

Annual Report

For the Year Ended 30 June 2016



Northern Inland
CREDIT UNION

ABN 36 087 650 422

Northern Inland Credit Union Limited

ABN: 36 087 650 422

Financial Statements

For the Year Ended 30 June 2016

Northern Inland Credit Union Limited

ABN: 36 087 650 422

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Northern Inland Credit Union Limited

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Chair & Chief Executive Officer's Report 30 June 2016

The Northern Inland Group has had another good year in a challenging, low interest rate environment and has finished the year with a solid result, which again has left us in a credible and sound financial position. The Group reported an after tax profit of \$756,068.

Our members' appetite for credit has been maintained, with a 7.5% growth in loans, and loan balances at a record \$194,013,055. This increase is also in keeping with our commitment to responsible lending and is reflected in our bad and doubtful debt levels of 0.04%, which is well below the industry average.

Total deposit balances increased by 2.7% (\$5.56 million) during the year, with total liquidity being 20.14%, which is well above regulatory requirements. This was also a reflection of the current economic climate of increased savings amongst Members.

The Group Reserves to Total Assets Ratio at 13.28% is above the target ratio as outlined in our Strategic Plan. The Return on Assets was 0.30%. The strengthening Balance Sheet has improved our ratios well in excess of prudential requirements. In particular, our Capital Adequacy Ratio finished the year at 21.10%. Total assets increased by 2.6% to reach \$251.15 million by year end.

As we all know, the financial services industry is going through enormous change at present due to the digitisation of many products and services. In the past 12 months, Northern Inland has focused on the implementation of its digital strategy – putting systems and access facilities in place that meet our Members' needs for convenience, reliability and 'bank anywhere, anytime' preferences. This has been a large investment for us and it is a long term strategy that will see us in good stead into the future. The implementation of this project has reduced our profitability this year, with the additional expenses being taken up in this financial year. However, Members will start to see the benefits of this new strategy towards the end of the next financial year with the addition of many new and convenient services delivered from Northern Inland.

At our branches, Members can now conduct their deposits, withdrawals and transfers without having to complete any forms – a simple swipe of their card means less time out of their busy day. Our new SmartPay app for Android phones is now available, with other platforms to follow shortly. We are now focused on ensuring our mobile and website pages configure to the preferences of each individual Member, which should make these systems even easier to use. Our new state of the art telephone system has just been installed that will provide Members with additional services and convenience over the coming months. All of our ATMs were replaced this year and Members would have noticed the new and convenient touch screen functionality.

Northern Inland 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. In 2015-2016 we provided support by way of major sponsorships to Tamworth Gymnastics Club, Tamworth Cycle Club, Tamworth Carols in the Park, West Tamworth Sports and Bowling Club, and Tamworth Cricket Association. In Gunnedah we supported the Gunnedah Campdraft and the Gunnedah Eisteddfod for 2016. In Narrabri we made contributions to Narrabri Meals on Wheels, Narrabri Arts Eisteddfod for 2016, Riding for the Disabled, and Narrabri Swim Club.

This year our Directors spent many hours in training sessions to maintain their knowledge and skills with respect to Northern Inland's risk management systems and strategic planning. This was in addition to the many meetings, and time spent reviewing reports and an exhausting amount of reading material to keep them abreast of industry trends and regulatory developments. The way in which our Directors fulfil their governance responsibilities, both in dedication and in good humour, ensures the tone of our corporate culture is set from the top. We thank them for their efforts.

We extend our thanks to our team of hard-working staff, many of whom have been with us for over two decades. Northern Inland employees remain committed to providing an exceptional level of customer service which seeks to exceed the expectations of our Members, and we congratulate and thank them all for a great year's work.

Our appreciation for our Members and our focus on their needs and preferences is something that we constantly come back to at our management and director meetings. We are very fortunate to have up to four generations of families that continue to bank with us, and to have foundation Members who refer new Members to us. We pride ourselves on providing something a little different, and a bit special, in the personalised individual attention we deliver in our customer service. If you are pleased with us and what we do, please let others know: your personal recommendation to your friends, family and colleagues is by far our best advertising.



Barry Pratten
Chair of Directors



Derek McIntyre
Chief Executive Officer

Northern Inland Credit Union Limited

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Directors' Report

30 June 2016

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 2016.

1. General information

Directors

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

Names	Position
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

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Directors' Report

30 June 2016

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 Audit Committee (from 1 December 2015); Member of ALCO Committee; Member of Board Risk Committee (from 1 December 2015); 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 Audit Committee (from 1 December 2015); Member of Board Risk Committee (from 1 December 2015); Member of Board Nomination Committee
Occupation	Retired

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 Audit Committee (from 1 December 2015); Member of Board Risk Committee (from 1 December 2015); 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

Northern Inland Credit Union Limited

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Directors' Report

30 June 2016

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
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; Member of Board Risk Committee (from 1 December 2015)
Occupation	Administration 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 Group amounted to \$ 756,068 (2015: \$ 1,035,302).

Directors' Report

30 June 2016

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.

Northern Inland Credit Union Limited

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Directors' Report

30 June 2016

Meetings of directors

During the financial year, 43 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	6	6	-	-	-	-
Colin Bryant	12	11	6	6	-	-	-	-
Robert Carrington	12	11	12	11	-	-	1	1
Geoffrey Harris	12	12	6	6	-	-	-	-
Charles McCarthy	12	11	12	11	-	-	-	-
Wayne Riggien	12	11	12	11	-	-	-	-
David Winnick	12	12	12	12	-	-	-	-

	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	2	2	4	3	-	-
Robert Studte	12	12	2	2	4	4	-	-
John Cooke	6	6	1	1	4	3	-	-
Colin Bryant	6	6	1	1	2	2	-	-
Robert Carrington	12	11	-	-	-	-	-	-
Geoffrey Harris	6	6	2	2	4	4	-	-
Charles McCarthy	12	11	-	-	4	4	-	-
Wayne Riggien	12	11	-	-	4	2	-	-
David Winnick	6	6	-	-	-	-	-	-

Directors' Report

30 June 2016

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.

Disclosure of Prudential Information


NICU is an Authorised Deposit-taking institution regulated by the Australian Prudential Regulation Authority (APRA). As a result of this regulation, NICU is required to comply with Australian Prudential Standards (APS) released by APRA. APS 330 Public Disclosure requires NICU to disclose information regarding its composition of regulatory capital base and risk exposures and a reconciliation of the balance sheet in the financial statements to the balance sheet prepared under the regulatory scope of consolidation. Please refer to the "Disclosure Documents - Regulatory Disclosures" section of NICU's website for further information.

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 2016 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 4 October 2016

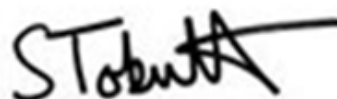
Auditors Independence Declaration under Section 307C of the Corporations Act 2001 To the Directors of Northern Inland Credit Union Limited and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, there have been:

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



PKF
Chartered Accountants
Date 4 October 2016
Sydney, NSW



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 2016

	Note	Consolidated Group		Northern Inland Credit Union Ltd	
		2016	2015	2016	2015
		\$	\$	\$	\$
Interest income	3(a)	11,761,115	12,078,726	11,735,790	12,053,599
Interest expense	3(c)	(3,189,140)	(3,838,721)	(3,189,140)	(3,838,721)
Net interest income		8,571,975	8,240,005	8,546,650	8,214,878
Fee commission and other income	3(b)	2,367,203	2,475,639	1,742,280	1,792,160
		10,939,178	10,715,644	10,288,930	10,007,038
Non interest expenses					
Impairment losses on loans to members	3(d)	(78,351)	(60,908)	(78,351)	(60,908)
General administration					
Employees compensation and benefits	3(g)	(4,749,972)	(4,365,764)	(4,382,269)	(4,102,546)
Depreciation and amortisation expense	3(e)	(437,653)	(443,117)	(388,318)	(393,879)
Occupancy expense	3(f)	(444,762)	(442,007)	(388,359)	(389,187)
Other operating expenses	3(f)	(4,158,818)	(3,984,882)	(4,082,178)	(3,932,782)
Total non interest expenses		(9,869,556)	(9,296,678)	(9,319,475)	(8,879,302)
Profit before income tax		1,069,622	1,418,966	969,455	1,127,736
Income tax expense	4	(295,637)	(328,439)	(265,587)	(243,810)
Profit for the year after income tax		773,985	1,090,527	703,868	883,926
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the year		773,985	1,090,527	703,868	883,926
Profit attributable to:					
Members of the parent entity		756,068	1,035,302	703,868	883,926
Non-controlling interest		17,917	55,225	-	-
		773,985	1,090,527	703,868	883,926

The accompanying notes form part of these financial statements.

Northern Inland Credit Union Limited

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Statement of Financial Position

30 June 2016

	Note	Consolidated Group		Northern Inland Credit Union Ltd	
		2016	2015	2016	2015
		\$	\$	\$	\$
ASSETS					
Cash assets	5	8,546,961	10,218,587	8,278,502	9,956,412
Liquid investments	6	40,636,251	45,842,927	40,036,251	45,242,927
Receivables	7	289,240	460,290	229,514	401,164
Loans to members	8, 9	194,013,055	180,498,208	194,013,055	180,498,208
Available for sale equity investments	10	656,919	616,919	656,920	616,920
Property, plant and equipment	11	2,372,289	2,361,343	2,366,662	2,353,632
Investment property	12	2,284,788	2,330,589	-	-
Deferred tax assets	13	662,130	618,596	619,240	581,503
Intangible assets	14	1,215,800	1,327,191	165,315	276,638
Other assets	15	473,273	408,183	463,637	385,394
TOTAL ASSETS		251,150,706	244,682,833	246,829,096	240,312,798
LIABILITIES					
Deposits from members	16	213,379,176	207,818,800	213,755,839	208,098,099
Creditor accrual & settlement accounts	17	2,302,567	2,118,396	2,270,302	2,093,754
Current taxation liabilities	19	32,799	162,396	38,993	127,563
Provisions	18	1,538,162	1,459,222	1,514,659	1,447,947
TOTAL LIABILITIES		217,252,704	211,558,814	217,579,793	211,767,363
NET ASSETS		33,898,002	33,124,019	29,249,303	28,545,435
MEMBERS' EQUITY					
Reserves	20	33,352,907	32,596,839	29,249,303	28,545,435
Total equity attributable to equity holders of the Credit Union		33,352,907	32,596,839	29,249,303	28,545,435
Non-controlling interest		545,095	527,180	-	-
TOTAL MEMBER'S EQUITY		33,898,002	33,124,019	29,249,303	28,545,435

The accompanying notes form part of these financial statements.

Northern Inland Credit Union Limited

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Statement of Changes in Equity For the Year Ended 30 June 2016

	Consolidated Group				
	Retained Earnings	General Reserves	Reserve for Credit Losses	Other Reserves	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2015	-	31,556,143	750,000	290,696	32,596,839
Profit for the year	756,068	-	-	-	756,068
Transfers to/(from) reserves	(756,068)	691,662	50,000	14,406	-
Balance at 30 June 2016	-	32,247,805	800,000	305,102	33,352,907
Balance at 1 July 2014	-	30,582,927	700,000	278,610	31,561,537
Profit for the year	1,035,302	-	-	-	1,035,302
Transfers to/(from) reserves	(1,035,302)	973,216	50,000	12,086	-
Balance at 30 June 2015	-	31,556,143	750,000	290,696	32,596,839

	Northern Inland Credit Union Ltd				
	Retained Earnings	General Reserves	Reserve for Credit Losses	Other Reserves	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2015	-	27,504,739	750,000	290,696	28,545,435
Profit for the year	703,868	-	-	-	703,868
Transfers to/(from) reserves	(703,868)	639,462	50,000	14,406	-
Balance at 30 June 2016	-	28,144,201	800,000	305,102	29,249,303
Balance at 1 July 2014	-	26,682,899	700,000	278,610	27,661,509
Profit for the year	883,926	-	-	-	883,926
Transfers to/(from) reserves	(883,926)	821,840	50,000	12,086	-
Balance at 30 June 2015	-	27,504,739	750,000	290,696	28,545,435

The accompanying notes form part of these financial statements.

Northern Inland Credit Union Limited

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Statement of Cash Flows For the Year Ended 30 June 2016

	Consolidated Group		Northern Inland Credit Union Ltd	
	2016	2015	2016	2015
Note	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:				
Interest received	11,773,811	12,153,807	11,737,190	12,140,939
Fees and commissions	2,629,751	2,746,763	1,938,472	1,990,873
Dividends	87,396	87,396	87,396	87,396
Interest paid	(3,410,348)	(3,792,430)	(3,410,348)	(3,792,430)
Payment to suppliers and employees	(8,873,884)	(9,307,833)	(8,332,303)	(8,796,708)
Income taxes paid	(468,767)	(340,668)	(404,994)	(281,693)
Net cash from/(used in) revenue activities	31(a) 1,737,959	1,547,035	1,615,413	1,348,377
Net increase/(decrease) in member deposits and shares	5,492,744	13,842,360	5,601,754	13,911,038
Net (increase)/decrease in deposits to other financial institutions	5,041,606	8,847,927	5,041,606	9,447,927
Net (increase)/decrease in member loans	(13,644,959)	(22,733,173)	(13,644,959)	(22,733,173)
Net cash provided by/(used in) operating activities	(1,372,650)	1,504,149	(1,386,186)	1,974,169
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds on sale of property, plant and equipment	128	-	128	-
Purchase of intangible assets	(54,096)	(40,199)	(54,096)	(40,199)
Purchase of property, plant and equipment	(245,009)	(67,702)	(243,625)	(67,484)
Net cash used by investing activities	(298,977)	(107,901)	(297,593)	(107,683)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayment of loan	-	-	5,869	3,852
Net cash used by financing activities	-	-	5,869	3,852
Net increase/(decrease) in cash and cash equivalents held	(1,671,627)	1,396,248	(1,677,910)	1,870,338
Cash at beginning of year	10,218,587	8,822,339	9,956,412	8,086,074
Cash at end of financial year	31(b) 8,546,960	10,218,587	8,278,502	9,956,412

The accompanying notes form part of these financial statements.

Northern Inland Credit Union Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2016

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 4 October 2016 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 2016

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.

Notes to the Financial Statements

For the Year Ended 30 June 2016

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

(e). Income Tax (cont'd)

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 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 2016

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 2016

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 2016

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 5 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:

Fixed asset class	Useful life
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 2016

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.

(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).

Notes to the Financial Statements

For the Year Ended 30 June 2016

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

(t). Redeemable Preference Shares (cont'd)

(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 Credit Union'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.

(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.

Notes to the Financial Statements

For the Year Ended 30 June 2016

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

(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). Financial instruments

Financial assets at fair value through profit or loss

Assets included within this category are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or expenses in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

(aa). 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 2016

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

(ab). 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 entity	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 and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting. Changes to the classification and measurement requirements for financial assets and financial liabilities.</p> <p>The key changes that may affect the Group 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 the entity 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>	Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

Notes to the Financial Statements
For the Year Ended 30 June 2016

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

(ab). Accounting standards issued but not yet effective (cont'd)

Standard Name	Effective date for entity	Requirements	Impact
AASB 16 Leases	1 January 2019	The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases	Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Notes to the Financial Statements

For the Year Ended 30 June 2016

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

(ab). Accounting standards issued but not yet effective (cont'd)

Standard Name	Effective date for entity	Requirements	Impact
AASB 15: Revenue from Contracts with Customers	30 June 2018	<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 an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity 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"> - identify the contract(s) with a customer; - identify the performance obligations in the contract(s); - determine the transaction price; - allocate the transaction price to the performance obligations in the contract(s); and - recognise revenue when (or as) the performance obligations are satisfied. <p>This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.</p>	Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Notes to the Financial Statements

For the Year Ended 30 June 2016

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

(ac). 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 2016

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 meets monthly 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 2016

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:

VaR	2016	2015
\$ value	170,217	268,882
% of Capital	0.61%	0.99%

NICU is therefore 99% confident that, given the risks as at 30 June 2016, 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 2016

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	
	2016	2015	2016	2015
	%	%	%	%
APRA				
MLH Ratio – 30 June	13.33	15.31	13.24	15.23
Minimum during the year	12.87	14.56	12.78	14.27

(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.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2. Financial Risk Management (cont'd)

(i) Credit risk – Loans

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

	Carrying value \$	Off balance sheet \$	Max exposure \$
2016			
Mortgages	168,385,570	16,645,745	185,031,315
Personal	11,026,525	690,098	11,716,623
Overdrafts	1,919,781	3,662,705	5,582,486
Total to natural persons	181,331,876	20,998,548	202,330,424
Corporate borrowers	13,022,354	2,744,965	15,767,319
Total	194,354,230	23,743,513	218,097,743
2015			
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
Total to natural persons	167,093,741	23,268,841	190,362,582
Corporate borrowers	13,693,881	2,196,556	15,890,437
Total	180,787,622	25,465,397	206,253,019

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.

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;

Notes to the Financial Statements

For the Year Ended 30 June 2016

2. Financial Risk Management (cont'd)

- Reassessment and review of the credit exposures on loans and facilities;
- 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 loan 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 2016

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 2016

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	
	2016	2015	2016	2015
	\$	\$	\$	\$
Investments with:				
CUSCAL – rated A+/A-1	8,769,086	10,026,921	8,769,086	10,026,921
Financial institutions - rated AA- and above	3,546,507	5,458,288	3,536,945	5,195,784
Financial institutions - rated from BBB- to < AA-	26,056,976	37,050,262	25,195,319	36,436,533
Unrated institutions - Credit Unions/Mutual Banks	8,542,373	2,017,885	8,542,373	2,017,885
	46,914,942	54,553,356	46,043,723	53,677,123

Notes to the Financial Statements

For the Year Ended 30 June 2016

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 2016

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	
	2016	2015	2016	2015
	\$	\$	\$	\$
Tier 1 Common Equity				
General reserves	31,914,222	30,850,862	27,862,817	26,950,836
Current years earnings	756,068	1,035,301	703,866	883,926
	32,670,290	31,886,163	28,566,683	27,834,762
Less deductions	(2,534,874)	(2,562,705)	(1,441,474)	(1,475,059)
Net Tier 1 capital	30,135,416	29,323,458	27,125,209	26,359,703
Tier 2				
General reserve for credit losses	800,000	750,000	800,000	750,000
Less deductions	-	-	-	-
Net Tier 2 capital	800,000	750,000	800,000	750,000
Total capital	30,935,416	30,073,458	27,925,209	27,109,703

Notes to the Financial Statements

For the Year Ended 30 June 2016

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	2,477,273	-	2,477,073	-
Deposits in highly rated ADIs	20	17,113,485	3,422,697	16,844,738	3,368,948
Deposits in less highly rated ADIs	50	29,801,457	14,900,729	29,198,984	14,599,492
Standard/non-standard loans secured against eligible residential mortgages up to 80% LVR	35-75	162,619,327	74,562,073	162,619,327	74,562,073
Standard/non-standard loans secured against eligible residential mortgages over 80% LVR	50-100	14,924,503	7,178,493	14,924,503	7,178,493
Past due claims	100	72,155	72,155	72,155	72,155
Other assets	0-40	21,607,655	21,510,909	19,250,843	19,154,100
Total commitments undrawn		248,615,855	121,647,056	245,387,623	118,935,261

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

	2016	2015	2014	2013	2012
	%	%	%	%	%
Consolidated Group	21.10	20.43	20.80	21.29	20.81
Northern Inland	19.61	18.94	19.32	20.06	19.58

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 2016

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:

	Amount
	\$
Consolidated Group - Operational Risk Capital	15,096,678
Northern Inland – Operational Risk capital	13,638,730

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 Financial 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 2016

	Consolidated Group		Northern Inland Credit Union Ltd	
	2016	2015	2016	2015
	\$	\$	\$	\$
3. Statement of Profit or Loss				
(a). Interest income				
Cash - deposits at call	1,458	4,073	1,458	4,073
Deposits with other financial institutions	1,422,426	1,971,239	1,397,101	1,946,112
Loans and advances	10,337,231	10,103,414	10,337,231	10,103,414
Total interest income	11,761,115	12,078,726	11,735,790	12,053,599
(b). Fees, commissions and other income				
Fees and commissions				
Fee income on loans - other than loan origination fees	223,225	275,421	223,225	275,421
Fee income from member deposit	1,365,479	1,473,971	958,438	1,046,651
Insurance commissions	171,846	185,679	171,846	185,679
Other commissions	127,597	108,922	9,024	7,853
	1,888,147	2,043,993	1,362,533	1,515,604
Other income				
Dividend received on available for sale assets	87,396	87,396	87,396	87,396
Bad debts recovered	13,099	8,063	13,099	8,063
Income from property (rental income)	176,187	233,463	70,988	70,955
Miscellaneous revenue	202,374	102,725	208,264	110,143
	2,367,203	2,475,640	1,742,280	1,792,161
(c). Interest expense				
Short term borrowings	2,975	4,239	2,975	4,239
Deposits from Members	3,186,165	3,834,482	3,186,165	3,834,482
	3,189,140	3,838,721	3,189,140	3,838,721

Notes to the Financial Statements
For the Year Ended 30 June 2016

(d). Impairment losses

	Consolidated Group		Northern Inland Credit Union Ltd	
	2016	2015	2016	2015
	\$	\$	\$	\$
Loans and advances				
Increase in provision for impairment	24,965	19,926	24,965	19,926
Bad debts written off directly against profit	53,386	40,982	53,386	40,982
	78,351	60,908	78,351	60,908

(e). Depreciation and amortisation expenses

Depreciation				
Buildings	103,364	103,363	56,182	56,261
Plant and equipment	150,792	150,701	148,706	148,631
Leasehold improvements	19,521	19,623	19,521	19,623
Amortisation				
Computer software	163,488	168,941	163,421	168,874
Other	488	489	488	489
	437,653	443,117	388,318	393,878

Notes to the Financial Statements

For the Year Ended 30 June 2016

	Consolidated Group		Northern Inland Credit Union Ltd	
	2016	2015	2016	2015
	\$	\$	\$	\$
(f). Other expenses				
Occupancy costs				
Property operating lease payments	266,232	266,915	266,232	266,915
Other occupancy costs	178,530	175,092	122,127	122,272
	444,762	442,007	388,359	389,187
Other operating expenses				
Audit and review of financial statements				
Auditors of NICU - PKF	69,000	69,050	69,000	69,050
	69,000	69,050	69,000	69,050
Other services				
Taxation services - Auditors of NICU - PKF	7,200	4,500	7,200	4,500
Other services - PKF	2,150	5,100	2,150	5,100
	9,350	9,600	9,350	9,600
Loss on disposal of assets	7,642	2,184	7,642	2,184
Supervision levy paid to APRA	11,225	10,473	11,225	10,473
Other operating expenses	4,061,601	3,893,575	3,984,961	3,832,475
	4,158,818	3,984,882	4,082,178	3,932,782
(g). Employee costs				
Net movement in provisions for annual leave	13,691	(16,810)	3,954	(7,224)
Net movement in provisions for long service leave	59,733	28,446	57,181	62,694
Net movement in provisions for sick leave	5,578	22,118	5,578	22,118
Other personnel costs	4,670,970	4,332,011	4,315,556	4,024,959
	4,749,972	4,365,765	4,382,269	4,102,547

Notes to the Financial Statements

For the Year Ended 30 June 2016

	Consolidated Group		Northern Inland Credit Union Ltd	
	2016	2015	2016	2015
	\$	\$	\$	\$
4. Income Tax Expense				
Current income tax expense	376,627	480,650	340,779	404,699
Less franking credit	(37,455)	(37,454)	(37,455)	(37,455)
Under/(over) provision for income tax in prior year	-	(69,163)	-	(69,238)
Decrease/(increase) in deferred tax asset	(43,535)	(45,594)	(37,737)	(54,196)
Total income tax expense	295,637	328,439	265,587	243,810
(a). Reconciliation of income tax to accounting profit:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2015: 30%)				
- Consolidated Group	320,885	425,690	-	-
- Parent entity	-	-	290,836	338,321
- Other members of the income tax consolidated group	-	-	30,050	29,228
	320,885	425,690	320,886	367,549
Add:				
Tax effect of:				
- under/(over) provision for income tax in prior year	-	(71,979)	-	(69,239)
- Franking credit adjustment	(26,218)	(26,218)	(26,218)	(26,218)
- Other non-deductible expenses	968	946	968	946
Income tax attributable to operating profit	295,635	328,439	295,636	273,038
Allocation of income tax expense to wholly owned subsidiary and unit trust under tax sharing arrangement	-	-	(30,050)	(29,228)
Income tax attributable to group	295,635	328,439	265,586	243,810
5. Cash and cash equivalents				
Cash on hand	2,477,273	1,898,943	2,477,073	1,898,743
Deposits at call	6,069,688	8,319,644	5,801,429	8,057,669
	8,546,961	10,218,587	8,278,502	9,956,412

Notes to the Financial Statements

For the Year Ended 30 June 2016

6. Liquid investments

	Consolidated Group		Northern Inland Credit Union Ltd	
	2016	2015	2016	2015
	\$	\$	\$	\$
Investments at fair value				
Negotiable Certificate of Deposits	6,941,304	10,385,676	6,941,304	10,385,676
Floating Rate Notes	17,076,911	16,206,985	17,076,911	16,206,985
	24,018,215	26,592,661	24,018,215	26,592,661
Investments at amortised cost				
Receivables(a)				
Term Deposits	16,618,036	19,250,266	16,018,036	18,650,266
Total liquid investments	40,636,251	45,842,927	40,036,251	45,242,927
(a) Dissection of receivables				
Deposits with other societies	10,500,000	6,500,000	10,500,000	6,500,000
Deposits with banks	6,118,036	12,750,266	5,518,036	12,150,266
	16,618,036	19,250,266	16,018,036	18,650,266
7. Receivables				
Interest receivable on deposits with other financial institutions	209,004	390,785	206,042	376,527
Sundry debtors and accrued income	80,236	69,505	23,472	24,637
	289,240	460,290	229,514	401,164

Notes to the Financial Statements
For the Year Ended 30 June 2016

	Consolidated Group		Northern Inland Credit Union Ltd	
	2016	2015	2016	2015
	\$	\$	\$	\$
8. Loans and advances				
(a). Amounts due comprise:				
Overdrafts and revolving credit	3,069,812	3,522,575	3,069,812	3,522,575
Term loans	191,346,279	177,301,943	191,346,279	177,301,943
	194,416,091	180,824,518	194,416,091	180,824,518
Less:				
Provision for doubtful debts	(61,861)	(36,897)	(61,861)	(36,897)
	194,354,230	180,787,621	194,354,230	180,787,621
Less:				
Unamortised loan fees	(341,175)	(289,413)	(341,175)	(289,413)
Net loans and advances	194,013,055	180,498,208	194,013,055	180,498,208

(b). Credit quality - security held against loans

Secured by mortgage over real estate	177,610,338	163,295,993	177,610,338	163,295,993
Partly secured by goods mortgage	13,392,005	14,008,667	13,392,005	14,008,667
Wholly unsecured	3,351,887	3,482,961	3,351,887	3,482,961
	194,354,230	180,787,621	194,354,230	180,787,621

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%	162,685,835	149,047,243	162,685,835	149,047,243
- loan to valuation ratio of more than 80% but mortgage insured	13,391,370	12,319,688	13,391,370	12,319,688
- loan to valuation ratio of more than 80% and not mortgage insured	1,533,133	1,929,062	1,533,133	1,929,062
	177,610,338	163,295,993	177,610,338	163,295,993

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

Northern Inland Credit Union Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2016

8. Loans and advances (cont'd)

	Housing \$	Personal \$	Commercial \$	Overdrafts \$	Total \$
2016 Consolidated Group					
Tamworth	67,401,049	5,213,828	5,556,270	1,559,347	79,730,494
Narrabri	46,919,914	2,469,621	3,104,439	521,942	53,015,916
Gunnedah	16,593,461	1,027,347	242,031	207,394	18,070,233
Other Northern NSW	24,315,375	1,756,669	2,285,360	667,273	29,024,677
Other NSW	9,666,405	352,193	701,047	67,960	10,787,605
Other States	3,489,365	206,867	-	29,073	3,725,305
	168,385,569	11,026,525	11,889,147	3,052,989	194,354,230
2015 Consolidated Group					
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
	153,997,795	11,123,975	12,152,973	3,512,878	180,787,621

9. Provision on impaired loans

(a). Total provision comprises

	Consolidated Group		Northern Inland Credit Union Ltd	
	2016 \$	2015 \$	2016 \$	2015 \$
Collective provisions	17,452	7,173	17,452	7,173
Individual specific provisions	44,409	29,724	44,409	29,724
	61,861	36,897	61,861	36,897

Northern Inland Credit Union Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2016

	Consolidated Group		Northern Inland Credit Union Ltd			
	2016	2015	2016	2015		
	\$	\$	\$	\$		
9. Provision on impaired loans (cont'd)						
(b). Movement in the provision for impairment						
Balance at the beginning of the year	36,897	16,971	36,897	16,971		
Transfers from/(to) Statement of Profit or Loss	24,964	19,926	24,964	19,926		
	61,861	36,897	61,861	36,897		
(c). Impaired loans written off						
Bad debts written off directly	53,386	40,982	53,386	40,982		
Bad debts recovered in the period	13,099	8,063	13,099	8,063		
	66,485	49,045	66,485	49,045		
(d). Analysis of loans that are impaired by class						
	2016	2016	2016	2015	2015	2015
	Carrying value	Value of impaired loans	Provision for impairment	Carrying value	Value of impaired loans	Provision for impairment
	\$	\$	\$	\$	\$	\$
Loans to Members:						
- Mortgages	168,385,570	66,508	-	153,997,795	44,875	-
- Personal	11,071,564	61,889	45,038	11,151,175	69,403	27,200
- Overdrafts	1,936,604	26,767	16,823	1,981,667	28,550	9,697
	181,393,738	155,164	61,861	167,130,637	142,828	36,897
Corporate borrowers	13,022,354	-	-	13,693,881	-	-
	194,416,092	155,164	61,861	180,824,518	142,828	36,897

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 2016

9. Provision on impaired loans (cont'd)

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

	2016	2016	2015	2015
	Carrying value	Provision	Carrying value	Provision
	\$	\$	\$	\$
Non impaired up to 30 days	194,216,640	-	180,684,808	-
30 to 90 days in arrears	77,673	30,159	66,904	-
90 to 180 days in arrears	7,452	14,880	44,875	27,200
180 to 270 days in arrears	14,880	-	-	-
270 to 365 days in arrears	66,508	-	-	-
Overlimit facilities	32,939	16,823	27,931	9,697
Total	194,416,092	61,862	180,824,518	36,897

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: 2016: \$0 (2015: \$0).

(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 2016

	Consolidated Group		Northern Inland Credit Union Ltd	
	2016	2015	2016	2015
	\$	\$	\$	\$
10. Available for sale equity investments				
Shares in subsidiaries (Note 27)	-	-	1	1
Shares in unlisted companies (i)	656,919	616,919	656,919	616,919
	656,919	616,919	656,920	616,920
Less: provision for impairment	-	-	-	-
Total investments net of provision	656,919	616,919	656,920	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. NICU is not intending to dispose of these instruments.

Notes to the Financial Statements
For the Year Ended 30 June 2016

11. Property, plant and equipment

	Consolidated Group		Northern Inland Credit Union Ltd	
	2016	2015	2016	2015
	\$	\$	\$	\$
LAND AND BUILDINGS				
Freehold land				
At cost	958,428	958,428	958,428	958,428
Buildings				
At cost	1,525,984	1,510,672	1,525,984	1,510,672
Accumulated depreciation	(789,364)	(729,150)	(789,364)	(729,150)
	736,620	781,522	736,620	781,522
Total land and buildings	1,695,048	1,739,950	1,695,048	1,739,950
PLANT AND EQUIPMENT				
Plant and equipment				
At cost	1,818,711	2,040,084	1,790,100	2,011,473
Accumulated depreciation	(1,285,921)	(1,593,942)	(1,262,937)	(1,573,042)
	532,790	446,142	527,163	438,431
Improvements				
At cost	440,062	455,373	440,062	455,373
Accumulated depreciation	(295,611)	(280,122)	(295,611)	(280,122)
Total improvements	144,451	175,251	144,451	175,251
Total property, plant and equipment	2,372,289	2,361,343	2,366,662	2,353,632

(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
	\$	\$	\$	\$	\$
Consolidated Group					
Year ended 30 June 2016					
Balance at the beginning of year	958,428	781,522	446,142	175,251	2,361,343
Additions	-	15,312	243,626	-	258,938
Disposals	-	-	(6,187)	(11,279)	(17,466)
Depreciation expense	-	(60,214)	(150,791)	(19,521)	(230,526)
Balance at the end of the year	958,428	736,620	532,790	144,451	2,372,289

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Notes to the Financial Statements For the Year Ended 30 June 2016

Consolidated Group		Northern Inland Credit Union Ltd	
2016	2015	2016	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
	\$	\$	\$	\$	\$
Consolidated Group					
Year ended 30 June 2015					
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)
Balance at the end of the year	958,428	781,522	446,142	175,251	2,361,343
Northern Inland Credit Union Ltd					
Year ended 30 June 2016					
Balance at the beginning of year	958,428	781,522	438,431	175,251	2,353,632
Additions	-	15,312	243,625	-	258,937
Disposals	-	-	(6,187)	(11,279)	(17,466)
Depreciation expense	-	(60,214)	(148,706)	(19,521)	(228,441)
Balance at the end of the year	958,428	736,620	527,163	144,451	2,366,662
Year ended 30 June 2015					
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)
Balance at the end of the year	958,428	781,522	438,431	175,251	2,353,632

12. Investment Property

Balance at the beginning of the year	2,330,589	2,377,689	-	-
Depreciation	(45,801)	(47,100)	-	-
Balance at end of the year	2,284,788	2,330,589	-	-

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For the Year Ended 30 June 2016

	Consolidated Group		Northern Inland Credit Union Ltd	
	2016	2015	2016	2015
	\$	\$	\$	\$
13. Deferred tax asset				
Deferred tax asset	662,130	618,596	619,240	581,503
Deferred tax asset comprises:				
- Accrued expenses not deductible	25,423	18,044	22,542	15,524
- Provision for impairment on loans	18,558	11,069	18,558	11,069
- Provisions for staff entitlements	461,447	437,766	454,397	434,384
- Loss on shares	833	833	-	-
- Depreciation on fixed assets	4,669	15,213	(2,423)	9,889
- Other (Bad debts)	23,813	23,813	23,813	23,813
- Deferred fees on loan origination	102,353	86,824	102,353	86,824
- Chocolate Factory CGT loss	25,034	25,034	-	-
	662,130	618,596	619,240	581,503

14. Intangible Assets

	Consolidated Group		Northern Inland Credit Union Ltd	
	2016	2015	2016	2015
	\$	\$	\$	\$
Computer software				
At cost	971,243	919,113	969,710	917,579
Accumulated amortisation	(806,731)	(643,699)	(805,288)	(642,323)
	164,512	275,414	164,422	275,256
Other intangible assets				
Cost	1,055,274	1,055,275	4,879	4,879
Accumulated amortisation and impairment	(3,986)	(3,498)	(3,986)	(3,498)
Net carrying value	1,051,288	1,051,777	893	1,381
Total Intangibles	1,215,800	1,327,191	165,315	276,637

Other intangible assets comprise the acquisition costs of investment portfolios held by the consolidated group - \$1,050,396 (2015: \$1,050,396) and trademarks - \$893 (2015: \$1,381). 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 2016 (2015: \$nil).

Notes to the Financial Statements
For the Year Ended 30 June 2016

14. Intangible Assets (cont'd)

Movement in the assets balances during the year were:

Consolidated Group	Software	Other	Total
	\$	\$	\$
Year ended 30 June 2016			
Balance at the beginning of the year	275,414	1,051,777	1,327,191
Additions	54,095	-	54,095
Disposals	(1,455)	-	(1,455)
Amortisation	(163,543)	(488)	(164,031)
Closing value at 30 June 2016	164,511	1,051,289	1,215,800
Year ended 30 June 2015			
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)
Closing value at 30 June 2015	275,414	1,051,777	1,327,191

Northern Inland Credit Union Ltd	Software	Other	Total
	\$	\$	\$
Year ended 30 June 2016			
Balance at the beginning of the year	275,256	1,381	276,637
Additions	54,096	-	54,096
Disposals	(1,455)	-	(1,455)
Amortisation	(163,476)	(488)	(163,964)
Closing value at 30 June 2016	164,421	893	165,314
Year ended 30 June 2015			
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)
Closing value at 30 June 2015	275,256	1,381	276,637

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For the Year Ended 30 June 2016

	Consolidated Group		Northern Inland Credit Union Ltd	
	2016	2015	2016	2015
	\$	\$	\$	\$
15. Other Assets				
Prepayments	312,534	304,347	302,899	281,809
Other	160,739	103,836	160,738	103,585
	473,273	408,183	463,637	385,394
16. Deposits				
Member Call Deposits	125,532,869	112,339,260	125,909,532	112,618,549
Member Term Deposits	87,721,481	95,341,356	87,721,481	95,341,356
Member Withdrawable Shares	124,826	138,184	124,826	138,194
	213,379,176	207,818,800	213,755,839	208,098,099
There were no defaults on interest and capital payments on these liabilities in the current or prior year.				
Concentration of member deposits				
Geographical concentrations				
Tamworth	112,381,948	114,910,510	112,758,611	115,189,809
Narrabri	41,280,211	40,096,989	41,280,211	40,096,989
Gunnedah	14,141,958	12,534,862	14,141,958	12,534,862
Other Northern NSW	37,408,324	33,275,653	37,408,324	33,275,653
Other NSW	5,285,080	4,527,520	5,285,080	4,527,520
Other States	2,881,655	2,473,266	2,881,655	2,473,266
	213,379,176	207,818,800	213,755,839	208,098,099
17. Payables				
Creditors and accruals	1,708,076	1,302,697	1,663,911	1,258,924
Interest payable	594,491	815,699	594,491	815,699
Loan from associate	-	-	11,900	19,130
	2,302,567	2,118,396	2,270,302	2,093,753

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	Consolidated Group		Northern Inland Credit Union Ltd	
	2016	2015	2016	2015
	\$	\$	\$	\$
18. Provisions				
Long service leave	879,201	819,529	875,065	817,884
Sick leave	217,610	212,032	217,610	212,032
Annual leave	441,351	427,660	421,984	418,030
	1,538,162	1,459,221	1,514,659	1,447,946
19. Taxation				
Current income tax liability	32,799	162,396	38,993	127,563
Current income tax liability/asset comprises:				
Opening balance	162,396	129,031	127,563	121,507
Amounts received/(paid)	(162,396)	(52,725)	(127,563)	(52,268)
Liability for income tax in current year	339,170	443,195	316,423	398,114
Over provision for income tax in prior year	-	(69,152)	-	(69,239)
Instalments paid in current year	(306,371)	(287,953)	(277,430)	(270,551)
Closing balance	32,799	162,396	38,993	127,563
20. Reserves				
Members' shares reserve	305,102	290,696	305,102	290,696
General reserve for credit losses	800,000	750,000	800,000	750,000
General reserve	32,247,805	31,556,143	28,144,201	27,504,739
	33,352,907	32,596,839	29,249,303	28,545,435
Members' shares reserve				
Opening balance	290,696	278,610	290,696	278,610
Transfers in	14,406	12,086	14,406	12,086
Closing balance	305,102	290,696	305,102	290,696
General reserve for credit losses				
Opening balance	750,000	700,000	750,000	700,000
Transfers in	50,000	50,000	50,000	50,000
Closing balance	800,000	750,000	800,000	750,000
General reserve				
Opening balance	31,556,143	30,582,927	27,504,739	26,682,899
Transfers in	691,662	973,216	639,462	821,840
Closing balance	32,247,805	31,556,143	28,144,201	27,504,739
Total reserves	33,352,907	32,596,839	29,249,303	28,545,435

Notes to the Financial Statements

For the Year Ended 30 June 2016

20. Reserves (cont'd)

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 amounts 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	
	2016	2015	2016	2015
	\$	\$	\$	\$
Opening balance	-	-	-	-
Net profit attributable to members	756,068	1,035,302	703,868	883,926
Transfers out	(756,068)	(1,035,302)	(703,868)	(883,926)
Closing balance	-	-	-	-

Notes to the Financial Statements

For the Year Ended 30 June 2016

	Consolidated Group		Northern Inland Credit Union Ltd	
	2016	2015	2016	2015
	\$	\$	\$	\$

22. Financial Instruments Disclosure

(a). The following information classifies the financial instruments into measurement classes:

Financial assets

Cash assets	8,546,961	10,218,587	8,278,502	9,956,412
Receivables	289,240	460,290	229,514	401,164
Liquid investments	16,618,036	19,250,266	16,018,036	18,650,266
Loans to Members	194,013,055	180,498,208	194,013,055	180,498,208
	219,467,292	210,427,351	218,539,107	209,506,050
Available for sale equity investments	656,919	616,919	656,920	616,920
Negotiable Certificates of Deposits	6,941,304	10,385,676	6,941,304	10,385,676
Floating Rate Notes	17,076,911	16,206,985	17,076,911	16,206,985
	24,675,134	27,209,580	24,675,135	27,209,581
Total financial assets	244,142,426	237,636,931	243,214,242	236,715,631
Financial liabilities				
Creditors	2,302,567	2,118,396	2,270,302	2,093,754
Deposits from members	213,379,176	207,818,800	213,755,839	208,098,099
	215,681,743	209,937,196	216,026,141	210,191,853

(b). Assets measured at fair value

	Balance	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Consolidated Group				
Negotiable Certificates of Deposits	6,941,304	6,941,304	-	-
Equity investments	656,919	-	-	656,919
Floating Rate Notes	17,076,911	17,076,911	-	-
Total	24,675,134	24,018,215	-	656,919
Northern Inland Credit Union Ltd				
Negotiable Certificates of Deposits	6,941,304	6,941,304	-	-
Equity investments	656,920	-	-	656,920
Floating Rate Notes	17,076,911	17,076,911	-	-
Total	24,675,135	24,018,215	-	656,920

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 2016

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).

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For the Year Ended 30 June 2016

(c). Maturity profile of financial instruments

	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
	\$	\$	\$	\$	\$	\$
2016						
Financial assets						
Cash	8,554,466	-	-	-	-	8,554,466
Liquid investments	3,541,093	12,015,454	12,150,011	13,131,191	-	40,837,749
Loans to Members	2,064,929	3,652,344	15,779,239	70,503,030	206,061,077	298,060,619
	<u>14,160,488</u>	<u>15,667,798</u>	<u>27,929,250</u>	<u>83,634,221</u>	<u>206,061,077</u>	<u>347,452,834</u>
Financial liabilities						
Creditors	2,302,567	-	-	-	-	2,302,567
Deposits from Members						
- at call	125,658,206	-	-	-	-	125,658,206
- term	16,037,863	35,276,427	33,934,146	3,067,025	-	88,315,461
	<u>143,998,636</u>	<u>35,276,427</u>	<u>33,934,146</u>	<u>3,067,025</u>	<u>-</u>	<u>216,276,234</u>
On balance sheet	<u>143,998,636</u>	<u>35,276,427</u>	<u>33,934,146</u>	<u>3,067,025</u>	<u>-</u>	<u>216,276,234</u>
Undrawn commitments - Note 24	2,000,000	-	-	-	-	2,000,000
	<u>145,998,636</u>	<u>35,276,427</u>	<u>33,934,146</u>	<u>3,067,025</u>	<u>-</u>	<u>218,276,234</u>
Total financial liabilities	<u>145,998,636</u>	<u>35,276,427</u>	<u>33,934,146</u>	<u>3,067,025</u>	<u>-</u>	<u>218,276,234</u>
2015						
Financial assets						
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>
Financial liabilities						
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>
On balance sheet	<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>
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>
Total financial liabilities	<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>

Notes to the Financial Statements

For the Year Ended 30 June 2016

(c). Maturity profile of financial instruments

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 \$
2016			
Financial assets			
Cash	8,554,466	-	8,554,466
Liquid investments	27,706,558	13,131,191	40,837,749
Loans to Members	21,496,511	276,564,107	298,060,618
Total financial assets	57,757,535	289,695,298	347,452,833
Financial liabilities			
Creditors	2,302,567	-	2,302,567
Deposits from Members - at call	125,658,206	-	125,658,206
Deposits from Members - term	85,248,436	3,067,025	88,315,461
Total financial liabilities	213,209,209	3,067,025	216,276,234
2015			
Financial assets			
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
Total financial assets	66,622,798	268,943,075	335,565,873
Financial liabilities			
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
Total financial liabilities	210,212,300	540,596	210,752,896

(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.

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(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
2016							
Financial assets							
Cash	0.15	6,060	-	-	-	2,487	8,547
Liquid investments		9,514	23,032	8,090	-	-	40,636
Loans to Members	5.43	120,395	2,385	14,296	56,926	11	194,013
Equity investments	N/A	-	-	-	-	657	657
Receivables	N/A	-	-	-	-	289	289
Total financial assets		135,969	25,417	22,386	56,926	3,444	244,142
Financial liabilities							
Deposits from Members	1.5	101,626	35,079	73,645	3,029	-	213,379
Creditors	N/A	-	-	-	-	2,303	2,303
On balance sheet		101,626	35,079	73,645	3,029	2,303	215,682
Undrawn commitments - Note 23		23,744	-	-	-	-	23,744
Total financial liabilities		125,370	35,079	73,645	3,029	2,303	239,426
2015							
Financial assets							
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
Total financial assets		130,679	30,532	28,192	45,236	2,998	237,637
Financial liabilities							
Deposits from Members	1.88	90,150	41,155	75,986	528	-	207,819
Creditors	N/A	-	-	-	-	2,118	2,118
On balance sheet		90,150	41,155	75,986	528	2,118	209,937
Undrawn commitments - Note 23		25,462	-	-	-	-	25,462
Total financial liabilities		115,612	41,155	75,986	528	2,118	235,399

Northern Inland Credit Union Limited

ABN: 36 087 650 422

Notes to the Financial Statements

For the Year Ended 30 June 2016

(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 \$'000	Carrying Value \$'000	Variance \$'000
2016			
Financial assets			
Cash	8,547	8,547	-
Receivables	289	289	-
Liquid investments	40,703	40,636	67
Loans to Members	192,931	194,013	(1,082)
Equity investments	657	657	-
Total financial assets	243,127	244,142	(1,015)
Financial liabilities			
Deposits from Members	213,998	213,379	619
Creditors	2,303	2,303	-
	-	-	-
Total financial liabilities	216,301	215,682	619
2015			
Financial assets			
Cash	10,219	10,219	-
Receivables	460	460	-
Liquid investments	46,009	45,843	166
Loans for Members	179,958	180,498	(540)
Equity investments	617	617	-
Total financial assets	237,263	237,637	(374)
Financial liabilities			
Deposits from Members	208,763	207,819	944
Creditors	2,118	2,118	-
Total financial liabilities	210,881	209,937	944

Notes to the Financial Statements

For the Year Ended 30 June 2016

(e). Fair value of financial assets and liabilities (cont'd)

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 2016

	Consolidated Group		Northern Inland Credit Union Ltd	
	2016	2015	2016	2015
	\$	\$	\$	\$
23. Financial commitments				
(a). Outstanding loan commitments				
Loans and credit facilities approved but not funded or drawn at the end of the financial year:				
Loans approved but not funded	7,134,885	8,585,097	7,134,885	8,585,097
Loan redraw facilities available	11,400,552	12,057,293	11,400,552	12,057,293
Undrawn overdraft, line of credit and VISA:				
Total value of facilities approved	8,277,888	8,342,151	8,277,888	8,342,151
Less: amount advanced	(3,069,812)	(3,522,575)	(3,069,812)	(3,522,575)
	5,208,076	4,819,576	5,208,076	4,819,576
Total financial commitments	23,743,513	25,461,966	23,743,513	25,461,966

These commitments are contingent on Members maintaining credit standards and ongoing repayment terms on amounts drawn.

(b). Future capital commitments

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	89,744	254,100	89,744	254,100
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(c). Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements, payable:

Not later than one year	351,578	293,743	351,578	293,743
Later than 1 but not 5 years	177,657	340,866	177,657	340,866
	529,235	634,609	529,235	634,609

Northern Inland Credit Union Limited

ABN: 36 087 650 422

Notes to the Financial Statements

For the Year Ended 30 June 2016

Consolidated Group		Northern Inland Credit Union Ltd	
2016	2015	2016	2015
\$	\$	\$	\$

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	479,400	359,449	479,400	359,449
Later than 1 year but not 5 years	119,850	419,357	119,850	419,357
	599,250	778,806	599,250	778,806

24. Standby borrowing facilities

NICU has a borrowing facility with CUSCAL of:

	Approved facility	Current borrowing	Net available
	\$	\$	\$
2016			
Overdraft facility	2,000,000	-	2,000,000
Total standby borrowing facilities	2,000,000	-	2,000,000
2015			
Overdraft facility	2,000,000	-	2,000,000
Total standby borrowing facilities	2,000,000	-	2,000,000

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 2016

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 Northern Inland to execute an equitable charge in favour of CUSCAL. The charge is a fixed and floating charge over the assets and undertakings of Northern Inland and secures any advances, which may be made to NICU under the scheme. The balance of the debt at 30 June 2016 was Nil (2015: 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:

	2016	2016	2015	2015
	Directors	Other KMP	Directors	Other KMP
(a) Short-term employee benefits	199,576	898,797	221,131	855,407
(b) Post-employment benefits - superannuation contributions	44,925	95,394	18,870	87,565
(c) Other long-term benefits - net increases in long service leave provision	-	33,320	-	23,941
(d) Other director benefits	-	-	-	-
	244,501	1,027,511	240,001	966,913

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 2016

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

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

	2016	2015
	\$	\$
Aggregate value of loans at balance date	2,005,739	1,892,304
Aggregate value of loans disbursed - Term loans	528,201	832,920
Total value of overdraft facilities at balance date	82,000	77,000
Less: amounts drawn down:	(26,077)	(22,204)
Net balance available	55,923	54,796
Aggregate value of overdraft facility limits granted or increased	5,000	6,000
Interest earned on loans and overdraft facilities	88,538	74,498

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	3,829,181	3,116,278
Total Interest paid on deposits to KMP	60,976	58,026

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.

Northern Inland Credit Union Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2016

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 (%) 2016	Percentage Owned (%)* 2015
Subsidiaries:			
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% (2015 - 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. The Credit Union has equity in the company. This organisation:

i. Provides the licence 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 the Credit Union in conjunction with other credit unions. The Credit Union has a management contract with the Bureau to supply computer support staff and services to meet the day-to-day needs of the Credit Union 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 2016

	Consolidated Group		Northern Inland Credit Union Ltd	
	2016	2015	2016	2015
	\$	\$	\$	\$

30. Segmental reporting

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.

31. Cash flow information

(a). Reconciliation of net profit/(loss) after tax to cashflows from revenue activities

Operating Profit after income tax	773,985	1,090,527	703,868	883,926
Non-cash flows:				
- amortised fees on loans	51,761	89,750	51,761	89,750
- amortisation of intangible assets	19,521	19,623	19,521	19,623
- depreciation expense	418,187	423,494	368,852	374,256
- loss on disposal of fixed assets	7,514	2,184	7,514	2,184
- provision for loan impairment	78,351	60,909	78,351	60,909
- employee entitlements	78,938	33,753	66,711	77,587
- fair value loss	125,070	-	125,070	-
Changes in Assets and Liabilities				
- provision for income tax	(129,597)	33,365	(88,570)	6,056
- creditors and accruals	405,377	(319,269)	391,885	(301,320)
- interest payable	(221,208)	46,291	(221,208)	46,291
- interest receivable	181,781	204,159	170,485	216,418
- prepayments	(8,187)	(92,157)	(21,090)	(73,107)
- deferred tax assets	(43,534)	(45,594)	(37,737)	(54,196)
Net cashflow from revenue activities	1,737,959	1,547,035	1,615,413	1,348,377

(b). Reconciliation of cash

Cash includes cash on hand, and deposits at call with other financial institutions and comprises:

Cash on hand	2,477,273	1,898,943	2,477,073	1,898,743
Deposits at call	6,069,688	8,319,644	5,801,429	8,057,669
	8,546,961	10,218,587	8,278,502	9,956,412

Northern Inland Credit Union Limited

ABN: 36 087 650 422

Notes to the Financial Statements

For the Year Ended 30 June 2016

32. Company Details

The registered office of the credit union is:

Northern Inland Credit Union Limited
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 2016

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
- 2011: **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

Brian Rae, Lending Manager: Northern Inland employee since 2004. With 22 years experience in business banking and lending, Brian has overseen operations, controls and planning for the lending department and staff since 2005. Brian is a Nominated Responsible Officer for Northern Inland's Australian Financial Services License with respect to consumer credit and general insurance products, and Northern Inland's Australian Credit License.

Academic record:

- 2004: **Certificate 3 in Financial Service**, Commonwealth Bank Australia
- 1993: **Bachelor of Commerce**, University of Newcastle

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

Northern Inland Credit Union Limited

ABN: 36 087 650 422

Directors' Declaration

The directors of the Credit Union declare that:

1. the financial statements and notes for the year ended 30 June 2016 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 the Credit Union and consolidated group;
2. In the directors' opinion, there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

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

Chairman of Board 

Dated 4 October 2016

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 (NICU), which comprises the statement of financial position as at 30 June 2016, 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 the Credit Union and the consolidated entity.

Directors' Responsibility for the Financial Report

The directors of the Credit Union are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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 the Credit Union's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union'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

Sydney

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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

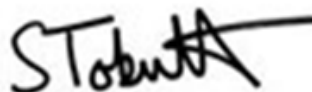
Opinion

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 2016 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
Date 4 October 2016
Sydney



SCOTT TOBUTT
Partner