

Annual Report 2015 - 2016



Dnister Ukrainian Credit Co-operative Limited
ABN 59 087 651 394 | AFSL 240673

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Chairman's Report

On behalf of the Board of Directors, Executive and Staff of Dnister Ukrainian Credit Co-operative Ltd, I'm pleased to present our Annual Report for the year ended 30 June 2016.

The Co-operative's profit before tax of \$464,000 was achieved under reducing historically low interest rates, market pressures on margins, subdued credit demand and softening commercial property leasing.

The Co-operative's financial position continued to strengthen, with total assets under management increasing by \$4m to \$153m and our Member' Equity increasing by \$0.4m to \$19.3m.

New loan demand remained subdued and repayments to existing loans remained at historically high levels due to economic conditions and competition. As a result, the Co-operative experienced a slight decline in our loan portfolio of \$1m to \$98.7m as Members paid down debt. Conversely, our deposit portfolio grew by \$4m to \$131.6m as Members invested in investment accounts.

We have also continued to satisfy our regulatory and compliance requirements.

Dnister provided further value for Members by absorbing \$167k in fees and charges during the year, continuing our delivery of significant rebates and excellent value for money. We also continued our tradition of community support by supporting Ukrainian schools and other organisations through a variety of sponsorships during the year.

Consistent with the Board's strategic focus on "Building a Sustainable Future", the Board and Management allocated considerable time and effort during 2015/16 to two significant projects:

Latvian Australian Credit Co-Operative Society Limited merger.

In September 2016, we were pleased to complete the transfer of business of Latvian Australian Credit Co-operative Society Limited to Dnister after their members approved the transfer in August 2016.

As a result of the merger, we welcome to Dnister our Latvian Members.

Establishment of an ongoing relationship with the Embassy of Ukraine.

In June 2016, we signed a Memorandum of Understanding with the Embassy of Ukraine in Australia to pursue community initiatives that support mutually beneficial outcomes.

On behalf of the Board, I would like to thank our CEO Liam Tiernan, the Executive team and staff for their hard work and dedication to achieve these results and for continuing to develop the business.

I would like to thank my fellow Directors for their valuable contribution during the year. Since the last AGM, Liana Slipetsky resigned her position on the Board due to other commitments. Subsequently, Natalya Jurcheshin was appointed to the Board on a casual basis to fill the vacant position until the next AGM.

I would like to express the Board's gratitude to Liana for her contribution. We also appreciate Natalya's contribution to the Board during the current year and her extensive financial skills and experience.

Most importantly, I would like to thank you, our Members, for your loyalty and support. I encourage you to fully utilise the products and services that Dnister offers to continue building the strength of your Co-operative. You can help Dnister grow and prosper by making Dnister your main financial services provider.

As a Member-owned financial institution, we remain committed to providing value for our Members – great products and services, competitive rates and fees, and excellent service – rather than profit for shareholders. We will continue to strive hard to balance the different needs of our deposit and lending Members. We also remain committed to supporting our Members of the Ukrainian and now Latvian communities.



Wal Mykytenko
Chairman

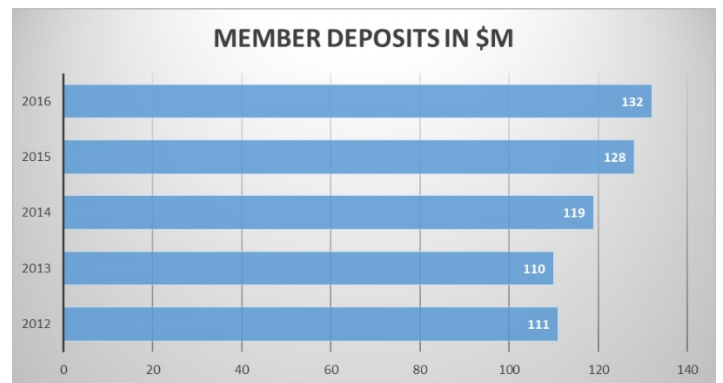
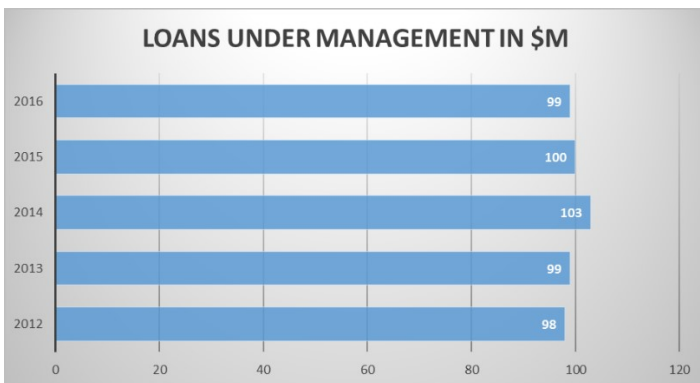
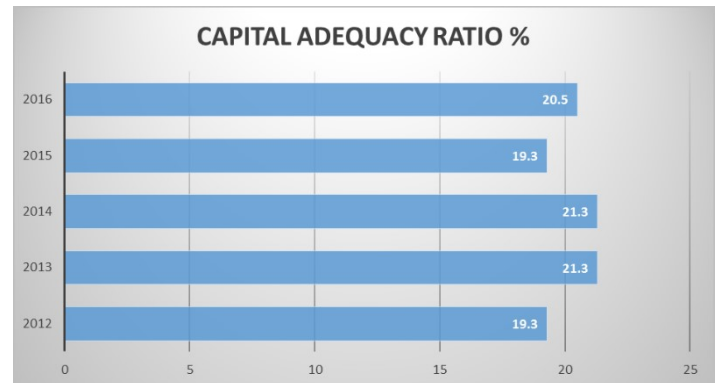
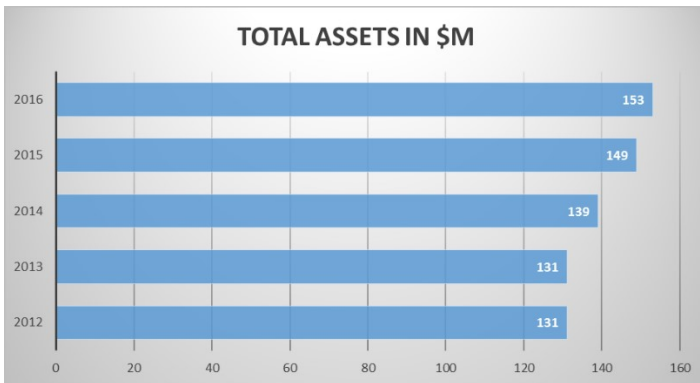
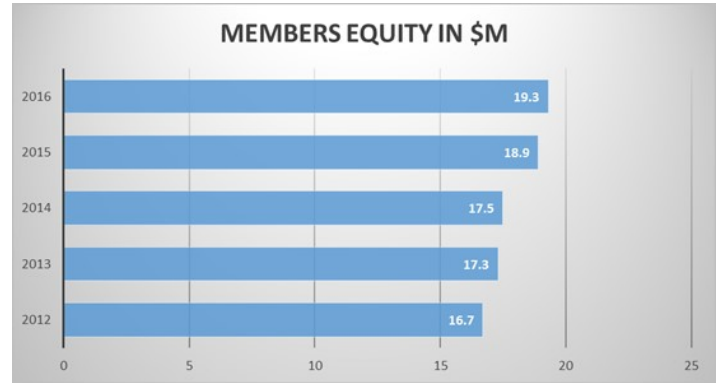
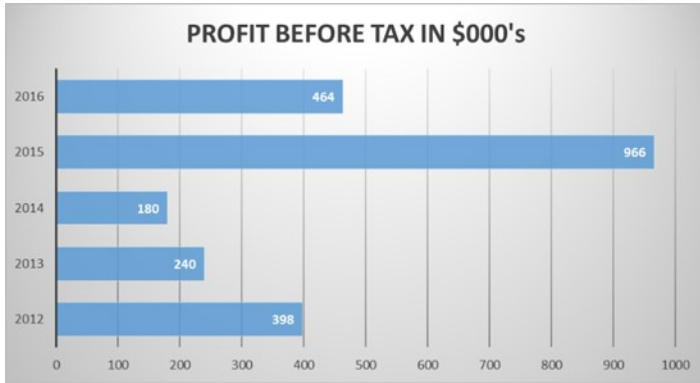


Merger of Latvian Australian Credit Co-operative Society Ltd with Dnister.
L-R: Wal Mykytenko, Dnister Chair and Eric Cirulis, Latvian Chair.



Signing of Memorandum of Understanding between the Embassy of Ukraine in Australia and Dnister.
L-R: Dr Mykola Kulnich, Ambassador of Ukraine, Wal Mykytenko, Dnister Chair and Liam Tiernan, Dnister CEO.

Highlights



Directors' Report

Your Directors submit their report for the year ended 30 June 2016:

DIRECTORS

The names and details of the Co-operative's Directors in office during the financial year or until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

WALENTYN MYKYTENKO (Chairman)

B.E., Post Grad Dip. Eng.Mgt., Dip. Elec.Eng., Dip. Financial Services, AMP (MUBS), FAMI and MAICD.

Non-executive Chairman and Corporate Governance Committee Chairman.

Wal is a retired General Manager of a multi-national aviation company and is a Non-executive Director of the Co-operative. Wal has been a Non-executive Director of the Co-operative for twelve years, including the last eight years as Chairman, and is the Chair of the Corporate Governance Committee.

MICHAEL KORNITSCHUK (Deputy Chairman)

B.Sci., Dip.App.Bio, MAICD.

Non-Executive Deputy Chairman and Audit, Risk and Corporate Governance Committees Member

Michael combines his work as a Managing Director of a leading Australian supplier of medical goods and services with his role as Non-executive Director of the Co-operative.

Michael has been a Non-executive Director of the Co-operative for twenty-two years, including nine as Chairman. During the past eleven years he has also served as Chairman of the Ukrainian Orthodox Church- Essendon.

MARKO MISKO (Director)

LLB (Hons 1), B.Com. , MAICD.

Non-executive Director, Corporate Governance Committee Member.

Marko combines his work as a Partner at Clayton Utz in the national infrastructure and major projects group with his role as Non-executive Director of the Co-operative. Marko was responsible for the negotiation and finalisation of the project contracts for the redevelopment of the Kalyna Care facilities (and continues to provide Kalyna Care with ongoing legal advice). Marko was also responsible for preparing documents for the redevelopment of the CYM property in Healesville and will be responsible for the project development agreements for the redevelopment of the AUV properties in Essendon.

Marko is also the chair of DOFUS and has been a Non-executive Director of the Co-operative for seven years.

MICHAEL KWAS (Director)

B.Bus Acc, MAICD.

Non-executive Director, Audit Committee Chair and Risk Committee Member.

Michael is a retired Accountant and has well over forty years' experience in the industry. Michael has been involved in numerous community organisations such as: a Scout Leader for over twenty-six years for the Plast Ukrainian Scouts Association (State and Federal Executive), a member of the Ukrainian Golf Club, a member of the Association of Ukrainians in Victoria and Sunshine and the Ukrainian Church in Ardeer.

Michael has been a Non-executive Director of the Co-operative for five years.

Directors' Report

Continued . . .

LIANA SLIPETSKY (Director)

B.Arts, MAICD.

Non-executive Director – Resigned 16 February 2016

Liana is currently an Owner and Director of Slipetsky Property and has been in the real estate industry for over twenty-six years. She is an active member in the Association of Ukrainians (Noble Park branch) and also holds Membership in Plast Ukrainian Scouting Association and the Ukrainian Women's Association. She worked as a journalist for the Ukrainian Radio program on SBS, taught at Ukrainian school in Noble Park and completed Ukrainian studies at Monash University.

Liana was a Non-executive Director of the Co-operative for five years.

DAVID HASSETT (Director)

B.Sc (Hons), Ph D, Grad Dip App Sci (Comp Sci) MAICD.

Non-executive Director, Risk Committee Chair and Audit Committee Member

David trained as a scientist and worked for Universities in Australia and the United States before co-founding an IT and Business Services Consultancy in 1997. A key focus of David's work is the smooth integration of IT systems with business processes and aiding clients to streamline and improve existing business processes. David has served as Parish Treasurer for the Cathedral of Sts Peter and Paul, has been on the state Committee of Plast Ukrainian Scouts in Victoria since 2005 and served as Chairperson of the Dnister Community Advisory Committee from 2003-2008.

David has been a Non-executive Director of the Co-operative for one year.

ANDREW PAVUK (Director)

B.Arts, Dip of Ed, B Law, Solicitor and Member of the Law Society of NSW MAICD.

Non-executive Director, Audit and Risk Committees Member.

Andrew established Pavuk Legal in 2007 and with over 25 years' experience is a specialist in the areas of Financial Services, Corporate Law, Taxation, Life Insurance, Superannuation, Managed Funds, Estate Planning and Succession. Andrew has acted for Plast KPS Executive, the Ukrainian Catholic Church in Australia, various parishes, priests and Charitable Funds.

Andrew has been a Non-executive Director of the Co-operative for one year.

NATALYA JURCHESHIN (Director)

B.Comm, CA (Aust and NZ).

Non-executive Director, Audit and Risk Committees' Member – Appointed 24 May 2016

Natalya is a senior financial leader with a depth and breadth of experience in managing, improving and growing finance functions of listed and other small to medium sized organisations. She has over 12 years' experience as a CFO, ten of these with ASX listed biotechnology companies. Prior to that she was a Senior Manager in the audit and assurance practice of Arthur Andersen (now part of Ernst & Young) working with clients in a wide variety of industries. Over three of her twelve years with Arthur Andersen she worked in Kyiv, Ukraine, where she joined a small team of pioneer expatriates to set up operations for Arthur Andersen's Kyiv office.

Natalya has been a Non-executive Director of the Co-operative since May 2016.

Directors' Report

Continued . . .

COMPANY SECRETARY

LIAM TIERNAN

BBus (Acc), CPA

Liam was appointed Chief Executive Officer of the Co-operative on 17 September 2012 and was appointed the Company Secretary on 16 October 2012.

KEN LEE TET

DipBus (Acc), Grad Dip Acc, Dip FS, FCPA FGIA FAICD FAIM

Ken was appointed Chief Financial Officer of the Co-operative on 27 October 2015 and was appointed an alternative Company Secretary on 28 June 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Co-operative during the financial year were the provision of retail financial services, which includes receiving funds on deposits, advancing loans, providing insurance products, and the leasing of Dnister property.

OPERATING AND FINANCIAL REVIEW

The Co-operative's net profit after income tax for the year ending 30 June 2016 is \$322,000 (2015: \$670,000). The net profit included a valuation increase of \$125,000 on investment property after 1 year (2015: \$265,000 on investment property after 2 years) before tax.

Total Assets under management increased by \$4m to \$153m with Members' Equity increasing by \$0.4n to \$19.3m. Our loan portfolio decreased by \$1m to \$98.7m while deposits grew by \$4m to \$131.6m.

Our strategic focus is on "Building a Sustainable Future" which this year has resulted in the establishment of an ongoing relationship with the Embassy of Ukraine and merger of the Latvian Australian Credit Co-operative Society Limited with the Co-operative.

DIVIDENDS

In accordance with the constitution, no dividend is paid in respect of any shares.

BOARD MONITORING OF PERFORMANCE

Management and the Board monitor the Co-operative's overall performance from the implementation of the mission statement and strategic plan through to the performance of the company against budget. The Board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Management monitors KPIs and reviews performance against them monthly. Directors receive KPIs for review prior to each Board meeting allowing all Directors to actively monitor the Co-operative's performance.

LIQUIDITY AND FUNDING

The Co-operative has a short-term overdraft facility of \$350,000 (2015: \$350,000). The Co-operative has sufficient funds to finance its operations and maintains these facilities primarily to allow the Co-operative to take advantage of favourable credit union financing opportunities. The Co-operative also has a \$10,000,000 wholesale funding facility with IOOF.

RISK MANAGEMENT

The Co-operative takes a pro-active approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Co-operative's objectives are aligned with those risks and opportunities.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks and opportunities identified by the Board. These include the following:

- Board approval of the Strategic Plan, which encompasses the Co-operative's vision, mission and goals, designed to meet Members' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against budget, including the establishment and monitoring of KPIs of both a financial and non-financial nature.
- The establishment of committees to report on specific business risks.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Total Equity has increased from \$18,888,000 to \$19,289,000, an increase of \$401,000 while Loans and Advances decreased from \$99,748,000 to \$98,691,000. Member Deposits increased from \$127,643,000 to \$131,609,000.

SIGNIFICANT EVENTS AFTER BALANCE DATE

The proposed merger of the Latvian Australian Credit Co-operative Society Ltd with Dnister was approved by Latvian Members on 27 August 2016, effective 1 September 2016.

There were no other significant events after balance date to be brought to the attention of Members for the financial year ended 30 June 2016.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The operations of the Co-operative are expected to continue in line with current objectives and strategies, including the successful integration of the merger with the Latvian Credit Union.

INDEMNITY AND INSURANCE

To the extent permitted by law and that the officer or auditor is not indemnified by Directors' and Officers' Liability Insurance maintained by the Co-operative (2016: \$5,156 in premiums), the Co-operative indemnifies every person who has been an officer or auditor of the Co-operative against any liability.

Directors' Report

Continued . . .

DIRECTORS' MEETINGS

The number of Directors' meetings attended by each Director and the number of meetings Directors were eligible to attend for the financial year were as shown in the table below:

	Meetings of Committees				
	Board Meetings	Audit Committee	Risk Committee	Corporate Governance	Merger Committee
Number of meetings held:	11	5	4	6	12
Number of meetings attended:					
W Mykytenko	11	-	-	6	12
M Kornitschuk	9	4	3	5	12
M Misko	6	-	-	4	8
L Slipetsky	5 (of 6)	-		2 (of 3)	3 (of 4)
M Kwas	9	4	4	-	-
D Hassett	11	5	4	-	5 (of 6)
A Pavuk	11	5	4	-	-
N Jurcheshin	2 (of 2)	1 (of 2)	0 (of 1)	-	-

COMMITTEE MEMBERSHIP

As at the date of this report, the Co-operative had an Audit Committee, Risk Committee, Corporate Governance Committee and Merger Committee.

Members of the Board acting on the committees of the Board at the end of the year were:

AUDIT COMMITTEE

M Kwas (Chair)
D Hassett
M Kornitschuk
A Pavuk
N Jurcheshin

RISK COMMITTEE

D Hassett (Chair)
M Kwas
M Kornitschuk
A Pavuk
N Jurcheshin

CORPORATE GOVERNANCE COMMITTEE

W Mykytenko (Chair)
M Misko
M Kornitschuk

MERGER COMMITTEE

Merger Committee Meetings commenced during the year with representatives of both organisations for the sole purpose of considering the potential for a merger of the Latvian Australian Credit Co-operative Society Ltd with Dnister Ukrainian Credit Co-operative Ltd.

Members of the Board participating on the Merger Committee during the year are listed above.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC CO 98/100. The Co-operative is an entity to which the Class Order applies.

Auditor's Independence Declaration



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Auditor's Independence Declaration to the Directors of Dnister Ukrainian Credit Co-operative Limited

As lead auditor for the audit of Dnister Ukrainian Credit Co-operative Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

TM Dring
Partner
4 October 2016

Non-Audit Services

The following non-audit services were provided by the entity's auditor Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services	\$10,000
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The report is signed in accordance with a resolution of the Directors of the Co-operative.

On behalf of the Board



Walentyn Mykytenko
Chairman of the Board
4 October 2016



Michael Kwas
Chairman of the Audit Committee
4 October 2016

Corporate Governance Statement

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

The key responsibilities of the Board include:

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

The Board of Directors undertook the annual Board performance assessment for the year ended 30 June 2016. The key outcomes of this review are:

- Identification of skill enhancements
- Further training requirements for the Board Members

STRUCTURE OF THE BOARD

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

From November 2014 and in line with APRA Prudential Standard CPS 220, the previous Audit & Risk Committee was split into the Audit Committee and the Risk Committee.



Corporate Governance Statement

Continued . . .

AUDIT AND RISK COMMITTEES

The Board has both an Audit Committee and Risk Committee, which operate under charters approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists in the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information.

The Audit Committee provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The Board has delegated the responsibility for the establishment and maintenance of a risk framework to the Risk Committee.

The Members of the Audit Committee and Risk Committee at the end of the year were:

AUDIT	RISK
M Kwas (c)	D Hassett (c)
M Kornitschuk	M Kornitschuk
A Pavuk	A Pavuk
N Jurcheshin	N Jurcheshin
D Hassett	M Kwas

No Director, since the end of the previous financial year, has received or become entitled to receive a benefit (other than a benefit in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the accounts) by reason of a contract made by the company with a Director or with a firm of which he is member or with a company in which he has a substantial financial interest.

The term in office held by each Director at the date of this report is as follows:

M Kornitschuk	22 years
W Mykytenko	12 years
M Misko	7 years
M Kwas	5 years
D Hassett	1 year
A Pavuk	1 year
N Jurcheshin	4 months

CORPORATE GOVERNANCE COMMITTEE

The Board has a Corporate Governance Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that there is sound and prudent management of the Co-operative. The Board has delegated the responsibility for the establishment and maintenance of principles of Good Corporate Governance and Best Practice to the Corporate Governance Committee.

It is the Co-operative's objective to provide maximum stakeholder benefit through the retention of an executive team by remunerating key executives fairly and appropriately with reference to employment market conditions. To assist in achieving this objective, the Corporate Governance Committee links the nature and amount of the executive's emoluments to the company's financial and operational performance.

The Members of the Corporate Governance Committee at the end of the year were:

W Mykytenko (c)
M Kornitschuk
M Misko

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Notes

NOTES TO THE FINANCIAL STATEMENTS

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Directors' Declaration

for the year ended 30 June 2016

In accordance with a resolution of the Directors of Dnister Ukrainian Credit Co-operative Limited, we state that:

1. In the opinion of the Directors:

- (a) the financial statements and notes of the Co-operative are in accordance with the Corporations Act 2001 including:
 - giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - complying with Accounting Standards in Australia and the Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they become due and payable; and
- (c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

2. This declaration has been made after receiving the declarations required to be made by the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2016.

On behalf of the Board



Walentyn Mykytenko
Chairman of the Board
4 October 2016



Michael Kwas
Chairman of the Audit Committee
4 October 2016

Independent Auditor's Report



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Independent auditor's report to the members of Dnister Ukrainian Credit Co-operative Limited

Report on the financial report

We have audited the accompanying financial report of Dnister Ukrainian Credit Co-operative Limited, which comprises the statement of financial position as at 30 June 2016, the statement of 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.

Directors' responsibility for the financial report

The directors of the company Dnister Ukrainian Credit Co-operative Limited 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, 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 judgment, 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 controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Independent Auditor's Report

Continued . . .



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Opinion

In our opinion:

- a. the financial report of Dnister Ukrainian Credit Co-operative Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

A handwritten signature in black ink, appearing to read 'Ernst & Young', written in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be 'TM Dring', written in a cursive style.

TM Dring
Partner
Melbourne
4 October 2016

Statement of Comprehensive Income

for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
INCOME			
Interest and similar income	3	5,785	6,286
Interest and similar expense	4	(3,048)	(3,559)
Net interest income		2,737	2,727
Fees and commission income	5	109	124
Net fees and commission income		109	124
Other operating income	6	1,138	1,374
Total operating income		3,984	4,225
Credit loss expense	7	(2)	(55)
Net operating income		3,982	4,170
Salaries and associated costs		1,664	1,543
Depreciation	14.1 & 14.2	91	86
Community grants and sponsorship	22	43	20
Other operating expenses	8	1,720	1,555
Total operating expenses		3,518	3,204
Profit before tax		464	966
Income tax benefit/(expense)	9(a)	(142)	(296)
NET PROFIT ATTRIBUTABLE TO MEMBERS		322	670
OTHER COMPREHENSIVE INCOME			
Fair value revaluation of land and buildings		200	810
Fair value revaluation of available for sale investments		(87)	-
Adjustment to deferred tax due to timing differences on revalued assets		(34)	(52)
Other comprehensive income for the period, net of tax		79	758
Total comprehensive income for the period		401	1,428

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Cash and cash equivalents	10	8,294	6,650
Financial investments - held to maturity	11.1	11,594	17,840
Financial investments - available for sale	11.2	22,436	12,983
Loans and advances to Members	12	98,691	99,748
Investment properties	13	2,974	2,849
Property & equipment	14.1	8,692	8,498
Intangibles	14.2	96	92
Other financial investments	15	209	184
Other assets	16	331	316
Total Assets		153,317	149,160
LIABILITIES AND EQUITY			
Member deposits	17	131,609	127,643
Current tax liabilities		30	194
Other liabilities	18	1,127	1,348
Provisions - employees	19	316	296
Deferred net tax liabilities	9(d)	946	791
Total Liabilities		134,028	130,272
Retained earnings	20	10,873	10,528
Credit loss reserve	20	466	489
Business combination reserve	20	2,303	2,303
Asset revaluation reserve	20	5,708	5,568
Available for sale investments reserve	20	(61)	-
Total Equity		19,289	18,888
TOTAL LIABILITIES AND EQUITY		153,317	149,160

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2016

	Retained Earnings	Other Reserves see (note 20)	Total
	\$'000	\$'000	\$'000
TOTAL AT 1 JULY 2015	10,528	8,360	18,888
Net profit attributable to Members	322	-	322
Other comprehensive income	-	79	79
Total comprehensive income	322	79	401
Decrease in statutory amount set aside for potential losses on loans and advances	23	(23)	-
TOTAL AT 30 JUNE 2016	10,873	8,416	19,289

	Retained Earnings	Other Reserves see note (20)	Total
	\$'000	\$'000	\$'000
TOTAL AT 1 JULY 2014	10,087	7,373	17,460
Net profit attributable to Members	670	-	670
Other comprehensive income	-	758	758
Total comprehensive income	670	758	1,428
Increase in statutory amount set aside for potential losses on loans and advances	(229)	229	-
TOTAL AT 30 JUNE 2015	10,528	8,360	18,888

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
OPERATING ACTIVITIES			
Profit before tax		464	966
Adjustments for:			
- Changes in operating assets	21	14	(19)
- Changes in operating liabilities (including tax payable)	21	(327)	(281)
- Non-cash items included in profit before tax	21	(30)	(123)
- Income tax paid		(186)	(47)
- Net increase in member deposits		3,966	9,078
- Net decrease in loans and advances		1,145	3,199
Net cash flows from operating activities		5,046	12,773
INVESTING ACTIVITIES			
Net negotiable certificate deposit investments sold/(purchased)		6,208	(2,092)
Net purchase of available for sale investments		(9,493)	(12,983)
Net increase in other investments		(25)	(51)
Purchases of property and equipment and intangible assets		(92)	(94)
Net cash flows used in investing activities		(3,402)	(15,220)
Net increase/(decrease) in cash and cash equivalents		1,644	(2,447)
Cash and cash equivalents at 1 July		6,650	9,097
Cash and cash equivalents at 30 June	21	8,294	6,650
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS			
Interest received		5,851	6,275
Interest and other costs of finance paid		2,860	2,491
Dividends received		16	18

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

1. CORPORATE INFORMATION

Dnister Ukrainian Credit Co-operative Limited is a company incorporated in Australia.

Dnister is a member owned Co-operative specialising in serving the financial needs of Australians of Ukrainian decent, heritage or cultural affinity. The nature of the operations and principal activities of the Co-operative are described in the Directors' Report.

The financial report of the Co-operative for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of Directors on 4 October 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. It has been prepared as a 'for profit entity' as per AASB1054.8. The financial report has also been prepared on a historical cost basis, except for investment properties, land and buildings and available for sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

2.2 STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

2.3 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

(i) Changes in Accounting Policy

There were no new Australian Accounting Standards that have recently been issued or amended and have been adopted by the Co-operative for the annual reporting period ending 30 June 2016.

(ii) Accounting Standards issued but not yet effective

There are certain Australian Accounting Standards that have recently been issued or amended but are not yet effective or have not been adopted by the Co-operative for the annual reporting period ending 30 June 2016. The assessment of the impact of these new standards and interpretations (to the extent relevant to the Co-operative) is set out as follows:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Reference	Title	Summary	Application date of standard*	Impact on financial report	Application date for Group*
AASB 9	<i>Financial Instruments</i>	<p>AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.</p> <p>The main changes are described below.</p> <p>Financial assets</p> <ol style="list-style-type: none"> Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. <p>Financial liabilities</p> <p>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.</p> <p>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.</p> <p>Impairment</p> <p>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p>Hedge accounting</p> <p>Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p>	1 January 2018	These amendments are only expected to affect the presentation of the Co-operative's financial report and will have no direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 July 2018

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Reference	Title	Summary	Application date of standard*	Impact on financial report	Application date for Group*
		AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015 .			
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	<p>AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.</p> <p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</p>	1 January 2016	The amendments are not expected to have a material impact on the financial statements.	1 July 2016
AASB 15	Revenue from Contracts with Customers	<p>AASB 15 <i>Revenue from Contracts with Customers</i> replaces the existing revenue recognition standards AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i> and related Interpretations (Interpretation 13 <i>Customer Loyalty Programmes</i>, Interpretation 15 <i>Agreements for the Construction of Real Estate</i>, Interpretation 18 <i>Transfers of Assets from Customers</i>, Interpretation 131 <i>Revenue—Barter Transactions Involving Advertising Services</i> and Interpretation 1042 <i>Subscriber Acquisition Costs in the Telecommunications Industry</i>). AASB 15 incorporates the requirements of IFRS 15 <i>Revenue from Contracts with Customers</i> issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).</p> <p>AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises 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 those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ol style="list-style-type: none"> Step 1: Identify the contract(s) with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation <p>AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p> <p>AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i> amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.</p>	1 January 2018	The International Accounting Standards Board (IASB) in its July 2015 meeting decided to confirm its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. The amendment to give effect to the new effective date for IFRS 15 is expected to be issued in September 2015. At this time, it is expected that the AASB will make a corresponding amendment to AASB 15, which will mean that the application date of this standard for the Group will move from 1 July 2017 to 1 July 2018.	1 July 2018
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p>AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>:</p> <ul style="list-style-type: none"> Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to 	1 January 2016	The amendments are not expected to have a material impact on the financial statements.	1 July 2016

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Reference	Title	Summary	Application date of standard*	Impact on financial report	Application date for Group*
	Accounting Standards 2012–2014 Cycle	<p>being held for sale (or vice versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change.</p> <p>AASB 7 Financial Instruments: Disclosures:</p> <ul style="list-style-type: none"> • Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is ‘continuing involvement’ for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. • Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to <i>AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities</i> is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with <i>AASB 134 Interim Financial Reporting</i> when its inclusion would be required by the requirements of AASB 134. <p>AASB 119 Employee Benefits:</p> <ul style="list-style-type: none"> • Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. <p>AASB 134 Interim Financial Reporting:</p> <ul style="list-style-type: none"> • Disclosure of information ‘elsewhere in the interim financial report’ - amends AASB 134 to clarify the meaning of disclosure of information ‘elsewhere in the interim financial report’ and to require the inclusion of a cross-reference from the interim financial statements to the location of this information. 			
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> arising from the IASB’s Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	The amendments are not expected to have a material impact on the financial statements.	1 July 2016
AASB 16	Leases	<p>The key features of AASB 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. 	1 January 2019	The amendments will be assessed for impact during the 2017-18 financial year as implementation is not until 1 July 2019 for 2019-20 financial year.	1 July 2019

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Reference	Title	Summary	Application date of standard*	Impact on financial report	Application date for Group*
		<p>Lessor accounting</p> <ul style="list-style-type: none"> AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. <p>AASB 16 supersedes:</p> <p>(a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases—Incentives (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease</p> <p>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.</p>			
2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	This Standard amends AASB 112 <i>Income Taxes</i> (July 2004) and AASB 112 <i>Income Taxes</i> (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	The amendments are not expected to have a material impact on the financial statements.	1 July 2017
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 <i>Statement of Cash Flows</i> (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	The amendments are not expected to have a material impact on the financial statements.	1 July 2017

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Co-operative's accounting policies, Management has used its judgements and made estimates in determining amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

RECOVERY OF DEFERRED TAX ASSETS

Deferred tax assets are recognised for deductible temporary differences as Management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

The Co-operative assesses at each Statement of Financial Position date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

There are three ways that impairment losses on loans and advances are accounted for. They are as follows:

- Prescribed Provisions, which are prescribed collectively according to category of loan and weighted according to days in arrears, and is an APRA requirement.
- Credit Loss Reserve provides for impairment based on risk weighted assets, delinquencies and an allowance for the size of the total loans portfolio. It is an APRA requirement.
- Specific Provisions are determined by Management together with the Board of Directors where they consider it prudent to put extra provisions aside for a specific loan on an individual basis.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognised in Statement of Comprehensive Income.

The Co-operative assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and the group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in Statement of Comprehensive Income, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

PROPERTY

Some of the Co-operative's property is leased out on a commercial basis. Those buildings that are fully leased are now classified as investment properties. The main 'banking building' is still classified as owner-occupied because a significant section of the property is used by the Co-operative for its banking activities. These judgments are consistent with AASB140 Investment Property classification.

TAXATION

The Co-operative's accounting policy for taxation requires Management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on Management's estimates of future cash flows. These depend on estimates of future sales volume, operating costs, restoration costs, capital expenditure, dividends and other capital Management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

2.5.1 FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

(i) DATE OF RECOGNITION

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date i.e. the date that the Co-operative commits to purchase or sell the asset.

(ii) INITIAL RECOGNITION OF FINANCIAL INSTRUMENTS

The classification of financial instruments depends on the purpose for which the financial instruments were acquired and their characteristics.

(iii) HELD TO MATURITY INSTRUMENTS

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Co-operative has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost.

The cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount less impairment.

(iv) AVAILABLE FOR SALE INSTRUMENTS

Available for sale (AFS) financial assets include debt securities. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income and credited in the AFS reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the effective interest rate method.

(v) LOANS AND ADVANCES TO MEMBERS

Assets, such as loans and advances, are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Comprehensive Income when the loans and

advances are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current. Loan interest is calculated on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month. All housing loans are secured by registered mortgages. The remaining loans are assessed on an individual basis.

2.5.2 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

(i) FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Co-operative has transferred its rights to receive cash flows from the asset or has assumed the obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and
- either:
 - (a) the Co-operative has transferred substantially all the risks and rewards of the asset, or
 - (b) the Co-operative has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

2.5.3 IMPAIRMENT OF FINANCIAL ASSETS

(i) LOANS AND ADVANCES TO MEMBERS

Loans and advances are measured at amortised cost after assessing required provisions for impairment. Loans are considered bad and written off when all avenues of legal and other action to recover the debt have been exhausted. All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described as follows:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

- Impaired loans are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful and hence provisions for impairment are recognised.
- Restructured Loans arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms and revised terms are not comparable to new facilities. Loans with revised terms are included in past due or impaired loans.
- Assets acquired through the enforcement of security are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.
- Past Due Loans are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected.

2.5.4 RECOGNITION OF INCOME AND EXPENSES

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Co-operative and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) INTEREST AND SIMILAR INCOME

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(ii) FEE AND COMMISSION INCOME

The Co-operative earns fee and commission income from a diverse range of services it provides to its Members. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time are accrued over that period

Fees earned for the provision of services over that period.

Spread Fees earned for servicing and administering securitised loans.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction or with a third party are recognised on the completion of the underlying transaction.

(iii) DIVIDEND INCOME

Revenue is recognised when the Co-operative's right to receive the payment is established.

(iv) RENTAL INCOME

Rental income arising from investment and other properties is accounted for on a straight line basis over the lease terms on ongoing leases and is recorded in the Statement of Comprehensive Income in 'other operating income'.

2.5.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The amounts included in cash are held for the purpose of meeting short term cash deposits.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above and net outstanding bank overdrafts.

2.5.6 INVESTMENT PROPERTIES

The Co-operative holds certain properties as investments to earn rental income, for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the Statement of Financial Position date. Gains or losses arising from changes in the fair values of investment properties are included in 'other operating income' in the year in which they arise. The Co-operative engaged Charter Keck Cramer to value the Essendon properties and McLean Gladstone Pty Ltd to value the Hindmarsh properties. Both are accredited independent valuers. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Co-operative, and to market based yields for comparable properties. The effective date of the revaluation was 30 June 2016.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in Statement of Comprehensive Income in the year of retirement.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

2.5.7 PROPERTY, EQUIPMENT & INTANGIBLE ASSETS

(i) COST

Equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Land and buildings are measured at fair value less any impairment losses recognised after the date of revaluation.

Under Australian Accounting Standards, items of computer software which are not integral to the computer hardware owned by the Co-operative are classified as intangible assets.

(ii) IMPAIRMENT

The carrying values of equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying amount may be impaired.

(iii) REVALUATIONS

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. The Co-operative engaged Charter Keck Cramer to value the Essendon properties and McLean Gladstone Pty Ltd to value the Hindmarsh properties. Both are accredited independent valuers. Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Comprehensive Income.

Any revaluation decrease is recognised in the Statement of Comprehensive Income, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Independent valuations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the Statement of Financial Position date.

(iv) DERECOGNITION AND DISPOSAL

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income in the year the asset is derecognised.

(v) DEPRECIATION

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

- Furniture and equipment - 6.7 years
- Computer hardware - 4 years

(vi) AMORTISATION

Computer software held as intangible assets is amortised over the expected useful life of the software on a straight-line basis over 3 years.

2.5.8 RECEIVABLES

Receivables are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Comprehensive Income when the receivables are derecognised or impaired.

Expected future payments are discounted.

2.5.9 PAYABLES

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Co-operative prior to the end of the financial year that are unpaid and arise when the Co-operative becomes obliged to make future payments in respect of these goods and services. The payables are not secured and are generally paid within 30 days of recognition.

(i) PROVISIONS

Provisions are recognised when the Co-operative has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Such provisions include:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

WAGES, SALARIES AND ANNUAL LEAVE

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

LONG SERVICE LEAVE

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

2.5.10 CUSTOMER DEPOSITS AND SHORT-TERM BORROWINGS

(i) MEMBER DEPOSITS

Member deposits are classified under the categories of: at call and fixed term. The rate of interest offered on member deposits is dependent on the amount, the period invested/availability of funds and the nature of the deposit facility used. Member deposits are available for withdrawal subject to the advertised constraints of the facility.

For example, at call accounts can be accessed at any time, whereas no withdrawals can be made from a standard fixed term deposit without penalties.

(ii) BORROWING COSTS

Borrowing costs are recognised as an expense when incurred.

(iii) MEMBERSHIPS

Members must purchase shares to the value of \$10 in the Co-operative to open their account. Once a member has purchased shares they may open multiple accounts. When a member cancels or resigns their Membership they are entitled to be refunded their initial \$10 investment. No interest or dividends are payable on the shares issued because they are withdrawn on the closure of Membership. They are therefore recorded as a liability in the financial accounts as part of deposits at call, rather than as equity.

2.5.11 TAXES

(i) CURRENT TAX

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Statement of Financial Position date.

(ii) DEFERRED TAX

Deferred income tax is provided on all temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from an asset or liability transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the Statement of Financial Position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in Statement of Comprehensive Income.

(iii) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred from the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost acquisition of the asset or part of the expense item as applicable.

- Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
3. INTEREST AND SIMILAR INCOME			
Loans and advances to Members		4,590	5,358
Deposits with other financial institutions		1,159	908
Regulatory deposits		36	20
		5,785	6,286
4. INTEREST AND SIMILAR EXPENSE			
Member deposits		3,045	3,557
Other		3	2
		3,048	3,559
5. NET FEES AND COMMISSION INCOME			
Other fees received		109	124
		109	124
6. OTHER OPERATING INCOME			
Dividend income		16	18
Rental income		872	942
Change in fair value of investment property	13	125	265
Other		125	149
		1,138	1,374
7. CREDIT LOSS EXPENSE			
Bad & doubtful debts to Members		2	55
		2	55
8. OTHER OPERATING EXPENSES			
Marketing, printing & postage		50	83
Other tenancy expenses		414	340
Corporate governance, audit & compliance		233	232
Subsidised member transaction expenses		167	157
Data & communications		479	467
Other		377	276
		1,720	1,555

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
9. INCOME TAX		
(a) Income tax expense/(benefit)		
The major components of income tax expense are:		
<i>Statement of Comprehensive Income</i>		
<i>Current Income Tax</i>		
Current Income tax charge	16	149
Adjustments in respect of current income tax of previous years	2	(16)
<i>Deferred Income Tax</i>		
Relating to origination and reversal of temporary differences	124	140
Adjustment to income tax expense for recognition of deferred tax	-	23
Income tax expense/(benefit) reported in the Statement of Comprehensive Income	142	296
(b) Amounts charged or credited directly to equity		
<i>Deferred income tax related to items charged or credited directly to equity</i>		
Unrealised movement on land and buildings	60	52
Unrealised movement on available for sale investments	(26)	-
Income tax expense reported in equity	34	52
(c) Reconciliation between aggregate tax expense recognised in the Statement of Comprehensive Income and tax expense calculated per the statutory income tax rate.		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows:		
Accounting profit before income tax	464	966
At the Company's statutory income tax rate of 30% (2015:30%)	139	290
Income assessable for income tax purposes	6	-
Income not assessable for income tax purposes	-	4
Adjustment in respect of current income tax of previous year	1	7
Franking credit rebate	(4)	(5)
Aggregate income tax expense	142	296
(d) Recognised deferred tax assets and liabilities		
Tax expense in Statement of Comprehensive Income	142	296
Amounts recognised in the Statement of Financial Position:		
Deferred tax asset	123	152
Deferred tax liability	(1,069)	(943)
Deferred Net Tax Liabilities	(946)	(791)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

9. INCOME TAX

(Continued)

	2016	2015
	\$'000	\$'000
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
<i>Deferred tax liabilities</i>		
Rent receivable	(7)	(7)
Depreciable assets	(134)	(104)
Investment properties	(816)	(779)
Land and buildings	(112)	(52)
Deferred tax liabilities	(1,069)	(942)
<i>Deferred tax assets</i>		
Allowance for doubtful debts	1	27
Rent received in advance	6	8
Provisions and accruals	116	117
Deferred tax assets	123	152
10. CASH AND CASH EQUIVALENTS		
Cash on hand	213	317
Current account with banks	1,631	733
Overnight deposits with banks	6,450	5,600
	8,294	6,650
11.1. FINANCIAL INVESTMENTS – HELD TO MATURITY		
Term and negotiable certificates of deposits with banks (fully redeemable), not Longer than 3 months	6,770	9,765
Term and negotiable certificates of deposits with banks (fully redeemable), Longer than 3 months and not Longer than 12 months	4,824	8,075
	11,594	17,840
11.2. FINANCIAL INVESTMENTS – AVAILABLE FOR SALE		
Fixed Interest Bonds and Floating Rate Notes (fully redeemable), Longer than 12 months	22,436	12,983
	22,436	12,983
12. LOANS AND ADVANCES TO MEMBERS		
Overdraft and revolving credit	2,553	3,910
Term loans	96,141	95,929
Directors and related parties	-	-
Gross loans and advances	98,694	99,839
Less: Allowance for impairment losses	(3)	(91)
	98,691	99,748

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

12. LOANS AND ADVANCES TO MEMBERS

(Continued)

		2016 \$'000	2015 \$'000
(a) BY MATURITY			
Overdrafts		2,553	3,910
Not longer than 3 months		65	-
Longer than 3 months and less than 12 months		2,589	31
Longer than 12 months and less than 5 years		3,625	8,313
Longer than 5 years		89,862	87,585
		98,694	99,839
(b) BY PRODUCT TYPE			
Residential mortgages		93,733	94,243
Consumer lending		1,803	2,505
Corporate & small business lending		3,158	3,091
		98,694	99,839
(c) BY CONCENTRATION			
Loans in Victoria	At 30 June 2016 there were 16 loans totaling \$7.8m which exceeded	76,338	75,429
Loans in South Australia	10% of the Co-operative's capital base (2015: 12 loans totaling \$8.6m)	17,331	20,076
In other states		5,025	4,334
		98,694	99,839
(d) BY SECURITY			
Secured by mortgage		97,500	97,755
Secured by Other		741	1,343
Unsecured		453	741
		98,694	99,839
IMPAIRMENT ALLOWANCE FOR LOANS AND ADVANCES TO MEMBERS			
A reconciliation of the allowance for impairment losses for loans and advances is as follows:			
(I) Total Provision		3	91
(II) Movement in total provision			
Balance at the beginning of the year		91	41
Charge for the year (Note 7)		2	55
Amounts written off already provided for		(90)	(5)
Balance at the end of the year		3	91
(III) The loans provision consists of:			
Collective provision		3	38
Specific provision		-	53
		3	91
(IV) Impaired loans written off:			
Charge/(recovery)		90	5
Total impaired loans written off		90	5

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

12. LOANS AND ADVANCES TO MEMBERS

(Continued)

	2016			2015		
	Past Due	Impaired	Collateral Held	Past Due	Impaired	Collateral Held
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
HOUSING LOANS						
30 days and less than 60 days	775	-	4,490	1,534	-	5,100
60 days and less than 90 days	869	-	1,636	980	-	2,095
90 days and less than 182 days	531	-	2,725	369	-	3,095
182 days and less than 273 days	-	-	-	-	-	-
273 days and less than 365 days	-	-	-	-	-	-
365 days and over	-	-	-	-	158	150
	2,175	-	8,851	2,883	158	10,440
PERSONAL AND COMMERCIAL LOANS						
30 days and less than 60 days	2	-	-	-	-	-
60 days and less than 90 days	18	-	-	32	-	51
90 days and less than 182 days	-	-	-	67	-	409
182 days and less than 273 days	1	-	-	-	-	-
273 days and less than 365 days	-	-	-	13	-	21
365 days and over	-	-	-	14	-	-
	21	-	-	126	-	481
OVERDRAFTS						
less than 14 days	22	-	-	-	-	-
14 days and less than 90 days	-	5	-	-	-	-
90 days and less than 182 days	-	-	-	-	-	-
182 days and over	-	-	-	343	-	500
	22	5	-	343	-	500
Total Loans Past Due or impaired	2,218	5	8,851	3,352	158	11,421

Key Assumptions in determining the provision for impairment:

In the course of the annual report, the Co-operative has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other objective evidence of potential impairment such as industrial restructuring, job losses or economic circumstances.

The Loans and advances are determined to be past due or impaired by the amount of days that they are overdue. Per APRA provisioning a housing loan is determined to be past due at 30 days or greater. Personal and commercial loans are determined to be past due between 30 days and less than 90 days, and impaired after 90 days. Overdrafts are past due at one day to less than 14 days overdue and impaired if greater than 14 days overdue.

The loans and advances past due or impaired are secured by collateral, as described in Note 24.2, that exceeds the value of loans and advances outstanding.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

13. INVESTMENT PROPERTIES

	2016 \$'000	2015 \$'000
At 1 July	2,849	2,584
Net change from fair value adjustment	125	265
	2,974	2,849

14.1 PROPERTY AND EQUIPMENT

	Land & Buildings	Computer Hardware	Other Furniture & Equipment	Total
	\$'000	\$'000	\$'000	\$'000
Cost or Fair value:				
At 1 July 2015	8,351	153	1,240	9,744
Additions	-	25	35	60
Disposals	-	(11)	-	(11)
Net change from revaluation	200	-	-	200
At 30 June 2016	8,551	167	1,275	9,993
Accumulated depreciation:				
At 1 July 2015	-	94	1,152	1,246
Disposals	-	(9)	-	(9)
Depreciation charge for the year	-	31	33	64
At 30 June 2016	-	116	1,185	1,301
At 30 June 2016				
Cost or fair value	8,551	167	1,275	9,993
Less: Accumulated depreciation	-	116	1,185	1,301
Net carrying amount	8,551	51	90	8,692

	2016 \$'000	2015 \$'000
If land and buildings were measured using the cost model the carrying amounts would be:	3,894	3,894

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

14.1 PROPERTY AND EQUIPMENT

(Continued)

	Land & Buildings	Computer Hardware	Other Furniture & Equipment	Total
	\$'000	\$'000	\$'000	\$'000
Cost or Fair value:				
At 1 July 2014	7,541	157	1,251	8,949
Additions	-	19	-	19
Disposals	-	(23)	(11)	(34)
Net change from revaluation	810	-	-	810
At 30 June 2015	8,351	153	1,240	9,744
Accumulated depreciation:				
At 1 July 2014	-	88	1,125	1,213
Disposals	-	(23)	(11)	(34)
Depreciation charge for the year	-	29	38	67
At 30 June 2015	-	94	1,152	1,246
At 30 June 2015				
Cost or fair value	8,351	153	1,240	9,744
Less: Accumulated depreciation	-	94	1,152	1,246
Net carrying amount	8,351	59	88	8,498

14.2 INTANGIBLES

a. Intangible Assets

Comprise: Computer

Software

	2016 \$'000	2015 \$'000
Computer	330	301
Software	(234)	(209)
	96	92
b. Movement in the intangible asset balances during the year		
was: Opening balance	92	36
Additions	32	75
Less: Write-downs	(1)	-
Less: Amortisation charge	(27)	(19)
	96	92

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
15. OTHER FINANCIAL INVESTMENTS		
Cuscal Shares	76	76
Indue class 'a' shares	113	108
COBA Shares – Shared Services	20	-
	209	184

The Indue and Cuscal shares above are held as part of the requirements of the service contracts we have with Indue and Cuscal, who facilitate some of our banking services. The shares are stated at cost and are not tradable. When the contract ceases, the shares would be returned to Cuscal or Indue and the cost price repaid to the Co-operative in return.

16. OTHER ASSETS

Accrued interest receivable	203	269
Prepayments	115	30
Other receivables	13	17
	331	316

The maximum exposure to credit risk is the fair value of the receivables. Collateral is not held as security, nor is it policy to transfer (on-sell) receivables to special purpose entities.

17. MEMBER DEPOSITS

Current accounts	51,840	46,029
Term deposits	79,769	81,614
	131,609	127,643
Deposits in Victoria	97,556	92,334
Deposits in South Australia	24,059	24,832
In other states	9,994	10,477
	131,609	127,643

18. OTHER LIABILITIES

Interest payable on deposits	567	754
Rent received in advance	21	26
Trade creditors and accruals	539	568
	1,127	1,348

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

19. PROVISIONS - EMPLOYEES	2016	2015
	\$'000	\$'000
Current provisions for employee entitlements		
Long service leave	91	91
Annual leave	154	143
	245	234
NON-CURRENT PROVISION FOR EMPLOYEE ENTITLEMENTS		
Long service leave	71	62
	71	62

A reconciliation of the provisions is as follows	Annual Leave	Long Service Leave	Total
As at 1 July 15	143	153	296
Payments Made	(80)	(8)	(88)
Additional Provisions	91	17	108
As at 30 June 16	154	162	316
As at 1 July 14	210	192	402
Payments Made	(153)	(51)	(204)
Additional Provisions	86	12	98
As at 30 June 15	143	153	296

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

20. RETAINED EARNINGS AND RESERVES

	Retained Earnings \$'000	Credit Loss Reserve \$'000	AFS Reserve \$'000	Business Combination Reserve \$'000	Asset Revaluation Reserve \$'000	Total Reserves \$'000
As at 1 July 2015	10,528	489	-	2,303	5,568	8,360
Decrease in statutory amount set aside for potential losses on loans & advances	23	(23)	-	-	-	(23)
Net change from revaluation of property	-	-	-	-	140	140
Net profit attribute to Members	322	-	-	-	-	-
Net change from revaluation of AFS	-	-	(61)	-	-	(61)
As at 30 June 2016	10,873	466	(61)	2,303	5,708	8,416
As at 1 July 2014	10,087	260	-	2,303	4,810	7,373
Increase in statutory amount set aside for potential losses on loans & advances	(229)	229	-	-	-	229
Net change from revaluation of property	-	-	-	-	758	758
Net profit attribute to Members	670	-	-	-	-	-
As at 30 June 2015	10,528	489	-	2,303	5,568	8,360

CREDIT LOSS RESERVE

The credit loss reserve is used to record the Co-operative's required provisioning (under the Standard) for setting aside an amount based on risk weighted assets and delinquencies as provision for possible bad debt write off. It represents an appropriation of retained earnings as further capital held against credit losses.

AVAILABLE FOR SALE AFS RESERVE

The AFS reserve is used to record increments and decrements in the fair value of available for sale investments, i.e. bonds.

BUSINESS COMBINATION RESERVE

The business combination reserve is used to record increments and decrements in equity as a result of mergers with other businesses.

ASSET REVALUATION RESERVE

The asset revaluation reserve is used to record increments and decrements in the fair value of land and buildings to the extent that they offset one another.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	2016	2015
	\$'000	\$'000
21. ADDITIONAL CASH FLOW INFORMATION		
CASH AND CASH EQUIVALENTS		
Cash on hand	213	317
Current account with Bank	1,631	733
Overnight deposits with Bank	6,450	5,600
	8,294	6,650
CHANGE IN OPERATING ASSETS		
Net change in interest receivable	66	11
Net change in debtors	4	7
Net change in prepayments	(85)	9
Net change in future tax receivable	29	(46)
	14	(19)
CHANGE IN OPERATING LIABILITIES		
Net change in interest payable	(187)	235
Net change in interest payable	(5)	(26)
Net change in creditors and accruals	(28)	(350)
Net change in future tax payable	(127)	(34)
Net change in provisions	20	(106)
	(327)	(281)
NON-CASH ITEMS INCLUDED IN PROFIT BEFORE TAX		
Depreciation of property and equipment	91	86
Losses on disposal of property and equipment	2	1
Net impairment losses on financial assets	2	55
Revaluation of investment property	(125)	(265)
	(30)	(123)
22. COMMUNITY GRANTS AND SPONSORSHIP		
Community Sponsorship	26	14
School Support	8	-
Church Praznyk	9	6
	43	20

Dnister Ukrainian Credit Co-operative Ltd makes payments to the Ukrainian Community via grants and sponsorship. In addition, Dnister Staff provide special support services to community organisations free of charge.

The amount allocated is approved by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	Carrying Value	Fair Value
	\$'000	\$'000
23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES		
ASSETS 2016		
Financial Assets		
Cash & balances with bank	8,294	8,294
Financial investments - Held to maturity	11,594	11,602
Financial investments - Available for sale	22,436	22,436
Loans and advances to Members	98,691	98,765
Other investments	209	209
Accrued interest receivable	203	203
Other receivables and prepayments	128	128
Total 2016	141,555	141,637
LIABILITIES 2016		
Financial Liabilities		
Member deposits	131,609	131,690
Total 2016	131,609	131,690
ASSETS 2015		
Financial Assets		
Cash & balances with bank	6,650	6,650
Financial investments - Held to maturity	17,840	17,850
Financial investments – Available for sale	12,983	12,983
Loans and advances to Members	99,748	99,764
Other investments	184	184
Accrued interest receivable	269	269
Other receivables	47	47
Total 2015	137,721	137,747
LIABILITIES 2015		
Financial Liabilities		
Member deposits	127,643	127,697
Total 2015	127,643	127,697

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Continued...

FAIR VALUE HIERARCHY

All Financial Instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted market prices in an active market (that is unadjusted) for identical assets or liabilities

Level 2 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Level 3 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

For financial instruments that are recognised at fair value on a recurring basis, the Co-operative determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at 30 June 2016, the Group held the following classes of financial instruments measured at (AASB13) fair value:

	30 June 16	Level 1	Level 2	Level 3
Financial Assets measured at fair value -2016				
Financial investments – held to maturity	11,602	-	-	11,602
Financial investments – available for sale	22,436	22,436		
Loans and advances to Members	98,765	-	-	98,765
Financial Liabilities measured at fair value -2016				
Member deposits	131,690	-	-	131,690
	30 June 15	Level 1	Level 2	Level 3
Financial Assets measured at fair value -2015				
Financial investments – held to maturity	17,850	-	-	17,850
Financial investments – available for sale	12,983	12,983	-	-
Loans and advances to Members	99,764	-	-	99,764
Financial Liabilities measured at fair value -2015				
Member deposits	127,697	-	-	127,697

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Continued...

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

CASH AND LIQUID ASSETS

The carrying values of cash and liquid assets approximate their net fair value as they are short term in nature or are receivable on demand.

DEPOSITS WITH FINANCIAL INSTITUTIONS

The carrying values of deposits with financial institutions are categorised within the fair value hierarchy based on net present values.

LOANS AND ADVANCES

The carrying values of loans and advances are net of the total provision for doubtful debts. Interest rates on loans both fixed and variable equate to comparable products in the market place. The carrying values of loans and advances to Members are categorised within the fair value hierarchy based on net present values.

MEMBER DEPOSITS

The carrying values of member deposits are categorised within the fair value hierarchy based on net present values.

OTHER INVESTMENTS

The carrying amount of other investments is at cost as these shares are bought and sold at the same amount they are held as part of our service contract with Cuscal and Indue, and are not available for sale.

ACCRUED INTEREST RECEIVABLE

The net fair value of accrued interest receivables represents the carrying amount. This represents the interest that has accrued to date on deposits with financial institutions.

OTHER RECEIVABLES

The net fair value of other receivables represents the carrying amount. This mainly represented rent owed to the Co-operative from the investment properties.

24. RISK MANAGEMENT

24.1 INTRODUCTION

Risk is inherent in the Co-operative's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Co-operative's continuing profitability and each individual within the Co-operative is accountable for the risk exposure relating to his or her responsibilities. The Co-operative is exposed to credit risk, liquidity risk and market risk. It is also subject to operating risks.

RISK MANAGEMENT STRUCTURE

The Board of Directors is ultimately responsible for identifying and controlling risks; however there is a Risk Committee. This Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

INTERNAL AUDIT

Risk management processes throughout the Co-operative are audited annually by the internal audit function, which examines both the adequacy of procedures and the Co-operative's compliance with the procedures. Internal Audit discusses the results of all assessments with Management, and reports its findings and recommendations to the Audit Committee.

24.2 CREDIT RISK

Credit risk is the risk that the Co-operative will incur a loss because a counterparty failed to discharge their obligations. The Co-operative manages and controls risk by setting limits on the amount it is willing to accept for debtors and loan categories, and by monitoring exposures to such limits.

With respect to credit risk arising from other financial assets of the Co-operative, the Co-operative's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. Future movements in fair value would increase or reduce that exposure.

Credit ratings are those published by Standards and Poor's.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

24. RISK MANAGEMENT

Continued...

The table below shows the credit quality by class of asset

	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
ASSETS				
Financial Assets	Total	High Grade	Other Grade	Past Due or Impaired
Loans and advances	98,691	96,468	-	2,223
	Total	AAA to A-	B to BBB+	Other*
Cash & balances with bank	8,294	6,450	-	1,844
Financial investments - held to maturity	11,594	9,946	-	1,648
Financial investments - available for sale	22,436	22,436	-	-
Other investments	209	76	-	133
Accrued interest receivable	203	198	-	5
Other receivables and prepayments	128	-	-	128
Total	42,864	39,106	-	3,758
	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000
ASSETS				
Financial Assets	Total	High Grade	Other Grade	Past Due or Impaired
Loans and advances	99,748	96,238	-	3,510
	Total	AAA to A-	B to BBB+	Other*
Cash & balances with bank	6,650	5,600	-	1,050
Financial investments - held to maturity	17,840	16,192	-	1,648
Financial investments – available for sale	12,983	12,983	-	-
Other investments	184	76	-	108
Accrued interest receivable	269	265	-	4
Other receivables and prepayments	47	-	-	47
Total	37,973	35,116	-	2,857

The Loans and advances are determined to be past due or impaired by the amount of days that they are overdue. As per APRA provisioning, a Housing Loan is determined to be past due at 30 days or greater and impaired after 90 days. Personal and commercial loans are determined to be past due between 30 days and less than 90 days, and impaired after 90 days. Overdrafts are past due at one day to less than 14 days overdue and impaired if greater than 14 days overdue.

Financial assets that are neither past due or impaired are classified between those assets that are high grade and not high grade (other grade). To define what is a high grade financial asset, Dnister has referred to the prudential standards issued by the Australian Prudential Regulation Authority (APRA) in particular APS 112 which categorises the risk likelihood of default. APS 112 applies risk-weight percentages to indicate the quality of assets. A risk-weight of 50% or less indicates higher quality assets and this has been applied to define high grade assets for the table provided.

*Other consists of assets or liabilities which have not been rated or are of a non-rated nature.

All interest bearing securities were issued by Australian entities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

24. RISK MANAGEMENT

Continued...

COLLATERAL AND OTHER CREDIT ENHANCEMENTS

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- for commercial lending, charges over real estate properties, inventory and trade receivables.
- for mortgage lending, mortgages over residential properties.

Management monitors the market value of collateral, requests collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Co-operative's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Co-operative does not occupy repossessed properties for business use.

IMPAIRMENT ASSESSMENT

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than the specified period or there are any known difficulties in the cash flows of Members, credit rating downgrades, or infringement of the original terms of the contract.

LOANS PAYABLE

During the current and prior year, there were no material defaults or breaches on any of the loans.

24.3 LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is the risk that the Co-operative will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, Management has arranged diversified funding sources. In addition to its core deposit base, the Co-operative manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Co-operative has a \$350,000 overdraft facility which allows for the day to day fluctuations in a settlement account with Indue Ltd. The overdraft allows the settlement account to be overdrawn for one or two business days in the event that the withdrawals are greater than the settlement account balance. The Co-operative will then deposit within one or two business days the required funds to return the account to credit.

The Co-operative maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Co-operative is required by the Australian Prudential Regulatory Authority to hold a minimum level of high quality liquid assets at any given time. The liquidity position is assessed giving due consideration to stress factors relating to both the market in general and specifically to the Co-operative. Net liquid assets consists of cash, short term bank deposits or negotiable certificate of deposits available for immediate sale.

The liquidity ratio during the year was as follows:

	2016	2015
	%	%
30 June	27.3	25.2
Highest for period	28.9	25.2
Lowest for period	23.9	17.6

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

24. RISK MANAGEMENT

Continued...

24.3a MATURITY PROFILE OF FINANCIAL LIABILITIES

The tables below summarise the maturity profile of Dnister's financial liabilities at balance date based on contractual undiscounted repayment obligations. Dnister does not expect the majority of Members to request repayment on the earliest date that Dnister could be required to pay and the tables do not reflect the expected cash flows indicated by Dnister's deposit retention history.

	Less than 30 days	Less than 3 months	3-12 months	Subtotal less than 12 months	1 -5 years	Over 5 years	Subtotal over 12 months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2016								
Liabilities								
Member deposits	67,204	38,128	26,114	131,446	163	-	163	131,609
Trade and other payables	581	-	567	1,148	-	-	-	1,148
Total	67,785	38,128	26,681	132,594	163	-	163	132,757
2015								
Liabilities								
Member deposits	57,194	48,350	21,923	127,467	176	-	176	127,643
Trade and other payables	389	-	959	1,348	-	-	-	1,348
Total	57,583	48,350	22,882	128,815	176	-	176	128,991

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

24. RISK MANAGEMENT

Continued...

24.3b MATURITY PROFILE OF COMMITMENTS

The table below shows the contractual expiry of the maturity of Dnister's credit commitments and lease expenditure commitments. Dnister expects that not all of the commitments will be drawn before the expiry of the commitments. There were no lease expenditure commitments at year end.

	Within 12 months	More than 1 year	Total
2016			
Liabilities	\$'000	\$'000	\$'000
Approved but undrawn loans	1,000	-	1,000
Undrawn line of credit	3,208	-	3,208
Total	4,208	-	4,208
2015			
Liabilities	\$'000	\$'000	\$'000
Approved but undrawn loans	260	-	260
Undrawn line of credit	2,025	-	2,025
Total	2,285	-	2,285

24.4 MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates. The Board has set limits on the level of market risk that may be accepted. The Co-operative has significant interest rate risk, but not excessive given the nature of our business. The level of interest rate risk is managed through maturity repricing analysis and limits the exposure based on a 2% interest rate movement, which is set by the Board and reported monthly to the Board. The Co-operative only deals in Australian Dollars and therefore is not exposed to currency risk. The Co-operative does not hold any investments which are subject to equity movement and therefore is not exposed to equity risk.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

24. RISK MANAGEMENT

Continued...

INTEREST RATE RISK

Interest rate risk is the risk that fair value or future cash flow of the Co-operative's financial instruments will fluctuate because of changes in market interest rate.

	Floating Interest Rate	Fixed interest maturing in		Non-interest bearing	Total carrying amount as per Statement of Financial Position
	\$'000 2016	\$'000 1 year or less	\$'000 +1 to 5 years	\$'000 2016	\$'000 2016
FINANCIAL ASSETS					
Cash & balances with bank	8,080	-	-	-	8,080
Financial investments - held to maturity	-	11,594	-	-	11,594
Financial investments - available for sale	-	1,501	20,935	-	22,436
Shares (Cuscal and Indue)	-	-	-	209	209
Other receivables	-	-	-	331	331
Loans and advances to Members	92,411	2,655	3,625	-	98,691
FINANCIAL LIABILITIES					
Member deposits	51,840	79,769	-	-	131,609
Wholesale borrowings	-	-	-	-	-

	Floating Interest Rate	Fixed interest maturing in		Non-interest bearing	Total carrying amount as per Statement of Financial Position
	\$'000 2015	\$'000 1 year or less	\$'000 +1 to 5 years	\$'000 2015	\$'000 2015
FINANCIAL ASSETS					
Cash & balances with bank	6,333	-	-	317	6,650
Financial investments - held to maturity	-	18,403	-	-	18,403
Financial investments – available for sale	-	-	12,420	-	12,420
Shares (Cuscal and Indue)	-	-	-	184	184
Other receivables	-	-	-	316	316
Loans and advances to Members	91,893	2,665	5,190	-	99,748
FINANCIAL LIABILITIES					
Member deposits	46,029	81,445	-	-	127,474
Wholesale borrowings	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

24. RISK MANAGEMENT

Continued...

INTEREST RATE SENSITIVITY

The following tables demonstrate the sensitivity to a reasonable possible change in interest rates: to post tax profit and equity.

		Post Tax Profit Higher / (Lower)	
2016	2015	2016	2015
		\$'000	\$'000
+0.25% (25 Basis Points)	+0.50% (50 Basis Points)	39	99
-0.50% (50 Basis Points)	-0.50% (50 Basis Points)	(78)	(99)

		Equity Higher / (Lower)	
2016	2015	2016	2015
		\$'000	\$'000
+0.25% (25 Basis Points)	+0.50% (50 Basis Points)	39	99
-0.50% (50 Basis Points)	-0.50% (50 Basis Points)	(78)	(99)

The above interest rate risk sensitivity is unrepresentative of the risks inherent in the financial assets and financial liabilities, as the sensitivity analysis does not reflect the maturing of fixed interest financial assets and financial liabilities within the next 12 months.

25. CAPITAL

The Co-operative maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Co-operative's capital is monitored using, among other measures, the rules and ratios established by the Australian Prudential Regulatory Authority (APRA). The capital ratio of 19.8% as at 30 June 2016 exceeds the APRA minimum requirement. Should capital fall to 17% a 3 year forecast is performed to ensure that the capital is monitored closely and starts to trend upwards. The capital ratio is reported to the Board at the monthly Board Meetings and more frequently during periods of volatility or when the capital ratio falls below 17%. During the past the year, the Co-operative has complied in full with all its internally and externally imposed capital requirements.

The capital ratio is derived by dividing the capital base by the risk weighted assets. The Co-operative adheres to the regulations set down by APRA in regard to which capital items can or cannot be included and also the different risk weightings put on the various assets. These risk weightings are set by APRA and are based on the risk associated with each different asset class.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

25. CAPITAL MANAGEMENT

Continued...

CAPITAL MANAGEMENT

The primary objectives of the Co-operative's capital management are to ensure the Co-operative complies with internally and externally imposed capital requirements and that the Co-operative maintains strong credit and healthy capital ratios in order to support its business and maximize member value.

In September 2012, APRA published the final standards relating to the implementation of the Basel III capital reforms in Australia. An important component of the requirements under Basel III in relation to the capital measurement and capital standards is the public disclosure of regulatory information. These requirements are outlined in APRA Prudential Standard APS 330 Public Disclosure. The standard sets minimum requirements for the public disclosure of information on the Co-operative's risk profile, risk management, capital adequacy, capital instruments and remuneration practices. The Co-operative has adopted the new regulatory requirements and published the required information on our website www.dnister.com.au

REGULATORY CAPITAL	2016	2015
	\$'000	\$'000
Capital base	16,020	15,293
Risk weighted assets	78,159	79,141
	%	%
Total capital ratio	20.5%	19.3%

26. RELATED PARTY DISCLOSURES

a. DETAILS OF KEY MANAGEMENT PERSONNEL

The Following persons were Directors of the Co-operative during the financial year:

M. Misko	W. Mykytenko
M. Kornitschuk	L. Slipetsky
N. Jurcheshin	M. Kwas
D. Hassett	A. Pavuk

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

26. RELATED PARTY DISCLOSURES

Continued...

b. COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE CO-OPERATIVE	2016 \$'000	2015 \$'000
Short-term employment benefits - salaries	255	225
Post employment - superannuation contributions	26	21
Long term benefits - LSL expense	5	5
Total	286	251
c. DIRECTORS' REMUNERATION (INCLUDED IN 26b. ABOVE)	2016 \$'000	2015 \$'000
Aggregate remuneration of Directors included in the figure above	46	42

d. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL OF THE CO-OPERATIVE

The Co-operative enters into transactions, arrangements and agreements involving Directors and the Chief Executive Officer in the ordinary course of business.

The following table provides the aggregate value of loan, investment and deposit products to the Chief Executive Officer, Directors, spouses and related entities:

	2016 \$'000	2015 \$'000
Loans:		
Opening balance owing	30	23
New loans advanced	440	14
Net repayments	(9)	(7)
Movement from changes in key management personnel	-	-
Balance owing at 30 June	461	30
Revolving Credit Facilities:		
Total value extended	-	-
Balance utilised at 30 June	-	-
Savings and term deposit services:		
Amounts deposited at 30 June	1,044	873

All loans disbursed are approved on the same terms and conditions applied to Members generally for each class of their loan. All other transactions between the Key Management Personnel and the Co-operative were conducted on normal commercial terms and there has been no breach of these terms.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

27. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of Members, the Co-operative does enter into irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Co-operative. The maximum amount of credit exposure risk for guarantees for 2016 of \$403,197 (2015: \$340,180) is deemed insignificant.

The total outstanding commitments and contingent liabilities are as follows:

	2016	2015
	\$'000	\$'000
CONTINGENT LIABILITIES		
Financial guarantees	403	490
COMMITMENTS		
Undrawn commitments to lend	1,000	260
Unused overdraft facilities of Members	3,208	2,025
Total	4,611	2,775

CONTINGENT LIABILITIES

Letters of credit and guarantees commit the Co-operative to make payments on behalf of Members in the event of a specific act. Guarantees and standby letters of credit carry the same risk as loans.

UNDRAWN COMMITMENTS TO LEND

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon Members maintaining specific standards.

OPERATING LEASE COMMITMENTS RECEIVABLES - CO-OPERATIVE AS LESSOR

Leases in which the Co-operative retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the lease asset and recognised as an expense over the lease term on the same basis as rental income.

The Co-operative has entered into commercial property leases on its investment portfolio, consisting of the Co-operative's surplus office buildings.

These non-cancellable leases have remaining terms of between 1 and 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

27. CONTINGENT LIABILITIES AND COMMITMENTS

Continued...

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	2016 \$'000	2015 \$'000
Within one year	707	711
After one year but not more than three years	659	513
After three years but not more than five years	16	4
Total minimum lease payments	1,382	1,228

LEGAL CLAIMS

The Co-operative had no material unresolved legal claims as at 30 June 2016 (2015: none).

ECONOMIC DEPENDENCY

The Co-operative has service contracts with, and has an economic dependency on, the following organisations:

(a) *Indue* - This entity supplies the Co-operative with services in the form of settlement with bankers for ATM transactions, member cheques and direct entry services and the production of debit cards for use by Members.

(b) *First Data International* - This company operates the computer switch used to process transactions from the use of Co-operative's debit cards through approved ATM and EFTPOS networks.

(c) *DataAction* - This company provides and maintains core banking software currently utilised by the Co-operative. DataAction is a major supplier of software to credit unions throughout Australia.

28. REMUNERATION OF EXTERNAL AUDITORS

During the years the auditors of the Co-operative earned the following remuneration:

	2016	2015
Audit of Financials	32,000	30,000
Regulatory Audit	12,000	10,000
Taxation Services	10,000	15,000
	54,000	55,000

29. SUBSEQUENT EVENTS

On 1 September 2016, a Transfer of Business (Merger), of the Latvian Australian Credit Co-operative Society Ltd (Latvians) to the Co-operative became effective. The Latvian Australian Credit Co-operative Society Ltd is a mutual entity that was formed on 9 October 1960 and which was registered at Suite 3, 329 Mitcham Road, Mitcham Victoria 3121. The Latvians' Board of Directors approached the Co-operative in 2015 to commence discussions on the benefits of a merger, transferring the whole of its business operations and assets and liabilities to the Co-operative. The transfer will be treated as a business combination. The consolidated financial statements of the merged entity will be provided in the 2016-17 Annual Report.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

29. SUBSEQUENT EVENTS

Continued...

A summary of the Unaudited Financial Statements of Latvian Australian Credit Co-operative Society Limited as at 30 June 2016 is:

	30 June 2016 (Unaudited)
	\$000
Assets	
Cash and cash equivalents	334
Financial investments – held to maturity	9,430
Loans and advances to Members	5,307
Property & equipment	23
Other financial investments	18
Other assets	49
Total Assets	15,161
Liabilities	
Member deposits	12,544
Current tax liabilities	(8)
Other liabilities	263
Total Liabilities	12,799
Equity	
Retained earnings	2,309
Reserve for Credit Losses	53
Total Equity	2,362

The number of Latvian Members transferred to the Co-operative as of 31 August 2016 are 823.

There were no other significant events after balance date to be brought to the attention of Members for the financial year ended 30 June 2016.

30. SEGMENT INFORMATION

The principal activities of the Co-operative during the year were for the provision of retail financial services to all Members and the Ukrainian Community of Australia. This takes form of deposit taking facilities and loan facilities as prescribed by the Constitution. The entity operates primarily in one geographical area, Australia.

Corporate Directory

ESTABLISHED	Dnister was incorporated in Victoria under the Co-operative Act on 21 September 1959
REGISTERED OFFICE	Head Office: 912 Mt Alexander Road, Essendon VIC 3040 Tel (03) 9375 1222 Fax (03) 9370 5361
BRANCHES	Adelaide: 62 Ormond St, Hindmarsh SA 5007 Tel (08) 8346 6174 Fax (08) 8346 2262 Geelong: 3/29-35 Milton Street, Bell Park VIC 3215 Tel (03) 5278 5950 Fax (03) 5277 9108 Mitcham: 3/329 Mitcham Road, Mitcham VIC 3132 Tel (03) 9873 3044 Fax (03) 9873 3244 Perth: 20 Ferguson Street, Maylands WA 6051 Tel Fax (03) 9271 5984 Strathfield: 32-34 Parnell Street, Strathfield NSW 2135 Tel (02) 9747 6279 Fax (02) 9715 5556
EXTERNAL AUDITORS	Ernst & Young, 8 Exhibition Street, Melbourne VIC 3000
INTERNAL AUDITORS	KS Nathan, Siva Harris & Trotter Pty Ltd, Chartered Accountants. PO Box 1148, Tullamarine VIC 3042
LEGAL CORPORATE ADVISORS	Wisewould Mahony Lawyers, 419 Collins Street, Melbourne VIC 3000
BANKERS	Indue Ltd, Level 3, 601 Coronation Drive Toowong QLD 4066 Westpac Banking Corporation, 260 Queen Street, Brisbane QLD 4000
INSURERS	QBE Insurance Group Ltd, Level 2, 82 Pitt Street, Sydney NSW 2000

