

# Annual Report

For the Year Ended 30 June 2015

Northern Inland Credit Union Limited  
ABN 36 087 650 422



**Northern Inland**  
CREDIT UNION

# **Northern Inland Credit Union Limited**

ABN: 36 087 650 422

## **Financial Statements**

For the Year Ended 30 June 2015

# Northern Inland Credit Union Limited

ABN: 36 087 650 422

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For the Year Ended 30 June 2015

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## **Chair & Chief Executive Officer's Report**

**30 June 2015**

The Northern Inland Group has had another good year in a challenging, low interest rate environment and has finished the year with a very solid result, which again has left us in a credible and sound financial position. The Group reported an after tax profit of \$1,035,302, up 10.7% in comparison to last year.

Our members' appetite for credit increased in comparison to previous years, with a 14.3% growth in loans during 2014-2015 with record total loans of \$65.08 million being disbursed locally for the year. This increase is also in keeping with our commitment to responsible lending and is reflected in our bad and doubtful debt levels of 0.03%, which is well below the industry average.

Total deposit balances increased by 7.2% (\$13.88 million) during the year, with total liquidity being 23.31%, which is well above regulatory requirements. This was also a reflection of the current economic climate of increased savings amongst members.

The Reserves to Total Assets Ratio at 13.32% is above the target ratio as outlined in our Strategic Plan. The Return on Assets was 0.43%, above our industry average of 0.36%. The strengthening Balance Sheet has improved our ratios well in excess of prudential requirements. In particular, our Capital Adequacy Ratio finished the year at 20.43%. Total assets increased by 6.4% to reach \$244.68 million by year end.

The past year has been another busy year for NICU. Our relocated branch at Tamworth Shopping World is performing beyond expectations with many new and existing members taking advantage of its location and services. During the year we completed the migration to our new general insurer Allianz. We also commenced our ATM replacement project that will benefit members with new ATM functionality and which will also provide members with cardless access to our ATMS with our upcoming mobile phone App. We also released our SmartPay App for Android phones. VISA debit cards were upgraded so that members have the benefit of PayWave functionality. A number of member focus groups were also conducted during the year to ensure that we are meeting member's needs with our products and services. This feedback will flow back to members through improved products and services during the year.

NICU continues to be the only credit union based in the north-western districts of Tamworth, Gunnedah and Narrabri, and we take an interest in developing partnerships with many community-based organisations operating in our area. This year we continued our assistance with major sponsorships to Tamworth Gymnastics, Tamworth Cycle Club, Tamworth Harness Racing Club, West Tamworth Sports and Bowling Club, Tamworth & District Cricket Club, Narrabri Meals on Wheels, Narrabri Riding for Disabled, Narrabri Arts Eisteddfod, Narrabri Stingrays Swimming Club, Gunnedah Campdraft Club, Gunnedah & District Soccer Club and Gunnedah Hospital.

We thank the Board for their dedication to NICU during 2014/2015 and acknowledge the directors' contribution to NICU's success. Our directors devote considerable time to meetings, review of reports and documentation, and an exhausting amount of reading material to keep them abreast of industry changes and regulatory developments, and attendance on site for various training and information sessions throughout the year. The good natured manner in which they carry out their corporate responsibilities provides a positive example to all NICU employees. We congratulate and thank them all for a great years work.

We would also like to thank all of our fantastic staff, who are absolutely committed to providing members with the best possible service. Our recent member research project certainly reflected the very high satisfaction that members have with the personal service provided by NICU's staff.

We look forward to continued improvements and projects in the year ahead, and confirm our commitment to our Smart Thinking strategy. As always, your ongoing patronage is appreciated.



Barry Pratten  
Chair of Directors



Derek McIntyre  
Chief Executive Officer

## **Directors' Report**

**30 June 2015**

The directors present their report, together with the financial statements of the Group, being Northern Inland Credit Union (NICU) and its controlled entities, for the financial year ended 30 June 2015.

### **1. General information**

#### **Directors**

The names of the directors in office at any time during, or since the end of, the year are:

<b>Names</b>	<b>Position</b>
Barry Edward Pratten	Director and Chair
Robert James Studte	Director and Deputy Chair
John Cooke	Director
Colin John Bryant	Director
Robert John Carrington	Director
Geoffrey William Harris	Director
Charles Joseph McCarthy	Director
Wayne Austin Riggien	Director
David Michael Winnick	Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

#### **Information on directors**

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

##### **Barry Edward Pratten**

Experience	Member of the Board since 1993, Member of the Australasian Credit Union Institute
Interest in shares and options	1 Ordinary Share in Northern Inland Credit Union Ltd
Special responsibilities	Chair of the Board; Chair and Member of Remuneration & Executive Committee; Ex officio member of all sub committees
Occupation	Grazier

##### **Robert James Studte**

Qualifications	Graduate Certificate in Financial Planning (PS146 Compliant); Graduate Diploma in Financial Planning, Bachelor of Commerce (Accounting)
Experience	Member of the Board since 2005; Member of the Institute of Chartered Accountants in Australia since 12 January 2001; Member of the Australasian Credit Union Institute.
Interest in shares and options	1 Ordinary Share in Northern Inland Credit Union Ltd
Special responsibilities	Deputy Chair of the Board; Member of Audit Committee; Member of ALCO Committee; Member of Board Risk Committee; Member of Remuneration & Executive Committee
Occupation	Accountant

## **Directors' Report**

**30 June 2015**

### **Information on directors (cont'd)**

#### **John Cooke**

Experience Member of the Board since 1998; Member of the Australasian Credit Union Institute.

Interest in shares and options 1 Ordinary Share in Northern Inland Credit Union Ltd

Special responsibilities Member of Marketing Committee; Member of ALCO Committee; Member of Board Nomination Committee; Reserve Member of Remuneration & Executive Committee

Occupation Builder - Retired

#### **Colin John Bryant**

Experience Member of the Board since 1995; Member of the Australasian Credit Union Institute

Interest in shares and options 1 Ordinary Share in Northern Inland Credit Union Ltd

Special responsibilities Member of Marketing Committee; Member of Board Nomination Committee

Occupation Part-time Taxi Driver

#### **Robert John Carrington**

Experience Member of the Board since 2000; Member of the Australasian Credit Union Institute

Interest in shares and options 1 Ordinary Share in Northern Inland Credit Union Ltd

Special responsibilities Member of Audit Committee; Member of Marketing Committee; Member of Board Risk Committee; Member of Remuneration & Executive Committee

Occupation Accountant

#### **Geoffrey William Harris**

Qualifications Diploma in Financial Services

Experience Member of the Board since 2004; Member of the Australasian Credit Union Institute; Manager of Northern Inland Investment Trust

Interest in shares and options 1 Ordinary Share in Northern Inland Credit Union Ltd

Special responsibilities Member of ALCO Committee; Chair of Trust Operations Committee; Member of Board Nomination Committee

Occupation Retired CEO of Northern Inland Credit Union Ltd

#### **Charles Joseph McCarthy**

Experience Member of the Board since 2006; Fellow of the Australian Society of Certified Practising Accountants; Associate of the Institute of Chartered Secretaries and Administrators; Associate Fellow of the Australian Institute of Management; Company Director, Company Secretary and Management Accounting Consultant

Interest in shares and options 1 Ordinary Share in Northern Inland Credit Union Ltd

Special responsibilities Chair of Audit Committee; Member of ALCO Committee; Member of Board Risk Committee

Occupation Accountant

## **Directors' Report**

**30 June 2015**

### **Information on directors (cont'd)**

#### **Wayne Austin Riggien**

Qualifications	Bachelor of Commerce (Economics); Bachelor of Laws
Experience	Member of the Board since 2009; Member of the NSW Law Society; Company Director
Interest in shares and options	1 Ordinary Share in Northern Inland Credit Union Ltd
Special responsibilities	Member of Audit Committee; Member of ALCO Committee; Chair of Board Risk Committee; Member of Remuneration Executive Committee
Occupation	Solicitor

#### **David Michael Winnick**

Qualifications	Bachelor of Business
Experience	Member of the Board since 1 January 2014; Member of the Australasian Credit Union Institute
Interest in shares and options	1 Ordinary Share in Northern Inland Credit Union Ltd
Special responsibilities	Member of Audit Committee; Member of Marketing Committee
Occupation	Area Manager

### **Company secretary**

The following person held the position of company secretary at the end of the financial year:

Anna Clark (Compliance and Risk) has been the company secretary since 2011.

### **Principal activities**

The principal activities of the Group during the financial year were:

- To accept funds on deposit from Members;
- To apply these funds to make loans to Members; and
- To provide other required services to Members.

Activity of the entities within the consolidated entity during the year was the provision of a complete range of financial products and services to Members.

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

## **2. Operating results and review of operations for the year**

### **Operating results**

The consolidated profit of The Northern Inland Group amounted to \$ 1,035,302 (2014: \$ 935,367).

## **Directors' Report**

**30 June 2015**

### **2. Operating results and review of operations for the year (cont'd)**

#### **Dividends paid or recommended**

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

#### **Review of operations**

A review of the operations of the Group during the financial year and the results of those operations is contained within the Chairman and Chief Executive Officer's joint report.

### **3. Other items**

#### **Significant changes in state of affairs**

There have been no significant changes in the state of affairs of entities in the Group during the year.

#### **Events after the reporting date**

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

#### **Future developments and results**

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

#### **Directors' benefits**

No director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by NICU, controlled credit union, or a related body corporate with a director, a firm of which a director is a member or a credit union in which a director has a substantial financial interest, other than that disclosed in Note 26 of the financial report.



## Directors' Report

30 June 2015

### Meetings of directors

During the financial year, 49 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Board Meetings		Audit Committee		Marketing Committee		Remuneration & Executive Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Barry Pratten	12	12	12	12	-	-	1	1
Robert Studte	12	12	12	12	-	-	1	1
John Cooke	12	11	-	-	-	-	-	-
Colin Bryant	12	12	-	-	-	-	-	-
Robert Carrington	12	12	12	12	-	-	-	-
Geoffrey Harris	12	12	-	-	-	-	-	-
Charles McCarthy	12	12	12	12	-	-	-	-
Wayne Riggien	12	11	12	11	-	-	1	1
David Winnick	12	11	12	11	-	-	-	-

	Board Risk Committee		Board Nomination Committee		ALCO Committee		Trust Operations Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Barry Pratten	12	12	-	-	11	10	-	-
Robert Studte	12	12	-	-	11	11	-	-
John Cooke	-	-	1	1	11	10	-	-
Colin Bryant	-	-	1	1	-	-	-	-
Robert Carrington	12	12	-	-	-	-	-	-
Geoffrey Harris	-	-	1	1	11	11	-	-
Charles Joseph McCarthy	12	12	-	-	11	11	-	-
Wayne Riggien	12	11	-	-	11	11	-	-
David Winnick	-	-	-	-	-	-	-	-

## **Directors' Report**

**30 June 2015**

### **Indemnification and insurance of officers and auditors**

Insurance premiums have been paid to insure each of the directors and officers of NICU, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer of NICU. In accordance with normal commercial practice disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract.

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

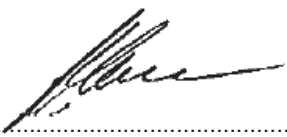
### **Proceedings on behalf of company**

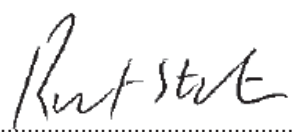
No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

### **Auditor's independence declaration**

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2015 has been received and can be found on page 8 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Chair:   
.....  
B E Pratten

Deputy Chair:   
.....  
R J Studte

Dated **6.10.15**

## Auditors Independence Declaration under Section 307C of the Corporations Act 2001 To the Directors of Northern Inland Credit Union Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



**PKF SYDNEY**  
Chartered Accountants

Sydney, NSW

Dated: 1 October 2015



**SCOTT TOBUTT**  
Partner

# Northern Inland Credit Union Limited

ABN: 36 087 650 422

## Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2015

	Note	Consolidated Group		Northern Inland Credit Union Ltd	
		2015 \$	2014 \$	2015 \$	2014 \$
Interest income	3(a)	12,078,726	12,135,210	12,053,599	12,113,059
Interest expense	3(c)	(3,838,721)	(4,094,263)	(3,838,721)	(4,094,263)
<b>Net interest income</b>		<b>8,240,005</b>	<b>8,040,947</b>	<b>8,214,878</b>	<b>8,018,796</b>
Fee commission and other income	3(b)	2,475,639	2,443,285	1,792,160	1,877,583
		<b>10,715,644</b>	<b>10,484,232</b>	<b>10,007,038</b>	<b>9,896,379</b>
<b>Non interest expenses</b>					
Impairment losses on loans to members	3(d)	(60,908)	(2,088)	(60,908)	(2,088)
<b>General administration</b>					
Employees compensation and benefits	3(g)	(4,365,764)	(4,351,591)	(4,102,546)	(4,036,468)
Depreciation and amortisation expense	3(e)	(443,117)	(416,163)	(393,879)	(367,857)
Occupancy expense	3(f)	(442,007)	(492,171)	(389,187)	(445,873)
Other operating expenses	3(f)	(3,984,882)	(3,867,857)	(3,932,782)	(3,785,253)
<b>Total non interest expenses</b>		<b>(9,296,678)</b>	<b>(9,129,870)</b>	<b>(8,879,302)</b>	<b>(8,637,539)</b>
<b>Profit/(loss) before income tax</b>		<b>1,418,966</b>	<b>1,354,362</b>	<b>1,127,736</b>	<b>1,258,840</b>
Income tax expense	4	(328,439)	(443,955)	(243,810)	(393,160)
<b>Profit/(loss) after income tax</b>		<b>1,090,527</b>	<b>910,407</b>	<b>883,926</b>	<b>865,680</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>1,090,527</b>	<b>910,407</b>	<b>883,926</b>	<b>865,680</b>
Profit attributable to:					
Members of the parent entity		1,035,302	935,367	883,926	865,680
Non-controlling interest		55,225	(24,960)	-	-
		<b>1,090,527</b>	<b>910,407</b>	<b>883,926</b>	<b>865,680</b>

The accompanying notes form part of these financial statements.

# Northern Inland Credit Union Limited

ABN: 36 087 650 422

## Statement of Financial Position

30 June 2015

	Note	Consolidated Group		Northern Inland Credit Union Ltd	
		2015	2014	2015	2014
		\$	\$	\$	\$
<b>ASSETS</b>					
Cash assets	5	10,218,587	8,822,339	9,956,412	8,086,074
Liquid investments	6	45,842,927	54,690,854	45,242,927	54,690,854
Receivables	7	460,290	667,478	401,164	623,623
Loans to members	8, 9	180,498,208	157,915,692	180,498,208	157,915,692
Available for sale equity investments	10	616,919	616,919	616,920	616,920
Property, plant and equipment	11	2,361,343	2,522,410	2,353,632	2,512,847
Investment property	12	2,330,589	2,377,690	-	-
Deferred tax assets	13	618,596	573,002	581,503	527,307
Intangible assets	14	1,327,191	1,456,421	276,638	405,802
Other assets	15	408,183	276,197	385,394	272,459
<b>TOTAL ASSETS</b>		<b>244,682,833</b>	<b>229,919,002</b>	<b>240,312,798</b>	<b>225,651,578</b>
<b>LIABILITIES</b>					
Deposits from members	16	207,818,800	193,939,638	208,098,099	194,137,763
Creditor accrual & settlement accounts	17	2,118,396	2,391,373	2,093,754	2,360,439
Current taxation liabilities	19	162,396	129,031	127,563	121,507
Provisions	18	1,459,222	1,425,469	1,447,947	1,370,360
<b>TOTAL LIABILITIES</b>		<b>211,558,814</b>	<b>197,885,511</b>	<b>211,767,363</b>	<b>197,990,069</b>
<b>NET ASSETS</b>		<b>33,124,019</b>	<b>32,033,491</b>	<b>28,545,435</b>	<b>27,661,509</b>
<b>MEMBERS' EQUITY</b>					
Reserves	20	32,596,839	31,561,537	28,545,435	27,661,509
<b>Total equity attributable to equity holders of NICU</b>		<b>32,596,839</b>	<b>31,561,537</b>	<b>28,545,435</b>	<b>27,661,509</b>
Non-controlling interest		527,180	471,954	-	-
<b>TOTAL MEMBER'S EQUITY</b>		<b>33,124,019</b>	<b>32,033,491</b>	<b>28,545,435</b>	<b>27,661,509</b>

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity

For the Year Ended 30 June 2015

	Consolidated Group				
	Retained Earnings	General Reserves	Reserve for Credit Losses	Other Reserves	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>	-	30,582,927	700,000	278,610	31,561,537
Total comprehensive income for the year	1,035,302	-	-	-	1,035,302
Transfers to/(from) reserves	(1,035,302)	973,216	50,000	12,086	-
<b>Balance at 30 June 2015</b>	-	31,556,143	750,000	290,696	32,596,839
<b>Balance at 1 July 2013</b>	-	29,714,464	650,000	261,706	30,626,170
Total comprehensive income for the year	935,367	-	-	-	935,367
Transfers to/(from) reserves	(935,367)	868,463	50,000	16,904	-
<b>Balance at 30 June 2014</b>	-	30,582,927	700,000	278,610	31,561,537

	Northern Inland Credit Union Ltd				
	Retained Earnings	General Reserves	Reserve for Credit Losses	Other Reserves	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>	-	26,682,899	700,000	278,610	27,661,509
Total comprehensive income for the year	883,926	-	-	-	883,926
Transfers to/(from) reserves	(883,926)	821,840	50,000	12,086	-
<b>Balance at 30 June 2015</b>	-	27,504,739	750,000	290,696	28,545,435
<b>Balance at 1 July 2013</b>	-	25,884,123	650,000	261,706	26,795,829
Total comprehensive income for the year	865,680	-	-	-	865,680
Transfers to/(from) reserves	(865,680)	798,776	50,000	16,904	-
<b>Balance at 30 June 2014</b>	-	26,682,899	700,000	278,610	27,661,509

## Statement of Cash Flows

### For the Year Ended 30 June 2015

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
Note	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Interest received	12,153,807	12,212,906	12,140,939	12,164,342
Fees and commissions	2,746,763	2,661,985	1,990,873	2,036,061
Dividends	87,396	113,100	87,396	113,100
Interest paid	(3,792,430)	(4,278,374)	(3,792,430)	(4,278,374)
Payment to suppliers and employees	(9,307,833)	(8,441,852)	(8,796,708)	(7,966,519)
Income taxes paid	(340,668)	(101,601)	(281,693)	(42,206)
Net cash from/(used in) revenue activities	31(a) 1,547,035	2,166,164	1,348,377	2,026,404
Net increase/(decrease) in member deposits and shares	13,842,360	10,270,503	13,911,038	10,304,589
Net (increase)/decrease in deposits to other financial institutions	8,847,927	(320,163)	9,447,927	(168,484)
Net (increase)/decrease in member loans	(22,733,173)	(6,495,740)	(22,733,173)	(6,495,740)
<b>Net cash provided by/(used in) operating activities</b>	<b>1,504,149</b>	<b>5,620,764</b>	<b>1,974,169</b>	<b>5,666,769</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds on sale of property, plant and equipment	-	23	-	23
Proceeds on disposal of investments	-	500,000	-	-
Purchase of intangible assets	(40,199)	(143,281)	(40,199)	(143,014)
Purchase of property, plant and equipment	(67,702)	(430,111)	(67,484)	(412,151)
<b>Net cash used by investing activities</b>	<b>(107,901)</b>	<b>(73,369)</b>	<b>(107,683)</b>	<b>(555,142)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Proceeds from related parties	-	-	-	14,977
Repayment of loan	-	-	3,852	-
<b>Net cash used by financing activities</b>	<b>-</b>	<b>-</b>	<b>3,852</b>	<b>14,977</b>
Net increase/(decrease) in cash and cash equivalents held	1,396,248	5,547,395	1,870,338	5,126,604
Cash at beginning of year	8,822,339	3,274,944	8,086,074	2,959,470
Cash at end of financial year	31(b) 10,218,587	8,822,339	9,956,412	8,086,074

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2015**

The financial report includes the consolidated financial statements and notes of Northern Inland Credit Union Limited and controlled entities (the Group) and the separate financial statements and notes of Northern Inland Credit Union Limited as an individual entity (NICU). The report was authorised for issue on the 6 October 2015 in accordance with a resolution of the board of directors. Northern Inland Credit Union Limited is a for profit entity for the purpose of preparing the financial statements.

The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

#### **1 Summary of Significant Accounting Policies**

##### **(a) Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements have been prepared on an accruals basis, and are based on historical costs, which do not take into account changing money values or current values of non current assets except for real property and available for sale investments which are stated at fair value. The accounting policies are consistent with the prior year unless otherwise stated.

##### **(b) Principles of Consolidation**

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 27 to the financial statements.

##### **(c) Revenue Recognition**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the Australian Tax Office (ATO). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

##### **Sale of Non-current Assets**

Revenue from the disposal of assets is recognised when title passes from NICU to the purchaser. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.



## **Notes to the Financial Statements**

**For the Year Ended 30 June 2015**

### **1 Summary of Significant Accounting Policies (cont'd)**

#### **(c) Revenue Recognition (cont'd)**

##### **Dividends**

Dividend income is recognised on the date NICU's right to receive payment is established.

##### **Interest Income**

Interest income is recognised in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective interest rate, NICU estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

##### **Loan Origination Fees**

Loan origination fees are initially deferred as part of the loan balance, and are brought to account as income over the expected life of the loan. The amounts brought to account are included as part of interest revenue.

##### **Rental Income**

Rental income from operating leases is recognised on a straight line basis over the term of the lease.

##### **Other Revenue**

Fee, commission and other revenue is recognised when the service is completed, or when the fee in respect of services provided is receivable.

#### **(d) Transaction Costs**

Transaction costs are expenses which are direct and incremental to the establishment of the loan. These costs are initially deferred as part of the loan balance, and are brought to account as a reduction to income over the expected life of the loan.

#### **(e) Income Tax**

The tax expense recognised in the statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2015**

#### **1 Summary of Significant Accounting Policies (cont'd)**

##### **(e) Income Tax (cont'd)**

time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

Northern Inland Credit Union Limited and its wholly-owned Australian subsidiary and unit trust have been consolidated for tax purposes under the Tax Consolidation System. NICU is responsible for recognising the current tax assets and liabilities for the consolidated group. The tax consolidated group has a tax sharing agreement whereby each entity in the group contributes to the income tax payable in proportion to their contribution to the taxable profit of the tax consolidated group.

##### **(f) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2015**

### **1 Summary of Significant Accounting Policies (cont'd)**

#### **(g) Held-to-maturity Financial Assets**

If NICU has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs on the trade date, which is the date that NICU becomes a party to provision of the instruments. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Held-to-maturity financial assets comprises of debentures. NICU's investments in interest bearing deposits are classified as held-to-maturity.

#### **(h) Available-for-Sale Financial Instruments**

Available-for-sale financial instruments are recognised initially at fair value plus any directly attributable transaction costs on the trade date, which is the date that NICU becomes a party to provision of the instruments. Subsequent to initial recognition, available for sale financial instruments are measured at fair value unless fair value is unable to be determined reliably, in which case they are carried at cost.

Changes in fair value, other than impairment losses, for available-for-sale financial instruments are recognised in other comprehensive income and presented in the fair value reserve in equity. When available-for-sale financial instrument is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss. Available-for-sale financial instruments comprise of shares.

#### **(i) Loans and Advances to Members**

All loans are initially recognised at fair value, net of transaction costs incurred and inclusive of loan origination fees on the date that they are originated. Loans are subsequently measured at amortised cost less impairment losses. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the loan using the effective interest method.

Loans are derecognised if NICU's contractual rights to the cash flows from the loans expire or if NICU transfers the loan to another party without retaining control or substantially all risks and rewards of the loan.

#### **(j) Loan Impairment**

Losses on impaired loans will be recognised when there is objective evidence that impairment of a loan or portfolio of loans has occurred.

##### **Specific Provision**

Losses for impaired loans are recognised when there is objective evidence that the impairment of a loan has occurred. Impairment losses are calculated on individual loans. The amount provided for impairment is determined by management and the Board to recognise the probability of the loan amount not being collected in accordance with the terms of the loan agreement.

##### **Collective Impairment Provision**

The collective impairment provision is based on historical loss experience for groups of loans with similar credit risk characteristics.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2015**

### **1 Summary of Significant Accounting Policies (cont'd)**

#### **(j) Loan Impairment (cont'd)**

Reserve for Credit Losses

In addition to the above specific provision, the Board has recognised the need to make an allocation from General Reserves to ensure there is adequate protection for Members against the prospect that some Members will experience loan repayment difficulties. The reserve is based on estimation of potential risk in the loan portfolio based on loan purpose, taking into consideration the history of loan write-offs and assigning a probability of impairment.

Renegotiated Loans

Loans which are subject to renegotiated terms which would have otherwise been impaired do not have the repayment arrears diminished and interest continues to accrue to income. Each renegotiated loan is retained at the full arrears position until the normal repayments are reinstated and brought up to date and maintained for a period of three months.

#### **(k) Impairment**

At the end of each reporting period, NICU determines whether there is evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the assets is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

#### **(l) Equity Investments and Other Securities**

Investments in shares are classified as available for sale financial assets where they do not qualify for classification as loans and receivables, or investments held for trading.

Investments in shares which do not have a ready market and are not capable of being reliably valued are recorded at the lower of cost or recoverable amount.

Realised net gains and losses on available for sale financial assets taken to the income statement comprises only gains and losses on disposal.

All investments are in Australian currency.

## Notes to the Financial Statements

For the Year Ended 30 June 2015

### 1 Summary of Significant Accounting Policies (cont'd)

#### (m) Intangible Assets

Items of computer software which are not integral to the computer hardware owned by NICU are classified as intangible assets.

Computer software is amortised over the expected useful life of the software on a straight-line basis. These lives range from 3 to 4 years.

The finance portfolio acquired is stated at cost and are considered to have indefinite useful lives and are not amortised. The useful life is assessed annually to determine whether events or circumstances continue to support an indefinite useful life assessment. The carrying value of the finance portfolio is reviewed annually for impairment, at the same time every year.

#### (n) Bad debts written off

Bad debts are written off from time to time as determined by management and the board of directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognised. If no provision had been recognised, the write offs are recognised as expenses in profit or loss.

#### (o) Property, Plant and Equipment

Classes of property, plant and equipment are measured using the cost model as specified below.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

#### Depreciation

The depreciable amount of all property, plant and equipment, except for freehold land is depreciated on a straight-line method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

The estimated useful lives used for each class of depreciable asset are shown below:

<b>Fixed asset class</b>	<b>Useful life</b>
Buildings	10 to 40 years
Leasehold improvements	5 to 10 years
Plant and Equipment	3 to 40 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2015**

### **1 Summary of Significant Accounting Policies (cont'd)**

#### **(p) Investment property**

Investment property is held at cost which includes expenditure that is directly attributable to the acquisition of the investment property. The investment properties are depreciated on a straight line basis over 40 years.

#### **(q) Recoverable Amount of Non-current Assets**

Non-current assets are recorded at values not exceeding their recoverable amounts. Recoverable amount is determined as the net amount expected to be received through the cash inflows and outflows arising from the continued use and subsequent disposal of a non-current asset.

Classes of non-current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from fair value at reporting date. Independent valuations are obtained at intervals of no more than three years.

Revaluation increments, on a class of assets basis, are recognised in the asset revaluation reserve within comprehensive income. Revaluation increments reversing a decrement previously recognised as an expense are recognised as revenue.

Revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

#### **(r) Members' Deposits**

Member savings and term investments are recognised at the aggregate amount of money owing to depositors. The amount of interest accrued at balance date is shown as part of payables.

#### **(s) Interest Expense**

Interest expense is recognised in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability. When calculating the effective interest rate, NICU estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2015**

#### **1 Summary of Significant Accounting Policies (cont'd)**

##### **(t) Redeemable Preference Shares**

NICU issues redeemable preference shares to each Member upon joining in accordance with the Constitution of NICU. Member shares are issued at a face value of \$10.00 each. A Member share must confer the right to 1 vote, and only 1 vote, at meetings of NICU's Members. No dividend is payable in respect of any Member share.

On 22 November 2013, NICU amended its constitution in respect of the subscription of Member shares.

- (a) Member shares issued up to the date of the amendment are redeemed for their face value of \$10.00 each on leaving NICU. On a winding up of NICU the holder of this member share is entitled:
  - i. to payment of the subscription price for the member share when the Member subscribed for the Member share; and
  - ii. if any assets remain after the payments in paragraph (a)(i) to any surplus assets of NICU, on par with (b)
- (b) On a winding up of NICU the holder of a Member share issued subsequent to the amendment is entitled to a share of the surplus assets of the Credit Union (if any) after making the payments mentioned in (a)(i), on par with (a)(ii), less the subscription price of \$10.00 for the member share.

##### **(u) Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received.

##### **(v) Employee benefits**

Provision is made for NICU's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Provision for long service leave is on a pro-rata basis from commencement of employment with NICU 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. Annual leave is reflected as part of the sundry creditors and accruals.

Contributions are made by NICU to an employee's superannuation fund and are charged to profit or loss as incurred.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2015**

#### **1 Summary of Significant Accounting Policies (cont'd)**

##### **(w) Borrowings**

All 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 profit or loss over the period of the loans and borrowings using the effective interest method.

##### **(x) Goods and Services Tax (GST)**

As a financial institution NICU is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned 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 (RITC), 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). To the extent that the full amount of the GST incurred is not recoverable from the Australian Tax Office (ATO), 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. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the balance sheet. Cash flows are included in the cash flow statement 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.

##### **(y) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in NICU, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

##### **(z) Adoption of new and revised accounting standards**

During the current year, NICU adopted all of the new and revised Australian Accounting Standards and interpretations applicable to its operations which became mandatory. The adoption of these Standards has no material impact on the financial statements of the company.



## Notes to the Financial Statements

For the Year Ended 30 June 2015

### 1 Summary of Significant Accounting Policies (cont'd)

#### (aa) Accounting standards issued but not yet effective

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. The following table summarises those future requirements, and their impact on the Group:

Standard Name	Effective date for NICU	Requirements	Impact
AASB 9: Financial Instruments and associated Amending Standards	30 June 2019	<p>The Standard will be applicable retrospectively and includes revised requirements for the classification, measurement, recognition and de-recognition of financial instruments, as well simplified requirements for hedge accounting.</p> <p>The key changes that may affect NICU on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should NICU elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.</p>	<p>Although the directors anticipate that the adoption of AASB 9 may have an impact on NICU's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.</p>

## Notes to the Financial Statements

For the Year Ended 30 June 2015

### 1 Summary of Significant Accounting Policies (cont'd)

#### (aa) Accounting standards issued but not yet effective (cont'd)

<p>AASB 15: Revenue from Contracts with Customers</p>	<p>30 June 2018</p>	<p>When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that NICU will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which NICU expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:</p> <ul style="list-style-type: none"> <li>- identify the contract(s) with a customer;</li> <li>- identify the performance obligations in the contract(s);</li> <li>- determine the transaction price;</li> <li>- allocate the transaction price to the performance obligations in the contract(s); and</li> <li>- recognise revenue when (or as) the performance obligations are satisfied.</li> </ul> <p>This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.</p>	<p>Although the directors anticipate that the adoption of AASB 15 may have an impact on NICU's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.</p>
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#### (ab) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

- Note 9 - Impairment of Loans and Advances
- Note 10 - Available for Sale Equity Investments
- Note 14 - Intangible Assets

## Notes to the Financial Statements

### For the Year Ended 30 June 2015

## 2 Financial Risk Management

### Introduction

The board has adopted a policy of compliance and risk management to suit the risk profile of NICU. NICU's risk management focuses on the major areas of market risk, credit risk and operational risk.

The Board has ultimate responsibility to ensure that an appropriate risk profile and appetite is set and complied with. It approves the level of risk which NICU is willing to operate within and builds the framework for reporting and mitigating those risks. The scope of the risk is determined in light of the size, complexity, risk appetite, prudential framework and economic environment within which NICU is operating.

The Board has developed a committee structure to assist in the overseeing and management of the risk management system. The key committees include:

**Risk Management Committee:** this is a key body in the control of risk and has representatives from both management and staff. The committee does not form a view on the acceptability of risks but instead reviews risks and controls that are used to mitigate those risks. This includes the identification, assessment and reporting of risks. Regular monitoring is carried out by the Committee through monthly review of operational reports acquired using Protecht's Enterprise Risk Management System.

The Committee carries out a regular review of risk areas to ensure that risks are being properly controlled and reported. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations. Key reports are presented to the board in the monthly board pack. Monitoring and reviewing of the Enterprise Risk Management System is included in the internal audit scope.

**Audit Committee:** its key role in risk management is the assessment of the controls that are in place to mitigate risks. The Audit Committee considers and confirms that the significant risks and controls are to be assessed within the internal audit plan. The Audit Committee receives the internal audit reports on assessment and compliance with the controls, and provides feedback to management for their consideration.

**Asset and Liability Committee (ALCO):** this committee of executive management and board-appointed Directors meet at least quarterly and has responsibility for managing NICU's market risk, liquidity risk and credit risk.

The ALCO scrutinises operational reports, monitors exposures against limits determined by the Board and ensures compliance with policies and procedures implemented by NICU. In addition, it monitors the changing environment and the effect that these factors may have on NICU's operations.

**Internal Audit:** Internal audit has responsibility for implementing the controls testing and assessment as required by the Audit Committee. Key risk management policies encompassed in the overall risk management framework include:

- Interest rate risk
- Liquidity management
- Credit risk management
- Operations risk management

NICU has undertaken the following strategies to minimise the risks arising from financial instruments.

#### (a) Market risk

The objective of NICU's market risk management is to manage and control market risk exposures in order to optimise risk and return.

## Notes to the Financial Statements

### For the Year Ended 30 June 2015

#### 2 Financial Risk Management (cont'd)

##### (a) Market risk (cont'd)

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on NICU's financial condition or results. NICU is not exposed to currency risk, and other significant price risk. NICU does not trade in the financial instruments it holds on its books. NICU is exposed only to interest rate risk arising from changes in market interest rates.

The management of market risk is the responsibility of the ALCO, which reports directly to the board.

##### (i) Interest rate risk

Interest rate risk is the risk of variability of the fair value of future cash flows arising from financial instruments due to the changes in interest rates. NICU does not have treasury operations and does not trade in financial instruments and is therefore not exposed to interest rate risk arising from those activities.

NICU however is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities. The interest rate risk on the banking book is measured quarterly and reported to ALCO. NICU utilises the Protecht.ALARMS reporting suite to assist in measuring and managing interest rate risk.

In the banking book, the most common risk NICU faces arises from fixed rate assets and liabilities. This exposes NICU to the risk of sensitivity should interest rates change. The level of mismatch in the banking book is set out in Note 22(d). The table set out in Note 22(d) displays the period that each asset and liability will reprice as at the balance date. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

##### Method of managing risk

NICU manages its interest rate risk by the use of Value at Risk (VaR model). NICU's exposure to market risk is measured and monitored using the VaR methodology of estimating potential losses. Each quarter, a report is generated using the Protecht.ALARMS software which calculates the VaR. VaR is a technique that estimates a potential loss that occurs on risk positions taken due to movements in market rates and prices over specified time period to a given level of confidence. VaR, as set out in the table below, has been calculated using historical simulations and using movements in market rates and prices over a period of 250 days, with a 99% confidence level, taking into consideration historical correlations between different markets and rates.

The VaR on the non-trading book was as follows:

<b>VaR</b>	<b>2015</b>	<b>2014</b>
\$ value	268,882	136,804
% of Capital	0.99%	0.52%

NICU is therefore 99% confident that, given the risks as at 30 June 2015, it will not incur a one day loss on its non-trading book of more than the amount shown above, based on the VaR model used.

Although the use of VaR models calculates the interest rate sensitivity on the banking book, this is not reflected in the Pillar 1 capital requirement. NICU's exposure to banking book interest rate risk is not expected to change materially in the next year, so existing capital requirements are considered to be an accurate measurement of capital needed to mitigate interest rate risk.

## Notes to the Financial Statements

For the Year Ended 30 June 2015

### 2 Financial Risk Management (cont'd)

#### (b) Liquidity risk

Liquidity risk is the risk that NICU may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or member withdrawal demands. It is the policy of the board of directors that adequate cash reserves and committed credit facilities are maintained so as to meet the member withdrawal demands when requested.

NICU manages liquidity risk by:

- Continuously monitoring actual daily cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, overdraft facilities and liquidity support facilities; and
- Daily monitoring of the prudential liquidity ratio.

NICU has a longstanding arrangement with the industry support Credit Union Financial Support Services (CUFSS) which can access funds to provide support to NICU at short notice should it be necessary.

NICU is classified as an ADI subject to the Minimum Liquidity Holdings ("MLH") regime under Prudential Standard APS 210 Liquidity. Under the MLH regime, NICU is required to maintain at least 9% of total adjusted liabilities as liquid assets eligible for repurchase by the RBA and capable of being converted to cash within two business days. NICU policy is to apply a minimum 12.5% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests, with at least 80% of total liquid assets being held with institutions holding a credit grading of 2 or higher (in accordance with the credit gradings prescribed by APS 210). The liquidity ratio is checked daily. Should the liquidity ratio fall below this level the management and board are to address the matter and ensure that the liquid funds are obtained from new deposits, or borrowing facilities available. Note 24 describes the borrowing facilities as at the balance date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms are set out in Note 22(c). The ratio of liquid funds over the past year is set out below:

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	%	%	%	%
<b>APRA</b>				
MLH Ratio – 30 June	15.31	15.11	15.23	14.89
Minimum during the year	14.56	12.84	14.27	12.62

#### (c) Credit risk

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to NICU which may result in financial losses. Credit risk arises principally from NICU's loan book and investment assets.

##### (i) Credit risk – Loans

## Notes to the Financial Statements

For the Year Ended 30 June 2015

### 2 Financial Risk Management (cont'd)

The analysis of NICU's loans by class, is as follows:

	Carrying value \$	Off balance sheet \$	Max exposure \$
<b>2015</b>			
Mortgages	153,997,795	19,006,645	173,004,440
Personal	11,123,976	597,392	11,721,368
Overdrafts	1,971,970	3,664,804	5,636,774
<b>Total to natural persons</b>	<b>167,093,741</b>	<b>23,268,841</b>	<b>190,362,582</b>
Corporate borrowers	13,693,881	2,196,556	15,890,437
<b>Total</b>	<b>180,787,622</b>	<b>25,465,397</b>	<b>206,253,019</b>
<b>2014</b>			
Mortgages	131,085,873	15,365,973	146,451,846
Personal	11,634,998	823,080	12,458,078
Overdrafts	3,069,642	3,608,032	6,677,674
<b>Total to natural persons</b>	<b>145,790,513</b>	<b>19,797,085</b>	<b>165,587,598</b>
Corporate borrowers	12,324,844	1,967,882	14,292,726
<b>Total</b>	<b>158,115,357</b>	<b>21,764,967</b>	<b>179,880,324</b>

Carrying value is the value on the Statement of Financial Position. Maximum exposure is the value on the Statement of Financial Position plus the undrawn facilities (loans approved not advanced, redraw facilities and overdraft facilities). The details are shown in Note 23.

All loans and facilities are within Australia. The geographic distribution is not analysed into significant areas within Australia as the exposure classes are not considered material. Concentrations are described in Note 8(c).

The composition of the lending book is monitored from month to month and over time to identify any substantial change between mortgage, personal loan and commercial exposures that might warrant variance of exposure limits or provisioning.

The method of managing credit risk is by way of strict adherence to the credit assessment policies before loans are approved and regular close monitoring of defaults in the repayment of loans thereafter. The credit policy has been endorsed by the board to ensure that loans are only made to members that are creditworthy (capable of meeting loan repayments). A hindsight review process is employed by the lending team to review approved loan applications to ensure the applicable policies and procedures have been followed in establishing the exposure.

NICU has established policies over the following:

- Credit assessment and approval of loans and facilities designed to ensure comprehensive risk assessment and security requirements;
- Limits of acceptable exposure to individual borrowers, non-mortgage secured loans and commercial lending;
- Reassessment and review of the credit exposures on loans and facilities;

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2015**

#### **2 Financial Risk Management (cont'd)**

- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with these policies.

A regular review of compliance is conducted as part of the internal audit scope.

#### **Past due and impaired**

A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a member enters into a lending agreement with NICU that requires interest and a portion of the principle to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past due. Past due does not mean that counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds 90 days the loans is regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

NICU is required to determine a likely impairment loss on loans that have not maintained the loan repayments in accordance with their loan contract and have consequently fallen into arrears, or for some other reason are deemed to be at risk of suffering impairment.

In identifying the likely loss due to impairment, each loan that falls into this category is reviewed for the likelihood of full or partial recovery and the extent of possible loss. Depending on the loan's characteristics, the recoverability of the debt and any special arrangements put in place for repayment, a percentage is then applied to the balance outstanding to ascertain that portion of the loan that is deemed to be at risk of non-recovery.

In addition to specific provisions against individually significant financial assets, NICU makes collective assessments for each financial asset portfolio segmented by similar risk characteristics.

Statement of financial position provisions are maintained at a level that management deems sufficient to absorb probably incurred losses in NICU's portfolio from homogenous portfolios of assets and individually identified loans.

A provision for impaired losses is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered. Specific loans and portfolios of assets are provided against depending on a number of factors including deterioration in country risk, changes in a counterparty's industry, and technological developments, as well as identified structural weaknesses or deterioration in cash flows.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2015**

#### **2 Financial Risk Management (cont'd)**

The provisions for impaired and past due exposures relate to loans to Members. Past due value is the 'on statement of financial position' loan balances which are past due by 90 days or more. Details are as set out in Note 9.

##### **Bad debts**

Amounts are written off when collection of the loan or advance is considered to be remote. All write offs are on a case by case basis, taking account of the exposure at the date of the write off.

On secured loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lenders mortgage insurance. A reconciliation in movement of both past due and impaired exposure provision is provided in Note 9(b).

##### **Collateral securing loans**

A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, NICU is exposed to risks in the reduction to the Loan to Value (LVR) cover should the property market be subject to a decline.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Note 8(b) describes the nature and extent of the security held against the loans held as at the balance date.

##### **Concentration risk – individuals**

Concentration risk is a measurement of NICU's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of NICU's regulatory capital (10 per cent), a large exposure is considered to exist. No capital is required to be held against these but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark, to be higher than acceptable.

NICU does not hold any large exposure loans as at balance date (greater than 10 per cent of capital). Concentration exposures to counterparties are closely monitored and are reported to the Board on a monthly basis and to APRA on a quarterly basis. Average LVR of the loan book is also monitored and reported to the Board.

##### **Concentration risk – industry**

There is no concentration of credit risk with respect to loans and receivables as NICU's borrowing Members are dispersed across a wide cross-section of industries which is typical of a community based credit union.

##### **(ii) Credit risk - Liquid investments**

Credit risk attaching to liquid investments is the risk that the other counterparty to a financial instrument will fail to discharge their obligation resulting in NICU incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to NICU.



## Notes to the Financial Statements

For the Year Ended 30 June 2015

### 2 Financial Risk Management (cont'd)

There is a concentration of credit risk with respect to investment receivables with the placement of investments in CUSCAL. The Board policy is that investments are only made to institutions that are credit worthy and this is determined through a due diligence process performed prior to an investment being placed. The Board has established policies to ensure that a maximum of 50% of capital can be invested with any one financial institution at a time, with the exception of CUSCAL where up to 150% of capital can be invested.

The risk of losses from the liquid investments placed is reduced by applying portfolio diversification and ensuring a large number of counterparties are invested with across a range of investment horizons.

Under the liquidity support scheme, minimum deposit requirements apply.

#### External Credit Assessment for Institution Investments

NICU uses the ratings assigned by ratings agencies such as Moody's Investor Services and Standard and Poor's to assess the credit quality of all investment exposures, and where applicable, using the credit quality assessment scale in the APRA Associated Guidance Note to Australian Prudential Standard APS 112. As at the balance date, the credit quality assessment scale within APS 112 had been complied with.

The exposure values associated with each credit quality step are as follows (inclusive of interest receivable):

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Investments with:</b>				
CUSCAL – rated A+/A-1	10,026,921	11,329,204	10,026,921	11,329,204
Financial institutions - rated AA- and above	5,458,288	1,844,691	5,195,784	1,106,627
Financial institutions - rated from BBB- to < AA-	37,050,262	41,246,801	36,436,533	41,246,801
Unrated institutions - Credit Unions/Mutual Banks	2,017,885	8,029,395	2,017,885	8,029,395
	<b>54,553,356</b>	<b>62,450,091</b>	<b>53,677,123</b>	<b>61,712,027</b>

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2015**

#### **2 Financial Risk Management (cont'd)**

##### **(d) Operational risk**

Operational risk is the risk of loss arising from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than credit, market, interest rate and liquidity risks. Operational risks in NICU relate mainly to those risks from a number of sources including, but not limited to, legal compliance, business continuity, data infrastructure and security, outsourced services failures, fraud and employee errors.

NICU's objective is to manage operational risk so as to balance the avoidance of financial losses through the implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of policies and systems to monitor the likelihood of the events and minimise the impact. Systems of internal control are enhanced through:

- Segregation of duties between employees and functions wherever practical, including approval and processing duties;
- Documentation of policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour;
- Implementation of whistle blowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff;
- Education of Members to review their account statements and report exceptions to NICU promptly;
- Effective dispute resolution procedures to respond to Member complaints;
- Effective insurance arrangements to reduce the impact of losses; and
- Contingency plans to address the loss of functionality of systems, premises, utilities or staff.

##### **Fraud**

Fraud can arise from Members' card PINs and online banking passwords being compromised where not protected adequately by the Member. It can also arise from other systems failures. NICU has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail banking, fraud is potentially a real cost.

##### **IT Systems**

The worst case scenario would be the failure of NICU's core banking and IT network suppliers, to meet customer obligations and service requirements. NICU has outsourced the IT systems management to an independent data processing centre, TransActions Solutions Limited (TAS). This organisation has the experience in-house to manage any short-term problems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf of NICU by the industry body CUSCAL, to service the settlements with other financial institutions for direct entry, ATM and Visa cards etc.

## Notes to the Financial Statements

For the Year Ended 30 June 2015

## 2 Financial Risk Management (cont'd)

## (e) Capital management

The capital levels are prescribed by the Australian Prudential Regulation Authority (APRA). Under the APRA prudential standards, capital is determined in three components:

- Credit risk
- Market risk (trading Book)
- Operational risk.

The market risk component is not required as NICU is not engaged in a trading book for financial instruments.

## Capital resources

## Tier 1 Capital

The vast majority of Tier 1 capital comprises:

- General reserves
- Retained earnings

## Tier 2 Capital

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by APRA. The vast majority of NICU's Tier 2 capital comprises a General Reserve for Credit Losses. Capital in NICU and the Consolidated Group are made up as follows:

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>Tier 1 Common Equity</b>				
General reserves	30,850,862	29,953,186	26,950,836	26,122,842
Current years earnings	1,035,301	935,367	883,926	865,684
	<b>31,886,163</b>	30,888,553	<b>27,834,762</b>	26,988,526
Less deductions	<b>(2,562,705)</b>	(2,646,344)	<b>(1,475,059)</b>	(1,550,029)
<b>Net Tier 1 capital</b>	<b>29,323,458</b>	28,242,209	<b>26,359,703</b>	25,438,497
<b>Tier 2</b>				
General reserve for credit losses	750,000	700,000	750,000	700,000
Less deductions	-	-	-	-
<b>Net Tier 2 capital</b>	<b>750,000</b>	700,000	<b>750,000</b>	700,000
<b>Total capital</b>	<b>30,073,458</b>	28,942,209	<b>27,109,703</b>	26,138,497

## Notes to the Financial Statements

For the Year Ended 30 June 2015

### 2 Financial Risk Management (cont'd)

NICU is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time. The risk weights attached to each asset are based on the weights prescribed by APRA in its Guidance AGN 112-1. The general rules apply the risk weights according to the level of underlying security.

	Consolidated Group			Northern Inland Credit Union Ltd	
	Weight %	Carrying value	Risk weighted value	Carrying value	Risk weighted value
Cash and cash equivalents	0-20	1,898,943	-	1,898,743	-
Deposits in highly rated ADI's	20	15,992,752	3,198,550	15,730,248	3,146,050
Deposits in less highly rated ADI's	50	38,560,601	19,280,302	37,946,872	18,973,437
Standard/non-standard loans secured against eligible residential mortgages up to 80% LVR	35-75	149,002,368	69,763,681	149,002,368	69,763,681
Standard/non-standard loans secured against eligible residential mortgages over 80% LVR	50-100	14,248,750	7,088,392	14,248,750	7,088,392
Past due claims	100	55,734	55,734	55,734	55,734
Other assets	0-100	22,360,978	22,180,511	19,955,024	19,774,560
Total commitments undrawn		<u>242,120,126</u>	<u>121,567,170</u>	<u>238,837,739</u>	<u>118,801,854</u>

The capital ratio as at the end of the financial year over the past 5 years is as follows:

	2015	2014	2013	2012	2011
	%	%	%	%	%
Consolidated Group	20.43	20.80	21.29	20.81	21.33
Northern Inland	18.94	19.32	20.06	19.58	20.01

The level of capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. To manage NICU's capital, NICU reviews the ratio monthly and monitors major movements in asset levels. Policies require that the Board is informed monthly of the capital ratio and APRA is informed on a quarterly basis. Stress testing of the capital ratio is undertaken on a bi-annual basis.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2015**

### **2 Financial Risk Management (cont'd)**

#### **Pillar 2 Capital on Operational Risk**

This capital component was introduced as from the 1 January 2013 and coincided with changes in the asset risk weightings for specified loans and liquid investments. Previously no operational charge was prescribed.

NICU uses the Standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams. The operational risk capital requirement is calculated by mapping NICU's three year average net interest income and net non-interest income to its various business lines. Based on this approach, NICU's operational risk requirement is as follows:

	<b>Amount</b>
	<b>\$</b>
Consolidated Group - Operational Risk Capital	14,404,777
Northern Inland – Operational Risk capital	13,064,979

#### **Internal capital adequacy management**

NICU manages its internal capital levels for both current and future activities through a combination of the various committees. The outputs of the individual committees are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in NICU's forecasts for asset growth, or unforeseen circumstances, are assessed by the ALCO and the Board. The Chief Risk Officer is responsible for updating the forecast capital resources models produced and determining the impact upon the overall capital position of NICU. In relation to the operational risks, the major factors for holding additional capital are:

1. Fraud, both internal and external
2. Key service provider failure
3. Pandemic
4. Loss of key persons

## Notes to the Financial Statements

For the Year Ended 30 June 2015

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>3 Statement of Profit or Loss</b>				
<b>(a) Interest income</b>				
Cash - deposits at call	4,073	3,046	4,073	3,046
Deposits with other financial institutions	1,971,239	2,303,348	1,946,112	2,281,197
Loans and advances	10,103,414	9,828,816	10,103,414	9,828,816
<b>Total interest income</b>	<b>12,078,726</b>	<b>12,135,210</b>	<b>12,053,599</b>	<b>12,113,059</b>
<b>(b) Fees, commissions and other income</b>				
<b>Fees and commissions</b>				
Fee income on loans - other than loan origination fees	275,421	196,901	275,421	196,901
Fee income from member deposit	1,473,971	1,507,124	1,046,651	1,099,079
Insurance commissions	185,679	208,004	185,679	208,004
Other commissions	108,922	85,173	7,853	7,538
	<b>2,043,993</b>	<b>1,997,202</b>	<b>1,515,604</b>	<b>1,511,522</b>
<b>Other income</b>				
Dividend received on available for sale assets	87,396	113,100	87,396	113,100
Bad debts recovered	8,063	42,009	8,063	42,009
Income from property (rental income)	233,463	157,406	70,955	70,184
Miscellaneous revenue	102,725	133,568	110,143	140,768
	<b>2,475,640</b>	<b>2,443,285</b>	<b>1,792,161</b>	<b>1,877,583</b>
<b>(c) Interest expense</b>				
Short term borrowings	4,239	5,065	4,239	5,065
Deposits from Members	3,834,482	4,089,198	3,834,482	4,089,198
	<b>3,838,721</b>	<b>4,094,263</b>	<b>3,838,721</b>	<b>4,094,263</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2015

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>(d) Impairment losses</b>				
<b>Loans and advances</b>				
Increase in provision for impairment	19,926	(72,879)	19,926	(72,879)
Bad debts written off directly against profit	40,982	74,967	40,982	74,967
	<b>60,908</b>	<b>2,088</b>	<b>60,908</b>	<b>2,088</b>
<b>(e) Depreciation and amortisation expenses</b>				
<b>Depreciation</b>				
Buildings	103,363	105,208	56,261	59,002
Plant and equipment	150,701	141,140	148,631	139,085
Leasehold improvements	19,623	8,126	19,623	8,126
<b>Amortisation</b>				
Computer software	168,941	161,201	168,874	161,156
Other	489	488	490	488
	<b>443,117</b>	<b>416,163</b>	<b>393,879</b>	<b>367,857</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2015

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>(f) Other expenses</b>				
<b>Occupancy costs</b>				
Property operating lease payments	266,915	251,076	266,915	251,076
Other occupancy costs	175,092	241,095	122,272	194,797
	<b>442,007</b>	492,171	<b>389,187</b>	445,873
<b>Other operating expenses</b>				
<b>Audit and review of financial statements</b>				
Auditors of NICU - PKF	69,050	67,100	69,050	67,100
	<b>69,050</b>	67,100	<b>69,050</b>	67,100
<b>Other services</b>				
Taxation services - Auditors of NICU - PKF	4,500	4,750	4,500	4,750
Other services - PKF	5,100	4,950	5,100	4,950
	<b>9,600</b>	9,700	<b>9,600</b>	9,700
Loss on disposal of assets	2,184	11,471	2,184	11,471
Supervision levy paid to APRA	10,473	12,350	10,473	12,350
Other operating expenses	3,893,575	3,767,236	3,841,475	3,684,632
	<b>3,984,882</b>	3,867,857	<b>3,932,782</b>	3,785,253
<b>(g) Employee costs</b>				
Net movement in provisions for annual leave	(16,810)	19,378	(7,224)	15,610
Net movement in provisions for long service leave	28,446	11,213	62,694	193
Net movement in provisions for sick leave	22,118	2,025	22,118	2,025
Other personnel costs	4,332,010	4,318,975	4,024,958	4,018,640
	<b>4,365,765</b>	4,351,591	<b>4,102,547</b>	4,036,468



## Notes to the Financial Statements

For the Year Ended 30 June 2015

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>4 Income Tax Expense</b>				
Current income tax expense	480,650	446,691	404,699	390,927
Less franking credit	(37,454)	-	(37,455)	-
Under/(over) provision for income tax in prior year	(69,163)	-	(69,238)	-
Decrease/(increase) in deferred tax asset	(45,594)	(2,736)	(54,196)	2,233
<b>Total income tax expense</b>	<b>328,439</b>	<b>443,955</b>	<b>243,810</b>	<b>393,160</b>
(a) Reconciliation of income tax to accounting profit:				
<b>Prima facie tax payable on profit from ordinary activities before income tax at 30% (2014: 30%)</b>				
- Consolidated Group	425,690	406,310	-	-
- Parent entity	-	-	338,321	377,653
- Other members of the income tax consolidated group	-	-	29,228	2,218
	<b>425,690</b>	<b>406,310</b>	<b>367,549</b>	<b>379,871</b>
Add:				
Tax effect of:				
- under/(over) provision for income tax in prior year	(71,979)	301	(69,239)	(372)
- Franking credit adjustment	(26,218)	36,006	(26,218)	14,541
- Other non-deductible expenses	946	1,338	946	1,338
Income tax attributable to operating profit	<b>328,439</b>	<b>443,955</b>	<b>273,038</b>	<b>395,378</b>
Allocation of income tax expense to wholly owned subsidiary and unit trust under tax sharing arrangement	-	-	(29,228)	(2,218)
<b>Income tax attributable to parent entity</b>	<b>328,439</b>	<b>443,955</b>	<b>243,810</b>	<b>393,160</b>
<b>5 Cash and cash equivalents</b>				
Cash on hand	1,898,943	1,658,047	1,898,743	1,657,847
Deposits at call	8,319,644	7,164,292	8,057,669	6,428,227
	<b>10,218,587</b>	<b>8,822,339</b>	<b>9,956,412</b>	<b>8,086,074</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2015

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>6 Liquid investments</b>				
<b>Available for sale investments at fair value</b>				
Negotiable Certificate of Deposits	10,385,676	7,921,777	10,385,676	7,921,777
Floating Rate Notes	16,206,985	15,205,260	16,206,985	15,205,260
	<b>26,592,661</b>	<b>23,127,037</b>	<b>26,592,661</b>	<b>23,127,037</b>
<b>Investments at amortised cost</b>				
<b>Receivables(a)</b>				
Term Deposits	19,250,266	31,563,817	18,650,266	31,563,817
	<b>19,250,266</b>	<b>31,563,817</b>	<b>18,650,266</b>	<b>31,563,817</b>
<b>Total liquid investments</b>	<b>45,842,927</b>	<b>54,690,854</b>	<b>45,242,927</b>	<b>54,690,854</b>
<b>(a) Dissection of receivables</b>				
Deposits with other societies	6,500,000	12,000,000	6,500,000	12,000,000
Deposits with banks	12,750,266	19,563,817	12,150,266	19,563,817
	<b>19,250,266</b>	<b>31,563,817</b>	<b>18,650,266</b>	<b>31,563,817</b>
<b>7 Receivables</b>				
Interest receivable on deposits with other financial institutions	390,785	594,945	376,527	592,945
Sundry debtors and accrued income	69,505	72,533	24,637	30,678
	<b>460,290</b>	<b>667,478</b>	<b>401,164</b>	<b>623,623</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2015

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>8 Loans and advances</b>				
<b>(a) Amounts due comprise:</b>				
Overdrafts and revolving credit	3,522,575	3,073,990	3,522,575	3,073,990
Term loans	177,301,943	155,058,337	177,301,943	155,058,337
	<b>180,824,518</b>	158,132,327	<b>180,824,518</b>	158,132,327
Less:				
Provision for doubtful debts	(36,897)	(16,971)	(36,897)	(16,971)
	<b>180,787,621</b>	158,115,356	<b>180,787,621</b>	158,115,356
Less:				
Unamortised loan fees	(289,413)	(199,664)	(289,413)	(199,664)
<b>Net loans and advances</b>	<b>180,498,208</b>	157,915,692	<b>180,498,208</b>	157,915,692
<b>(b) Credit quality - security held against loans</b>				
Secured by mortgage over real estate	163,295,993	140,630,004	163,295,993	140,630,004
Partly secured by goods mortgage	14,008,667	14,449,433	14,008,667	14,449,433
Wholly unsecured	3,482,961	3,035,919	3,482,961	3,035,919
	<b>180,787,621</b>	158,115,356	<b>180,787,621</b>	158,115,356

It is not practicable to value all collateral as at the balance date due to the variety of assets and condition. A breakdown of the quality of the residential mortgage security on a portfolio basis is as follows:

**Security held as mortgage against real estate is on the basis of:**

- loan to valuation ratio of less than or equal to 80%	149,047,243	130,223,657	149,047,243	130,223,657
- loan to valuation ratio of more than 80% but mortgage insured	12,319,688	9,311,918	12,319,688	9,311,918
- loan to valuation ratio of more than 80% and not mortgage insured	1,929,062	1,094,429	1,929,062	1,094,429
	<b>163,295,993</b>	140,630,004	<b>163,295,993</b>	140,630,004

Where the loan value is less than 80% there is a 20% margin to cover the costs of any sale, or potential value reduction.

## Notes to the Financial Statements

For the Year Ended 30 June 2015

## 8 Loans and advances (cont'd)

## (c) Concentration of loans

	Housing	Personal	Commercial	Overdrafts	Total
	\$	\$	\$	\$	\$
<b>2015 Consolidated Group</b>					
Tamworth	61,463,822	5,248,857	6,081,373	1,970,150	74,764,202
Narrabri	45,487,093	2,449,511	2,310,894	537,064	50,784,562
Gunnedah	15,612,260	1,210,451	253,396	196,238	17,272,345
Other Northern NSW	20,066,168	1,706,544	2,739,997	691,004	25,203,713
Other NSW	7,939,756	291,174	767,313	65,932	9,064,175
Other States	3,428,696	217,438	-	52,490	3,698,624
	<u>153,997,795</u>	<u>11,123,975</u>	<u>12,152,973</u>	<u>3,512,878</u>	<u>180,787,621</u>
<b>2014 Consolidated Group</b>					
Tamworth	45,965,648	5,253,017	6,014,588	1,730,954	58,964,207
Narrabri	42,803,732	2,648,695	2,459,746	496,968	48,409,141
Gunnedah	14,876,711	1,360,201	302,428	170,251	16,709,591
Other Northern NSW	18,316,861	1,802,519	2,875,867	581,251	23,576,498
Other NSW	6,186,400	249,228	537,959	48,479	7,022,066
Other States	2,936,518	321,338	134,257	41,740	3,433,853
	<u>131,085,870</u>	<u>11,634,998</u>	<u>12,324,845</u>	<u>3,069,643</u>	<u>158,115,356</u>

## 9 Provision on impaired loans

## (a) Total provision comprises

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
Collective provisions	7,173	91,831	7,173	91,831
Individual specific provisions	29,724	(74,860)	29,724	(74,860)
	<u>36,897</u>	<u>16,971</u>	<u>36,897</u>	<u>16,971</u>

## Notes to the Financial Statements

For the Year Ended 30 June 2015

	Consolidated Group		Northern Inland Credit Union Ltd			
	2015	2014	2015	2014		
	\$	\$	\$	\$		
<b>9 Provision on impaired loans (cont'd)</b>						
<b>(b) Movement in the provision for impairment</b>						
Balance at the beginning of the year	16,971	89,850	16,971	89,850		
Transfers from/(to) Statement of Profit or Loss	19,926	(72,879)	19,926	(72,879)		
	<b>36,897</b>	<b>16,971</b>	<b>36,897</b>	<b>16,971</b>		
<b>(c) Impaired loans written off</b>						
Bad debts written off directly	40,982	74,966	40,982	74,966		
Bad debts recovered in the period	8,063	42,009	8,063	42,009		
<b>(d) Analysis of loans that are impaired by class</b>						
	2015 Carrying value	2015 Value of impaired loans	2015 Provision for impairment	2014 Carrying value	2014 Value of impaired loans	2014 Provision for impairment
	\$	\$	\$	\$	\$	\$
<b>Loans to Members:</b>						
- Mortgages	153,997,795	44,875	-	131,085,873	11,892	-
- Personal	11,151,175	69,403	27,200	11,634,999	12,624	12,624
- Overdrafts	1,981,667	28,550	9,697	1,765,337	5,410	4,347
	<b>167,130,637</b>	<b>142,828</b>	<b>36,897</b>	<b>144,486,209</b>	<b>29,926</b>	<b>16,971</b>
Corporate borrowers	13,693,881	-	-	13,646,118	186,297	-
	<b>180,824,518</b>	<b>142,828</b>	<b>36,897</b>	<b>158,132,327</b>	<b>216,223</b>	<b>16,971</b>

Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more. It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and condition.

## Notes to the Financial Statements

For the Year Ended 30 June 2015

### 9 Provision on impaired loans (cont'd)

(e) **Analysis of loans that are impaired or potentially impaired based on age of repayments outstanding**

	2015	2015	2014	2014
	Carrying value	Provision	Carrying value	Provision
	\$	\$	\$	\$
Non impaired up to 30 days	180,684,808	-	157,811,726	-
30 to 90 days in arrears	66,904	27,200	76,036	-
90 to 180 days in arrears	44,875	-	211,544	12,624
270 to 365 days in arrears	-	-	11,892	-
Overlimit facilities	27,931	9,697	21,129	4,347
<b>Total</b>	<u>180,824,518</u>	<u>36,897</u>	<u>158,132,327</u>	<u>16,971</u>

The impaired loans are generally not secured against residential property. Some impaired loans are secured by bill of sale over motor vehicles or other assets of varying value. It is not practicable to determine the fair value all collateral as at the balance date due to the variety of assets and condition.

(f) **Loans with repayments past due but not regarded as impaired**

There are currently no past due loans which are not considered impaired as the value of the related security over residential property is in excess of the loan due. It is not possible to determine the fair value of the collateral as at balance date due to the variety of assets and condition. Loans with repayments past due but not impaired are in arrears: 2015: \$0 (2014: \$8,489)

(g) **Assets acquired by enforcement of security**

There are no assets acquired by NICU. The policy is to arrange sale of the security at the earliest opportunity after measures to assist the members to repay the debts have been exhausted.

(h) **Key assumptions in determining the provision for impairment**

NICU is required to determine a likely impairment loss on loans that have not maintained the loan repayments in accordance with their loan contract and have consequently fallen into arrears, or for some other reason are deemed to be at risk of suffering impairment.

In identifying the likely loss due to impairment, each loan that falls into this category is reviewed for the likelihood of full or partial recovery and the extent of possible loss. Depending on the loan's characteristics, the recoverability of the debt and any special arrangements put in place for repayment, a percentage is then applied to the balance outstanding to ascertain that portion of the loan that is deemed to be at risk of non-recovery. This is aggregated across all loans deemed to be at risk of impairment to arrive at a total likely impairment loss for NICU.

## Notes to the Financial Statements

For the Year Ended 30 June 2015

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>10 Available for sale equity investments</b>				
Shares in subsidiaries (Note 27)	-	-	1	1
Shares in unlisted companies (i)	<b>616,919</b>	616,919	<b>616,919</b>	616,919
	<b>616,919</b>	616,919	<b>616,920</b>	616,920
Less: provision for impairment	-	-	-	-
Total investments net of provision	<b>616,919</b>	616,919	<b>616,920</b>	616,920

**(i) CUSCAL Limited (CUSCAL)**

The shareholding in CUSCAL is measured at cost as its fair value could not be measured reliably. The company was created to supply services to member Credit Unions and does not have an independent business focus. These shares are held to enable NICU to receive aggregated banking services. The shares are not able to be publicly traded.

Based on the net assets of CUSCAL Limited, any fair value determination on these shares is likely to be greater than their cost value, but due to the nature of services supplied a market value is not able to be determined readily. While classified as available-for-sale financial instruments under the Accounting Standards, NICU is not intending to dispose of these instruments.

The available-for-sale financial instruments relating to CUSCAL Limited would be classified within level 3 of the fair value hierarchy under AASB 7 Financial Instruments: Disclosures as the assets are not valued based on observable market data. There has been no movement in the CUSCAL Limited available-for-sale balance during the year.

## Notes to the Financial Statements

For the Year Ended 30 June 2015

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>11 Property, plant and equipment</b>				
LAND AND BUILDINGS				
Freehold land				
At cost	<b>958,428</b>	958,428	<b>958,428</b>	958,428
Buildings				
At cost	<b>1,510,672</b>	1,509,993	<b>1,510,672</b>	1,509,993
Accumulated depreciation	<b>(729,150)</b>	(672,889)	<b>(729,150)</b>	(672,889)
	<b>781,522</b>	837,104	<b>781,522</b>	837,104
Total land and buildings	<b>1,739,950</b>	1,795,532	<b>1,739,950</b>	1,795,532
PLANT AND EQUIPMENT				
Plant and equipment				
At cost	<b>2,040,084</b>	2,216,696	<b>2,011,473</b>	2,185,784
Accumulated depreciation	<b>(1,593,942)</b>	(1,684,692)	<b>(1,573,042)</b>	(1,663,343)
	<b>446,142</b>	532,004	<b>438,431</b>	522,441
Improvements				
At cost	<b>455,373</b>	458,746	<b>455,373</b>	458,746
Accumulated depreciation	<b>(280,122)</b>	(263,872)	<b>(280,122)</b>	(263,872)
Total improvements	<b>175,251</b>	194,874	<b>175,251</b>	194,874
<b>Total property, plant and equipment</b>	<b>2,361,343</b>	2,522,410	<b>2,353,632</b>	2,512,847

## (a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land	Buildings	Plant and Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$	\$
<b>Consolidated Group</b>					
<b>Year ended 30 June 2015</b>					
Balance at the beginning of year	958,428	837,105	532,003	194,874	2,522,410
Additions	-	678	66,804	-	67,482
Disposals	-	-	(2,184)	-	(2,184)
Depreciation expense	-	(56,261)	(150,481)	(19,623)	(226,365)
<b>Balance at the end of the year</b>	<b>958,428</b>	<b>781,522</b>	<b>446,142</b>	<b>175,251</b>	<b>2,361,343</b>



## Notes to the Financial Statements

For the Year Ended 30 June 2015

## 11 Property, plant and equipment (cont'd)

## (a) Movements in carrying amounts of property, plant and equipment (cont'd)

	Land	Buildings	Plant and Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$	\$
<b>Consolidated Group</b>					
<b>Year ended 30 June 2014</b>					
Balance at the beginning of year	958,428	813,793	541,469	8,850	2,322,540
Additions	-	88,808	134,168	194,150	417,126
Disposals	-	(6,494)	(2,497)	-	(8,991)
Depreciation expense	-	(59,002)	(141,137)	(8,126)	(208,265)
<b>Balance at the end of the year</b>	<b>958,428</b>	<b>837,105</b>	<b>532,003</b>	<b>194,874</b>	<b>2,522,410</b>
<b>Northern Inland Credit Union Ltd</b>					
<b>Year ended 30 June 2015</b>					
Balance at the beginning of year	958,428	837,105	522,440	194,874	2,512,847
Additions	-	678	66,804	-	67,482
Disposals	-	-	(2,182)	-	(2,182)
Depreciation expense	-	(56,261)	(148,631)	(19,623)	(224,515)
<b>Balance at the end of the year</b>	<b>958,428</b>	<b>781,522</b>	<b>438,431</b>	<b>175,251</b>	<b>2,353,632</b>
<b>Year ended 30 June 2014</b>					
Balance at the beginning of year	958,428	813,793	532,334	8,850	2,313,405
Additions	-	88,808	131,686	194,150	414,644
Disposals	-	(6,494)	(2,497)	-	(8,991)
Depreciation expense	-	(59,002)	(139,083)	(8,126)	(206,211)
<b>Balance at the end of the year</b>	<b>958,428</b>	<b>837,105</b>	<b>522,440</b>	<b>194,874</b>	<b>2,512,847</b>

## 12 Investment Property

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
Balance at the beginning of the year	2,377,689	2,408,417	-	-
Additions	-	15,478	-	-
Depreciation	(47,100)	(46,205)	-	-
<b>Balance at end of the year</b>	<b>2,330,589</b>	<b>2,377,690</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2015

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>13 Deferred tax asset</b>				
Deferred tax asset	<b>618,596</b>	573,002	<b>581,503</b>	527,307
<b>Deferred tax asset comprises:</b>				
- Accrued expenses not deductible	<b>18,044</b>	21,305	<b>15,524</b>	19,145
- Provision for impairment on loans	<b>11,069</b>	5,091	<b>11,069</b>	5,091
- Provisions for staff entitlements	<b>437,766</b>	427,641	<b>434,384</b>	411,108
- Loss on shares	<b>833</b>	833	-	-
- Depreciation on fixed assets	<b>15,213</b>	9,386	<b>9,889</b>	8,251
- Other (Bad debts)	<b>23,813</b>	23,813	<b>23,813</b>	23,813
- Deferred fees on loan origination	<b>86,824</b>	59,899	<b>86,824</b>	59,899
- Chocolate Factory CGT loss	<b>25,034</b>	25,034	-	-
	<b>618,596</b>	573,002	<b>581,503</b>	527,307
<b>14 Intangible Assets</b>				
Computer software				
At cost	<b>919,113</b>	902,184	<b>917,579</b>	902,184
Accumulated amortisation	<b>(643,699)</b>	(498,028)	<b>(642,323)</b>	(498,252)
	<b>275,414</b>	404,156	<b>275,256</b>	403,932
Patents, trademarks and other rights				
Cost	<b>1,055,275</b>	1,055,274	<b>4,879</b>	4,879
Accumulated amortisation and impairment	<b>(3,498)</b>	(3,009)	<b>(3,498)</b>	(3,009)
<b>Net carrying value</b>	<b>1,051,777</b>	1,052,265	<b>1,381</b>	1,870
<b>Total Intangibles</b>	<b>1,327,191</b>	1,456,421	<b>276,637</b>	405,802

Other intangible assets comprise the acquisition costs of investment portfolios held by the consolidated group - \$1,050,396 (2014: \$1,050,396) and trademarks - \$1,381 (2014: \$1,870). An annual review of the cost of the investment portfolios is undertaken and it has been determined that there is no impairment of these assets as at the 30 June 2015 (2014: \$nil).

## Notes to the Financial Statements

For the Year Ended 30 June 2015

## 14 Intangible Assets (cont'd)

Movement in the assets balances during the year were:

<b>Consolidated Group</b>	<b>Software</b>	<b>Other</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Year ended 30 June 2015</b>			
Balance at the beginning of the year	404,156	1,052,266	1,456,422
Additions	40,132	-	40,132
Disposals	(24,803)	-	(24,803)
Amortisation	(144,071)	(489)	(144,560)
<b>Closing value at 30 June 2015</b>	<b>275,414</b>	<b>1,051,777</b>	<b>1,327,191</b>
<b>Year ended 30 June 2014</b>			
Balance at the beginning of the year	427,052	1,052,754	1,479,806
Additions	143,281	-	143,281
Disposals	(4,976)	-	(4,976)
Amortisation	(161,201)	(488)	(161,689)
<b>Closing value at 30 June 2014</b>	<b>404,156</b>	<b>1,052,266</b>	<b>1,456,422</b>

<b>Northern Inland Credit Union Ltd</b>	<b>Software</b>	<b>Other</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Year ended 30 June 2015</b>			
Balance at the beginning of the year	403,932	1,870	405,802
Additions	40,132	-	40,132
Disposals	(24,803)	-	(24,803)
Amortisation	(144,005)	(489)	(144,494)
<b>Closing value at 30 June 2015</b>	<b>275,256</b>	<b>1,381</b>	<b>276,637</b>
<b>Year ended 30 June 2014</b>			
Balance at the beginning of the year	427,052	2,358	429,410
Additions	143,012	-	143,012
Disposals	(4,976)	-	(4,976)
Amortisation	(161,156)	(488)	(161,644)
<b>Closing value at 30 June 2014</b>	<b>403,932</b>	<b>1,870</b>	<b>405,802</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2015

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>15 Other Assets</b>				
Prepayments	304,347	212,190	281,809	208,702
Other	103,836	64,007	103,585	63,757
	<b>408,183</b>	<b>276,197</b>	<b>385,394</b>	<b>272,459</b>
<b>16 Deposits</b>				
Member Call Deposits	112,339,260	103,342,768	112,618,549	103,540,883
Member Term Deposits	95,341,356	90,448,258	95,341,356	90,448,258
Member Withdrawable Shares	138,184	148,612	138,194	148,622
	<b>207,818,800</b>	<b>193,939,638</b>	<b>208,098,099</b>	<b>194,137,763</b>
There were no defaults on interest and capital payments on these liabilities in the current or prior year.				
<b>Concentration of member deposits</b>				
Geographical concentrations				
Tamworth	114,910,510	105,554,382	115,189,809	105,752,507
Narrabri	40,096,989	38,001,789	40,096,989	38,001,789
Gunnedah	12,534,862	12,418,586	12,534,862	12,418,586
Other Northern NSW	33,275,653	31,143,316	33,275,653	31,143,316
Other NSW	4,527,520	4,568,412	4,527,520	4,568,412
Other States	2,473,266	2,253,153	2,473,266	2,253,153
	<b>207,818,800</b>	<b>193,939,638</b>	<b>208,098,099</b>	<b>194,137,763</b>
<b>17 Payables</b>				
Creditors and accruals	1,302,697	1,621,965	1,258,924	1,586,009
Interest payable	815,699	769,408	815,700	769,408
Loan from associate	-	-	19,130	5,022
	<b>2,118,396</b>	<b>2,391,373</b>	<b>2,093,754</b>	<b>2,360,439</b>
<b>18 Provisions</b>				
Long service leave	819,529	791,084	817,884	755,191
Sick leave	212,032	189,914	212,032	189,914
Annual leave	427,661	444,471	418,030	425,255
	<b>1,459,222</b>	<b>1,425,469</b>	<b>1,447,946</b>	<b>1,370,360</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2015

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>19 Taxation</b>				
Current income tax liability	<b>162,396</b>	129,031	<b>127,563</b>	121,507
<b>Current income tax liability/asset comprises:</b>				
Opening balance	<b>129,031</b>	(216,061)	<b>121,507</b>	(252,192)
Amounts received/(paid)	<b>(52,725)</b>	215,276	<b>(52,268)</b>	251,495
Liability for income tax in current year	<b>443,195</b>	446,692	<b>398,114</b>	415,905
Over provision for income tax in prior year	<b>(69,152)</b>	-	<b>(69,239)</b>	-
Instalments paid in current year	<b>(287,953)</b>	(316,876)	<b>(270,551)</b>	(293,701)
Closing balance	<b>162,396</b>	129,031	<b>127,563</b>	121,507
<b>20 Reserves</b>				
Members' shares reserve	<b>290,696</b>	278,610	<b>290,696</b>	278,610
General reserve for credit losses	<b>750,000</b>	700,000	<b>750,000</b>	700,000
General reserve	<b>31,556,143</b>	30,582,927	<b>27,504,739</b>	26,682,899
	<b>32,596,839</b>	31,561,537	<b>28,545,435</b>	27,661,509
<b>Members' shares reserve</b>				
Opening balance	<b>278,610</b>	261,706	<b>278,610</b>	261,706
Transfers in	<b>12,086</b>	16,904	<b>12,086</b>	16,904
<b>Closing balance</b>	<b>290,696</b>	278,610	<b>290,696</b>	278,610
<b>General reserve for credit losses</b>				
Opening balance	<b>700,000</b>	650,000	<b>700,000</b>	650,000
Transfers in	<b>50,000</b>	50,000	<b>50,000</b>	50,000
<b>Closing balance</b>	<b>750,000</b>	700,000	<b>750,000</b>	700,000
<b>General reserve</b>				
Opening balance	<b>30,582,927</b>	29,714,464	<b>26,682,899</b>	25,884,123
Transfers in	<b>973,216</b>	868,463	<b>821,840</b>	798,776
<b>Closing balance</b>	<b>31,556,143</b>	30,582,927	<b>27,504,739</b>	26,682,899
<b>Total reserves</b>	<b>32,596,839</b>	31,561,537	<b>28,545,435</b>	27,661,509

## Notes to the Financial Statements

For the Year Ended 30 June 2015

### Members' shares reserve

This reserve represents the amount of redeemable preference shares redeemed by NICU since 1 July 1999. The Law requires that the redemption of the shares be made out of profits. Since the value of the shares has been paid to members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriated to the account.

### General reserve for credit losses

This reserve records amount previously set aside as a general provision and is maintained to comply with the Prudential Standards set down by APRA.

### General reserve

Retained earnings (Note 21) are cleared out annually to this account and therefore this reserve represents the accumulated retained earnings balance as at the end of the financial year.

## 21 Retained Earnings

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
Opening balance	-	-	-	-
Net profit attributable to members	<b>1,035,302</b>	935,367	<b>883,926</b>	865,680
Transfers out	<b>(1,035,302)</b>	(935,367)	<b>(883,926)</b>	(865,680)
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2015

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>22 Financial Instruments Disclosure</b>				
<b>(a) The following information classifies the financial instruments into measurement classes:</b>				
<b>Financial assets</b>				
Cash assets	10,218,587	8,822,339	9,956,412	8,086,074
Receivables	460,290	667,478	401,164	623,623
Liquid investments	19,250,266	31,563,817	18,650,266	31,563,817
Loans to Members	180,498,208	157,915,692	180,498,208	157,915,692
	<b>210,427,351</b>	198,969,326	<b>209,506,050</b>	198,189,206
Available for sale investments, at cost	11,022,595	8,538,696	11,022,595	8,538,696
Available for sale investments, at fair value	16,206,985	15,205,260	16,206,985	15,205,260
	<b>27,209,580</b>	23,743,956	<b>27,209,580</b>	23,743,956
<b>Total financial assets</b>	<b>237,636,931</b>	222,713,282	<b>236,715,630</b>	221,933,162
<b>Financial liabilities</b>				
Creditors	2,118,396	2,391,373	2,093,754	2,360,439
Deposits from Members	207,818,800	193,939,638	208,098,099	194,137,763
	<b>209,937,196</b>	196,331,011	<b>210,191,853</b>	196,498,202

**(b) Assets measured at fair value**

	Balance	Level 1	Level 2	Level 3
	\$	\$	\$	\$
<b>Consolidated Group</b>				
Available-for-sale financial assets	26,592,661	26,592,661	-	-
Equity investments	616,919	-	-	616,219
<b>Total</b>	<b>27,209,580</b>	<b>26,592,661</b>	-	<b>616,219</b>
<b>Northern Inland Credit Union Ltd</b>				
Available-for-sale financial assets	26,592,661	26,592,661	-	-
Equity investments	616,920	-	-	616,920
<b>Total</b>	<b>27,209,580</b>	<b>26,592,661</b>	-	<b>616,920</b>

The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

## Notes to the Financial Statements

For the Year Ended 30 June 2015

## 22 Financial Instruments Disclosure (cont'd)

## (b) Assets measured at fair value (cont'd)

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

## (c) Maturity profile of financial instruments

	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
	\$	\$	\$	\$	\$	\$
<b>2015</b>						
<b>Financial assets</b>						
Cash	10,218,587	-	-	-	-	10,218,587
Liquid investments	3,025,874	18,743,026	14,316,959	10,133,340	-	46,219,199
Loans to Members	1,688,997	3,670,842	15,283,360	68,447,757	190,413,403	279,504,359
	<u>14,933,458</u>	<u>22,413,868</u>	<u>29,600,319</u>	<u>78,581,097</u>	<u>190,413,403</u>	<u>335,942,145</u>
<b>Financial liabilities</b>						
Creditors	2,118,396	-	-	-	-	2,118,396
Deposits from Members						
- at call	112,478,193	-	-	-	-	112,478,193
- term	17,341,778	41,460,927	36,813,006	540,596	-	96,156,307
	<u>131,938,367</u>	<u>41,460,927</u>	<u>36,813,006</u>	<u>540,596</u>	<u>-</u>	<u>210,752,896</u>
<b>On balance sheet</b>	<b>131,938,367</b>	<b>41,460,927</b>	<b>36,813,006</b>	<b>540,596</b>	<b>-</b>	<b>210,752,896</b>
Undrawn commitments - Note 24	2,000,000	-	-	-	-	2,000,000
	<u>133,938,367</u>	<u>41,460,927</u>	<u>36,813,006</u>	<u>540,596</u>	<u>-</u>	<u>212,752,896</u>
<b>2014</b>						
<b>Financial assets</b>						
Cash	8,822,339	-	-	-	-	8,822,339
Liquid investments	7,611,800	17,714,172	20,813,893	9,132,784	-	55,272,649
Loans to Members	1,614,084	3,568,885	14,711,513	65,280,990	167,028,277	252,203,749
	<u>18,048,223</u>	<u>21,283,057</u>	<u>35,525,406</u>	<u>74,413,774</u>	<u>167,028,277</u>	<u>316,298,737</u>
<b>Financial liabilities</b>						
Creditors	2,391,373	-	-	-	-	2,391,373
Deposits from Members						
- at call	103,491,380	-	-	-	-	103,491,380
- term	19,402,929	39,684,068	27,348,940	4,780,576	-	91,216,513
	<u>125,285,682</u>	<u>39,684,068</u>	<u>27,348,940</u>	<u>4,780,576</u>	<u>-</u>	<u>197,099,266</u>
<b>On balance sheet</b>	<b>125,285,682</b>	<b>39,684,068</b>	<b>27,348,940</b>	<b>4,780,576</b>	<b>-</b>	<b>197,099,266</b>
Undrawn commitments - Note 24	4,000,000	-	-	-	-	4,000,000
	<u>129,285,682</u>	<u>39,684,068</u>	<u>27,348,940</u>	<u>4,780,576</u>	<u>-</u>	<u>201,099,266</u>
<b>Total financial liabilities</b>	<b>129,285,682</b>	<b>39,684,068</b>	<b>27,348,940</b>	<b>4,780,576</b>	<b>-</b>	<b>201,099,266</b>



## Notes to the Financial Statements

For the Year Ended 30 June 2015

## Maturity profile of financial assets and liabilities

The table below represents the above maturity profile summarised at discounted values. The contractual arrangements best represents the estimated minimum amount of repayment on the loans, liquid investments and on the member deposits. While the liquid investments and Member deposits are presented in the table below on a contractual basis, as part of our normal banking operations we would expect a large proportion of these balances to roll over. Loan repayments are generally accelerated by members choosing to repay loans earlier. These advance repayments are at the discretion of the Members and not able to be reliably estimated.

	Within 12 months	After 12 months	Total
	\$	\$	\$
<b>2015</b>			
<b>Financial assets</b>			
Cash	10,218,587	-	10,218,587
Liquid investments	35,761,012	10,081,915	45,842,927
Loans to Members	20,643,199	258,861,160	279,504,359
<b>Total financial assets</b>	<b>66,622,798</b>	<b>268,943,075</b>	<b>335,565,873</b>
<b>Financial liabilities</b>			
Creditors	2,118,396	-	2,118,396
Deposits from Members - at call	112,478,193	-	112,478,193
Deposits from Members - term	95,615,711	540,596	96,156,307
<b>Total financial liabilities</b>	<b>210,212,300</b>	<b>540,596</b>	<b>210,752,896</b>
<b>2014</b>			
<b>Financial assets</b>			
Cash	8,822,339	-	8,822,339
Liquid investments	46,139,865	9,132,784	55,272,649
Loans to Members	19,894,482	232,309,267	252,203,749
<b>Total financial assets</b>	<b>74,856,686</b>	<b>241,442,051</b>	<b>316,298,737</b>
<b>Financial liabilities</b>			
Creditors	2,391,373	-	2,391,373
Deposits from members - at call	103,491,380	-	103,491,380
Deposits from members - term	86,435,937	4,780,576	91,216,513
<b>Total financial liabilities</b>	<b>192,318,690</b>	<b>4,780,576</b>	<b>197,099,266</b>

## (d) Interest rate change profile of financial assets and liabilities

Financial assets and liabilities have conditions which allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings). The table below shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date, or maturity date.

## Notes to the Financial Statements

For the Year Ended 30 June 2015

## (d) Interest rate change profile of financial assets and liabilities (cont'd)

Consolidated Group	Weighted average interest	Within 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Non interest bearing \$'000	Total \$'000
<b>2015</b>							
<b>Financial assets</b>							
Cash	0.13	8,310	-	-	-	1,909	10,219
Liquid investments	3.28	6,157	27,103	12,583	-	-	45,843
Loans to Members	5.90	116,212	3,429	15,609	45,236	12	180,498
Equity investments	N/A	-	-	-	-	617	617
Receivables	N/A	-	-	-	-	460	460
<b>Total financial assets</b>		<b>130,679</b>	<b>30,532</b>	<b>28,192</b>	<b>45,236</b>	<b>2,998</b>	<b>237,637</b>
<b>Financial liabilities</b>							
Deposits from Members	1.88	90,150	41,155	75,986	528	-	207,819
Creditors	N/A	-	-	-	-	2,118	2,118
<b>On balance sheet</b>		<b>90,150</b>	<b>41,155</b>	<b>75,986</b>	<b>528</b>	<b>2,118</b>	<b>209,937</b>
Undrawn commitments - Note 23		25,462	-	-	-	-	25,462
		<b>115,612</b>	<b>41,155</b>	<b>75,986</b>	<b>528</b>	<b>2,118</b>	<b>235,399</b>
<b>2014</b>							
<b>Financial assets</b>							
Cash	0.15	7,146	-	-	-	1,676	8,822
Liquid investments	3.70	9,500	30,707	14,484	-	-	54,691
Loans to Members	6.39	109,534	2,264	11,077	35,027	14	157,916
Equity investments	N/A	-	-	-	-	617	617
Receivables	N/A	-	-	-	-	667	667
<b>Total financial assets</b>		<b>126,180</b>	<b>32,971</b>	<b>25,561</b>	<b>35,027</b>	<b>2,974</b>	<b>222,713</b>
<b>Financial liabilities</b>							
Deposits from Members	2.13	59,036	39,427	90,732	4,745	-	193,940
Creditors	N/A	-	-	-	-	2,391	2,391
<b>On balance sheet</b>		<b>59,036</b>	<b>39,427</b>	<b>90,732</b>	<b>4,745</b>	<b>2,391</b>	<b>196,331</b>
Undrawn commitments - Note 23		21,764	-	-	-	-	21,764
<b>Total financial liabilities</b>		<b>80,800</b>	<b>39,427</b>	<b>90,732</b>	<b>4,745</b>	<b>2,391</b>	<b>218,095</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2015

## (e) Fair value of financial assets and liabilities

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability. Significant assumptions used in determining the cash flows are that the values and timings of cash flows will be consistent with the contracted terms.

The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by NICU, and there is no active market to assess the value of the financial assets and liabilities.

The values reported have not been adjusted for the changes in credit ratings of the assets. Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

	Consolidated Group		
	Fair Value	Carrying Value	Variance
	\$'000	\$'000	\$'000
<b>2015</b>			
<b>Financial assets</b>			
Cash	10,219	10,219	-
Receivables	460	460	-
Liquid investments	46,009	45,843	166
Loans to Members	179,958	180,498	(540)
Equity investments	617	617	-
<b>Total financial assets</b>	<b>237,263</b>	<b>237,637</b>	<b>(374)</b>
<b>Financial liabilities</b>			
Deposits from Members	208,763	207,819	944
Creditors	2,546	2,546	-
<b>Total financial liabilities</b>	<b>211,309</b>	<b>210,365</b>	<b>944</b>
<b>2014</b>			
<b>Financial assets</b>			
Cash	8,822	8,822	-
Receivables	667	667	-
Liquid investments	54,491	54,691	(200)
Loans for Members	157,223	157,916	(693)
Equity investments	617	617	-
<b>Total financial assets</b>	<b>221,820</b>	<b>222,713</b>	<b>(893)</b>
<b>Financial liabilities</b>			
Deposits from Members	194,715	193,940	775
Creditors	2,836	2,836	-
<b>Total financial liabilities</b>	<b>197,551</b>	<b>196,776</b>	<b>775</b>

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2015**

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

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

#### **Liquid assets and receivables from other financial institutions**

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

#### **Loans and advances**

The carrying value of loans and advances is net of unearned income and both general and specific provisions for doubtful debts.

For variable rate loans, (excluding impaired loans) the amount shown in the balance sheet is considered to be a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the period to maturity of the loans. The discount rates applied were based on the current applicable rate offered for the average remaining term of the portfolio.

The 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.

#### **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 Balance Sheet. 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 maturity.

#### **Short term borrowings**

The carrying value of payables due to other financial institutions approximate their fair value as they are short term in nature and reprice frequently.

## Notes to the Financial Statements

For the Year Ended 30 June 2015

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>23 Financial commitments</b>				
<b>(a) Outstanding loan commitments</b>				
Loans and credit facilities approved but not funded or drawn at the end of the financial year:				
Loans approved but not funded	<b>8,585,097</b>	5,643,484	<b>8,585,097</b>	5,643,484
Loan redraw facilities available	<b>12,057,293</b>	11,357,669	<b>12,057,293</b>	11,357,669
Undrawn overdraft, line of credit and VISA:				
Total value of facilities approved	<b>8,342,151</b>	7,837,263	<b>8,342,151</b>	7,837,263
Less: amount advanced	<b>(3,522,575)</b>	(3,073,989)	<b>(3,522,575)</b>	(3,073,989)
	<b>4,819,576</b>	4,763,274	<b>4,819,576</b>	4,763,274
Total financial commitments	<b>25,461,966</b>	21,764,427	<b>25,461,966</b>	21,764,427
These commitments are contingent on Members maintaining credit standards and ongoing repayment terms on amounts drawn.				
<b>(b) Future capital commitments</b>				
Northern Inland has entered into contracts for the purchase of property, plant and equipment which has not been recognised as a liability and is payable as follows:				
Within 1 year	<b>254,100</b>	-	<b>254,100</b>	-
<b>(c) Operating lease commitments</b>				
Non cancellable operating leases contracted for but not capitalised in the financial statements, payable:				
Not later than one year	<b>293,743</b>	349,956	<b>293,743</b>	349,956
Later than 1 but not 5 years	<b>340,866</b>	542,889	<b>340,866</b>	542,889
	<b>634,609</b>	892,845	<b>634,609</b>	892,845

## Notes to the Financial Statements

For the Year Ended 30 June 2015

Consolidated Group		Northern Inland Credit Union Ltd	
2015	2014	2015	2014
\$	\$	\$	\$

### 23 Financial commitments (cont'd)

#### (d) Computer Bureau expense commitments

Non cancellable expense commitments for the supply of computer support staff and services, not recognised as a liability and payable as follows:

Within 1 year	359,449	345,852	359,449	345,852
Later than 1 year but not 5 years	419,357	403,494	419,357	403,494
	<b>778,806</b>	<b>749,346</b>	<b>778,806</b>	<b>749,346</b>

### 24 Standby borrowing facilities

NICU has a borrowing facility with CUSCAL of:

	Approved facility	Current borrowing	Net available
	\$	\$	\$
<b>2015</b>			
Overdraft facility	2,000,000	-	2,000,000
<b>Total standby borrowing facilities</b>	<b>2,000,000</b>	<b>-</b>	<b>2,000,000</b>
<b>2014</b>			
Overdraft facility	4,000,000	-	4,000,000
<b>Total standby borrowing facilities</b>	<b>4,000,000</b>	<b>-</b>	<b>4,000,000</b>

There are no restrictions in the relation to these loan facilities except withdrawals of funds under the pre-approved loan facility are subject to availability and are at the discretion of CUSCAL. Stand by lines, credit facilities and borrowings are secured by an equitable mortgage over all assets of NICU.

A fixed and floating charge over the assets and undertaking of NICU has been provided in respect to bank overdrafts and borrowings.

## Notes to the Financial Statements

For the Year Ended 30 June 2015

### 25 Contingencies

#### Contingent Liabilities

NICU had the following contingent liabilities at the end of the reporting period:

NICU is a member of the Credit Union Financial Support Scheme Limited (CUFSS) a company limited by guarantee, established to provide financial support to member credit unions in the event of a liquidity or capital problem. As a member, NICU is committed to maintaining 3.2% of the total assets as deposits with CUSCAL Limited.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating credit union would be 3.2% of the credit union's total assets (3% under loans and facilities and 0.2% under the cap on contributions to permanent loans). This amount represents the participating credit union's irrevocable commitment under the ISC. At the balance date there were no loans issued under this arrangement.

An Industry Support Contract made on the 10 September 1999 between Credit Union Services Corporation (Australia) Limited (CUSCAL), CUFSS and participating credit unions required NICU to execute an equitable charge in favour of CUSCAL. The charge is a fixed and floating charge over the assets and undertakings of NICU and secures any advances, which may be made to NICU under the scheme. The balance of the debt at 30 June 2015 was Nil (2014: Nil).

### 26 Disclosures on Directors and Other Key Management Personnel

Key management persons are those persons having authority and responsibility for planning, directing and controlling the activities of NICU, directly or indirectly, including any director (whether executive or otherwise) of that credit union. Control is the power to govern the financial and operating policies of a credit union so as to obtain benefits from its activities.

Key management persons (KMP) have been taken to comprise the directors and the members of the management team responsible for the day to day financial and operational management of NICU.

#### (a) Remuneration of Directors and Key Management Personnel (KMP)

The aggregate compensation of key management persons during the year comprising amounts paid or payable or provided for was as follows:

	2015	2015	2014	2014
	Directors	Other KMP	Directors	Other KMP
(a) Short-term employee benefits	221,131	855,407	190,297	752,729
(b) Post-employment benefits - superannuation contributions	18,870	87,565	18,097	68,491
(c) Other long-term benefits - net increases in long service leave provision	-	23,941	-	3,073
(d) Other director benefits	-	-	-	-
	<b>240,001</b>	<b>966,913</b>	<b>208,394</b>	<b>824,293</b>

In the above table, remuneration shown as short-term benefits means (where applicable) wages, salaries, paid annual leave and paid sick leave, but excludes out of pocket expense reimbursements. All remuneration to directors was approved by the members at the previous Annual General Meeting of NICU.

## Notes to the Financial Statements

For the Year Ended 30 June 2015

## 26 Disclosures on Directors and Other Key Management Personnel (cont'd)

## (b) Loans to Directors and other Key Management Persons (KMP)

	2015	2014
	\$	\$
Aggregate value of loans at balance date	1,892,304	1,044,714
Aggregate value of loans disbursed - Term loans	<u>832,920</u>	578,560
Total value of overdraft facilities at balance date	77,000	71,000
Less: amounts drawn down:	<u>(22,204)</u>	(16,650)
<b>Net balance available</b>	<u>54,796</u>	54,350
Aggregate value of overdraft facility limits granted or increased	6,000	5,000
Interest earned on loans and overdraft facilities	74,498	49,287
Amounts written off through profit and loss	-	28

NICU's policy for lending to directors and management is that all loans are approved and deposits accepted on the same terms and conditions which applied to Members for each class of loan or deposit with the exception of loans to KMP who are not directors.

There are no loans which are impaired in relation to the loan balances with KMPs. KMP who are not Directors receive a concessional rate of interest on their loans and facilities, which is based on the benchmark rate set for fringe benefits tax.

There are no benefits or concessional terms and conditions applicable to the close family members of the KMP. There are no loans which are impaired in relation to the loan balances with close family relatives of Directors and KMP.

## (c) Other transactions between related parties including deposits from KMP are:

Total value term and savings deposits from KMP	3,116,278	1,793,398
Total Interest paid on deposits to KMP	<u>58,026</u>	50,176

The policy of NICU for receiving deposits from related parties is that all transactions are approved and accepted on the same terms and conditions which applied to Members for each type of deposit, with the exception of interest on Term Deposits. Memberships in the name of KMP and/or their spouses but excluding Directors memberships, superannuation funds and company memberships are given 0.25% per annum above the applicable standard rate offered on Term Deposits invested with NICU.



## Notes to the Financial Statements

For the Year Ended 30 June 2015

### 27 Interests in Subsidiaries

The Parent Entity is Northern Inland Credit Union Ltd. Particulars in relation to controlled entities:

	Principal place of business / Country of Incorporation	Percentage Owned (%)	Percentage Owned (%)*
		2015	2014
<b>Subsidiaries:</b>			
Northern Inland Investment Group Pty Ltd	Australia	100	100
Northern Inland Investment Services Pty Ltd	Australia	59	59

Northern Inland Investment Group Pty Ltd is the sole unit holder in the Northern Inland Investment Trust for which Northern Inland Credit Union Ltd is the trustee.

The Northern Inland Investment Trust has a 59% (2014 - 59%) ownership interest in the Northern Inland Investment Services Pty Ltd.

### 28 Outsourcing arrangements

NICU has arrangements with other organisations to facilitate the supply of services to Members:

- a) Credit Union Services Corporation (Australia) Limited (CUSCAL): CUSCAL is an Approved Deposit Taking Institution registered under the Corporations Act 2001 and the Banking Act. NICU has equity in the company. This organisation:
  - i. Provides the license rights to VISA Card in Australia and supplies services in the form of settlement with other institutions for ATM and VISA card transactions, cheque and direct entry transactions, as well as the production of VISA and Redicards for use by Members.
  - ii. Operates the computer network, including switching used to link Redicards and VISA cards operated through RediATMs and other approved ATM providers to NICU's computer systems.
  - iii. Provides treasury and money market facilities to NICU. NICU invests a part of its liquid assets with CUSCAL to comply with the Liquidity Support Scheme requirements. NICU has also established its borrowing facilities with CUSCAL.
- b) TransActions Solutions Limited: this company operates the computer facility on behalf of NICU in conjunction with other credit unions. NICU has a management contract with the Bureau to supply computer support staff and services to meet the day-to-day needs of NICU and compliance with relevant Prudential Standards.
- c) Ultradata Australia Pty Limited: this company provides and maintains the application software utilised by NICU.

### 29 Superannuation liabilities

NICU contributes to various superannuation plans for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of employees. The plans are administered by independent corporate trustees.

NICU has no interest in the superannuation plans (other than as a contributor) and is not liable for the performance of the plans, or the obligations of the plans.

## Notes to the Financial Statements

For the Year Ended 30 June 2015

	Consolidated Group		Northern Inland Credit Union Ltd	
	2015	2014	2015	2014
	\$	\$	\$	\$
<b>30 Segmental reporting</b>				
The consolidated group operates predominantly in the retail financial services industry within Australia. The operations comprise the acceptance of deposits from and the making of loans to Members.				
<b>31 Cash flow information</b>				
<b>(a) Reconciliation of net profit/(loss) after tax to cash flows from operating activities</b>				
Operating Profit after income tax	1,090,527	910,411	883,926	865,684
Non-cash flows:				
- amortised fees on loans	89,750	73,787	89,750	73,787
- amortisation of intangible assets	19,623	8,126	19,623	8,126
- depreciation expense	423,494	408,036	374,256	359,731
- loss on disposal of fixed assets	2,184	11,448	2,184	11,448
- provision for loan impairment	60,909	2,087	60,909	2,087
- employee entitlements	33,753	32,617	77,587	17,828
Changes in Assets and Liabilities				
- provision for income tax	33,365	345,091	6,056	373,699
- creditors and accruals	(319,269)	425,699	(301,320)	386,031
- interest payable	46,291	(184,114)	46,291	(184,114)
- interest receivable	204,159	178,498	216,418	152,085
- prepayments	(92,157)	(42,786)	(73,107)	(42,221)
- deferred tax assets	(45,594)	(2,736)	(54,196)	2,233
Net cashflow from operating activities	1,547,035	2,166,164	1,348,377	2,026,404
<b>(b) Reconciliation of cash</b>				
Cash includes cash on hand, and deposits at call with other financial institutions and comprises:				
Cash on hand	1,898,943	1,658,047	1,898,743	1,657,847
Deposits at call	8,319,644	7,164,292	8,057,669	6,428,227
	10,218,587	8,822,339	9,956,412	8,086,074

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2015**

### **32 Company Details**

The registered office of the credit union is:

Northern Inland Credit Union Limited  
481 Peel Street  
Tamworth NSW 2340

The principal places of business is:

481 Peel Street  
Tamworth NSW 2340

#### **General information**

Branches:

481 Peel Street Tamworth  
Shop 22 Shoppingworld Tamworth  
73 Maitland Street Narrabri  
252 Conadilly Street Gunnedah

### **33 Heads of Department Information**

**Derek McIntyre, Chief Executive Officer:** Northern Inland employee since 1996. Within the broad guidelines as set by the Board of Directors, the CEO is responsible for the direction of business and its overall development and growth, and coordination and management of the Heads of Department. Derek's background with Northern Inland has been in the areas of marketing, operations, IT and product development, having held the roles of Marketing Manager, Senior Manager Operations, Executive Manager Operations, and General Manager Retail Service. Derek is a Nominated Responsible Officer for Northern Inland's Australian Financial Services Licence and Australian Credit Licence.

Academic record:

2009: **Graduate Certificate Applied Finance**, Kaplan  
2008: **Diploma**, Australian Institute of Company Directors  
2007: **Master of Science (Direct & Interactive Marketing)**, Mercy College, New York  
2002: **Master of eBusiness**, University of Southern Queensland  
**Tier 2 Certification**, Institute of Financial Services Inc.  
1999: **Graduate Certificate Internet Marketing**, Charles Sturt University  
1997: **Bachelor of Commerce**, University of New England

**Kathy Beavan, Chief Financial Officer:** Northern Inland employee since 1998. The CFO is responsible for the direction of business and overall development and growth in nominated specific areas, managing capital, operating income and expenditure budgets and forecasts. Kathy's experience in finance and accounting with Northern Inland has encompassed the roles of Manager Finance & Administration, and Executive Manager Finance. Kathy is a Nominated Responsible Officer for Northern Inland's Australian Financial Services Licence.

Academic record:

2013: **Master of Applied Finance**, Charles Sturt University  
2011: **Company Directors Course**, Australian Institute of Company Directors, Sydney  
2008: **CPA accreditation**  
2004: **Graduate Diploma of Personal Financial Planning**, University of Southern Queensland  
2003: **Tier 2 Certification**, Institute of Financial Services Inc.  
2002: **Bachelor of Business (Accounting)**, Charles Sturt University.  
1996: **Certificate IV in Finance and Banking**, IFS Inc  
1995: **Advanced Certificate in Finance and Banking**, IFS Inc

## Notes to the Financial Statements

For the Year Ended 30 June 2015

### 33 Heads of Department Information Cont'd

**Anna Clark, Head of Compliance & Risk:** Northern Inland employee since 2002. Anna's background with Northern Inland has included the positions of Solicitor & Compliance Manager, and Executive Manager Compliance, HR & Training. Responsible for compliance and regulatory areas, she acts in the roles of Privacy Officer, Grievance Officer, Complaints Officer, Company Secretary and Chief Risk Officer. Anna is a Nominated Responsible Officer for Northern Inland's Australian Financial Services Licence.

Academic record:

- 2015: **Diploma of Management**, Institute of Financial Services Inc
- 2014: **First Aid recertification**, NSW Rural Fire Service
- 2011: **First Aid Certificate**, NSW Rural Fire Service  
**Certificate 4 Frontline Management**, Institute of Financial Services Inc  
**Company Directors Course**, Australian Institute of Company Directors, Sydney
- 2010: **Certificate 4 Financial Services**, Institute of Financial Services Inc
- 2002: **Tier 2 Certification**, Institute of Financial Services Inc.
- 1997: **Admission to Practice as Legal Practitioner**, Supreme Court, New South Wales
- 1996: **Accreditation with College of Law**, St Leonards NSW
- 1995: **Bachelor of Law with Bachelor of Arts (Anthropology)**, Macquarie University

**David Cook, Head of Operations & Marketing:** Northern Inland employee since 2012. David has a background in tertiary lecturing in marketing and strategic planning including some international speaking appointments, and 30 years in the finance industry across retail, commercial and agriculture lending and banking, and served 2 years on the Technology Council of Asia. David oversees the projects and management of the IT, operations and marketing teams, with a view to implementing and maintaining innovative technologies and systems.

Academic record:

- 2002: **Tier 2 Certification**, via CMG.
- 1998: **MBA Marketing**, UNE
- 1985: **Bachelor of Economics**, UNE

**Mary Ryan Garnett, Head of Sales & Retail Distribution:** Northern Inland employee since 2014. Responsible for the delivery of products and services to Members via the branch network and Contact Centre, Mary champions a consistently high degree of customer service with a focus on personalised attention.

Academic record:

- 2011: **Associate Certificate**, Australian Applied Management Colloquium
- 2010: **Lean Six Sigma (Project Management)**, UTS
- 2002: **Certificate IV Human Resources**, TAFE
- 2000: **Diploma of Business Management and Leadership**, TAFE
- 1999: **Certificate IV Leadership**, TAFE

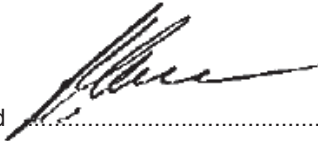
## Directors' Declaration

The directors of NICU declare that:

1. the financial statements and notes for the year ended 30 June 2015 are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position and performance of NICU and consolidated group;
2. In the directors' opinion, there are reasonable grounds to believe that NICU will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Chairman of Board .....



Dated

6.10.15

## Northern Inland Credit Union Limited

ABN: 36 087 650 422

# Independent Audit Report to the Members of Northern Inland Credit Union Limited

## Report on the Financial Report

We have audited the accompanying financial report of Northern Inland Credit Union Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of NICU and the consolidated entity.

### *Directors' Responsibility for the Financial Report*

The directors of NICU 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's Responsibility*

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

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

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Northern Inland Credit Union Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

PKF(NS) Audit & Assurance Limited  
Partnership  
ABN 91 850 861 839

Liability limited by a scheme  
approved under Professional  
Standards Legislation

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**Northern Inland Credit Union Limited**

ABN: 36 087 650 422

**Independent Audit Report to the Members of Northern Inland Credit Union Limited**

*Opinion*

In our opinion:

- (a) the financial report of Northern Inland Credit Union Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note 1.



**PKF**  
Chartered Accountants



**SCOTT TOBUTT**  
Partner

Date: 7 October 2015