 2 years.

The Society has assessed its own credit risk in regards to the fair value of deposits, and has assessed that no material valuation adjustment is required based on the capital management system utilised by the Society as outlined at Note 27.

Short term borrowings

The carrying amount approximates fair value because of their short-term to maturity.

Long-term borrowings

The fair values of long-term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

Other financial liabilities

This includes interest payable and trade and other payables for which the carrying amount is considered to be a reasonable approximation of fair value given the short term nature.

(d) Interest rate risk

Fair value sensitivity analysis for fixed rate instruments

The Society does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis

The Society is exposed to interest rates arising from mismatches in the repricing dates between financial assets and financial liabilities. As at 30 June 2017, it is estimated that a general decrease of one percentage point in interest rates would decrease the Society's profit before tax by approximately $137,642 (2016 $133,627)

A general increase of one percentage point in interest rates would have an equal but opposite effect to the amounts shown above.

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37. FINANCIAL INSTRUMENTS (Cont...)

(e) Credit risk exposures

The Society's maximum exposures* to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

Concentrations of credit risk

The Society minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of customers within the specified categories. Refer also to Note 35 – Segment information.

Concentrations of credit risk on loans receivable arise in the following categories:

	Maximum credit risk exposure* for each concentration			
	Percentage of total loans receivable (%)		**$'000**	
Geographic/Industry	**2017**	2016	**2017**	2016
Victorian Residents	**89%**	89%	**85,634**	84,859
Other non-concentrated	**11%**	11%	**10,218**	10,410
	100%	100%	**95,852**	95,269
Employed by Ford Motor Company	**16%**	24%	**15,272**	23,039
Other non-concentrated	**84%**	76%	**80,580**	72,230
	100%	100%	**95,852**	95,269

Credit risk in loans receivable is managed in the following ways:
– a risk assessment process is used for all customers; and
– credit insurance is obtained for high risk customers.

* The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

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38. FAIR VALUE MEASUREMENT

The following table highlights the Society's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets of liabilities that the entity can access at the measurement date.
Level 2: Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

2017	**Level 2**		**Level 3**
Assets measured at fair value	**$**		**$**
Land	**2,050**	Shares	**264**
Total Assets	**2,050**	Total Assets	**264**

2016	Level 2		Level 3
Assets measured at fair value	$		$
Land	2,050	Shares	264
Total Assets	2,050	Total Assets	264

The Society has assessed that at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Note 37(c).

Valuation techniques for fair value measurements:

Land has been valued based on similar assets, location and market conditions.

Shares are unlisted equity investments. Given there are no quoted market prices and fair value can not be reliable measured, investments are held at cost less impairment.

Movements in Level 2 & 3 assets during the current and previous financial year are as set out below:

	Land $	Shares $
Balance as at 1 July 2015	1,680	264
Additions	-	-
Losses recognised in other comprehensive income	-	-
Revaluation increment through profit and loss	370	-
Depreciation expense	-	-
Balance as at 30 June 2016	2,050	264

	Land $	**Shares $**
Balance as at 1 July 2016	**2,050**	**264**
Additions	**-**	**-**
Losses recognised in other comprehensive income	**-**	**-**
Revaluation increment through profit and loss	**-**	**-**
Depreciation expense	**-**	**-**
Balance at 30 June 2017	**2,050**	**264**

39. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, or state of affairs of the Society in subsequent financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Ford Co-operative Credit Society Limited, we state that:
In the opinion of the Directors:

(a) the financial statements and notes of the Society are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Society's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

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

(b) the financial statements and notes of the Society also comply with International Financial Reporting Standards as disclosed in Note 1;

and

(c) there are reasonable grounds to believe that the Society will be able to pay its debts as and when they become due and payable.

On behalf of the Board

C.G. MacDonald
Director

D.J.S. Burke
Director

Geelong, 27th September 2017

Crowe Horwath
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Independent Auditor's Report to the Members of Ford Co-Operative Credit Society Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ford Co-Operative Credit Society Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in members equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(a) 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 then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 auditor independence requirements of 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 also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

Crowe Horwath.
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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors 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 objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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.

Crowe Horwath Melbourne

CROWE HORWATH MELBOURNE

David Munday

David Munday

Partner

Melbourne, Victoria

27 September 2017

The relationship you can count on

OUR VISION & MISSION

Vision: To be the primary institution meeting the personal financial services needs of our members.

Mission: Provide financial products and services that return value to members, workplaces and the local community.

THANK YOU

The Board would like to thank you, our members, for your support and loyalty and look forward to ensuring you receive the best service, competitive rates and innovative products.

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banking for U