select mutual banking

2016 | ANNUAL FINANCIAL REPORT

SELECT CREDIT UNION LTD
ABN: 20 058 538 140

Registered Office:
59 Buckingham St Surry Hills NSW 2010
Incorporated in Australia

DIRECTORS' REPORT

The Directors present their report on Select Credit Union Ltd (Select) for the financial year ended 30 June 2016. Select is a company with a mutual structure, registered under the Corporations Act 2001.

INFORMATION ON DIRECTORS

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

Neil Sydney Peninton	**Chair** (Independent, non-executive) Chair of the Executive & Remuneration Committee Member of the Risk Committee
Qualifications and Experience	Member, Australian Institute of Company Directors Fellow, Australasian Mutuals Institute Director since 1994
Kristen Julie Watts	**Director** (Independent, non-executive) Deputy Chair (from 1st September 2014) Member of the Risk Committee Member of the Executive and Remuneration Committee
Qualifications and Experience	Bachelor of Economics (Accounting) Master of Commerce Chartered Accountant Graduate, Australian Institute of Company Directors Member, Australasian Mutuals Institute Director since 2010
Fiona Louise Bennett	**Director** (Independent, non-executive) Chair of the Risk Committee Member of the Audit Committee
Qualifications and Experience	Bachelor of Business Certified Practising Accountant Graduate, Australian Institute of Company Directors Member, Australasian Mutuals Institute Director since 2011
John Anthony Cottee	**Director** (Independent, non-executive) Chair of the Audit Committee Member of the Executive & Remuneration Committee
Qualifications and Experience	Management Consultant Certified Practising Accountant Graduate, Australian Institute of Company Directors Fellow, Australasian Mutuals Institute Fellow, Financial Institute of Australasia Justice of the Peace Director since 2012
John Edward Blackeby	**Director** (Independent, non-executive) Member of the Audit Committee
Qualifications and Experience	Fellow of the Institute of Public Accountants Member, Institute of Internal Auditors Member, Mutuals Audit & Governance Professionals Institute Member, Australasian Mutuals Institute Justice of the Peace Director since 1996
Michael Kean	Director (Independent, non-executive) Member of the Corporate Governance Committee
Qualifications and Experience	Bachelor of Business (Accounting) Certified Practising Accountant Associate Fellow Australasian Mutuals Institute Director since 1992

David Geoffrey Lee	**Director** (Independent, non-executive) Member of the Corporate Governance Committee
Qualifications and Experience	Diploma of Financial Services Member, Financial Planning Association Member, Mutuals Audit and Governance Professionals Institute Associate Fellow, Australasian Mutuals Institute Justice of the Peace Director since 2007
Paul John Strachan	**Director** (Independent, non-executive) Chair of the Corporate Governance Committee
Qualifications and Experience	Member, Australasian Mutuals Institute Director since 2005

INFORMATION ON COMPANY SECRETARY

Mark Joseph Worthington	**Chief Executive and Company Secretary**
Qualifications and Experience	Bachelor of Arts Master of Business Administration Director, TransAction Solutions Ltd Graduate, Australian Institute of Company Directors Fellow, Australasian Mutuals Institute Justice of the Peace 30 years credit union management experience

DIRECTORS' MEETING ATTENDANCE

Directors	Board		Executive and Remuneration Committee		Audit Committee		Corporate Governance Committee		Risk Committee	
	E	A	E	A	E	A	E	A	E	A
N S Peninton	11	8	2	1					6	5
J E Blackeby	11	11			11	11				
M Kean	11	9					6	6		
D G Lee	11	11					6	6		
P J Strachan	11	9					6	5		
K J Watts	11	11	2	2		2			6	6
F L Bennett	11	10			11	10			6	6
J A Cottee	11	10	1	1	11	10				

E – Eligible to attend, A – Attended

DIRECTORS' BENEFITS

No Director has received or become entitled to receive during or since the financial year, a benefit because of a contract made by Select or a related body corporate with a Director, a firm of which a Director is a member or a credit union in which a Director has a substantial financial interest, other than that disclosed in Note 31 of the financial report.

INDEMNIFYING OFFICER OR AUDITOR

Insurance premiums have been paid to insure each of the Directors and all officers of Select against any costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or officer of Select. In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract. No insurance cover has been provided for the benefit of the external auditors of Select.

FINANCIAL PERFORMANCE DISCLOSURES

PRINCIPAL ACTIVITIES

The principal activities of Select during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution. No significant changes in the nature of these activities occurred during the year.

OPERATING RESULTS

The net profit of Select for the year after providing for income tax was $139,958 (2015 $1,016,658). Capital adequacy at 23.18% was well above the statutory minimum of 8.00%.

DIVIDENDS

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

REVIEW OF OPERATIONS

The results of Select's operations from its activities of providing financial services to its members did not change significantly from those of the previous year. The result for the year was affected by merger costs of $1,330,055.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of Select during the year.

EVENTS OCCURRING AFTER BALANCE DATE

On 1 July 2016 there was a merger between Encompass Credit Union Limited and Select Credit Union Limited, where the assets and liabilities ($323 million) of Select Credit Union were transferred to Encompass Credit Union. (Refer Note 36).

LIKELY DEVELOPMENTS AND RESULTS

No other matter, circumstance or likely development in the operations has arisen since the end of the financial year that has significantly affected or may significantly affect:

(i) the operations of Select;

(ii) the results of those operations; or

(iii) the state of affairs of Select

in the financial years subsequent to this financial year.

AUDITORS INDEPENDENCE

The auditors have provided the Declaration of Independence to the Board as prescribed by the Corporations Act 2001 as set out on page 5.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Neil Peninton
Chair

Kristen Watts
Deputy Chair

26th October 2016

Grant Thornton

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Auditor's Independence Declaration
To the Directors of Select Credit Union Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Select Credit Union Ltd for the year ended 30 June 2016, I declare that, 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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A Sheridan
Partner - Audit & Assurance

Sydney, 26 October 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Our Ref: L-161012-LT-Select CU Independence Dec 2016.Docx

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Independent Auditor's Report
To the Members of Select Credit Union Limited

We have audited the accompanying financial report of Select Credit Union Limited (the Credit Union), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Credit Union.

Directors' responsibility for the financial report

The Directors of the Credit Union are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The directors also state, in the notes to the financial report, in accordance with Accounting Standards AASB 101 Presentation of Financial Statements, 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 us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Credit Union's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

a. the financial report of Select Credit Union Limited is in accordance with the Corporations Act 2001, including:

   ii giving a true and fair view of the Credit Union's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   iii 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 the notes to the financial statements.

Emphasis of Matter – Liquidation basis of accounting

Without modifying our opinion, we draw attention to the Basis of Preparation (liquidation basis) in the notes to the financial report, which indicate that the Directors' of the Credit Union have resolved to wind up the company after the lodgement of the financial report and tax returns. Accordingly, the financial report has been prepared on a liquidation basis.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A Sheridan
Partner - Audit & Assurance

Sydney, 26 October 2016

DIRECTORS' DECLARATION

In the opinion of the Directors of Select Credit Union Ltd:

1. The financial statements and notes, are in accordance with the Corporations Act 2001, including;
   (a) giving a true and fair view of the financial position of Select as at 30 June 2016 and of its performance for the financial year ended on that date; and
   (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. There are reasonable grounds to believe that Select will be able to pay its debts as and when they become due and payable.
3. The financial statements comply with International Financial Reporting Standards as stated in Note 1.

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

Neil Peninton
Chair

Kristen Watts
Deputy Chair

26th October 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Note	2016 $	2015 $
Interest revenue	2.a	12,894,333	14,118,482
Interest expense	2.c	(4,577,404)	(5,930,419)
Net interest income		8,316,929	8,188,063
Fee commission and other income	2.b	1,098,920	1,133,234
		9,415,849	9,321,297
Less			
Non-interest expenses			
Impairment losses on loans receivable from members	2.d	(34,004)	(60,853)
Fee and commission expenses		(823,280)	(853,795)
		(857,284)	(914,648)
General administration			
- Employees compensation and benefits		(4,655,007)	(3,900,630)
- Depreciation and amortisation	2.f	(215,261)	(216,165)
- Information technology		(1,534,690)	(1,094,697)
- Office occupancy		(692,014)	(668,443)
- Other administration		(464,585)	(430,859)
Total general administration		(7,561,557)	(6,310,794)
Other operating expenses		(909,724)	(741,473)
Total non-interest expenses		(9,328,565)	(7,966,915)
Profit before income tax		87,284	1,354,382
Income tax expense	3	52,674	(337,724)
Net profit after income tax		139,958	1,016,658
Total comprehensive income for the year		139,958	1,016,658

STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the year ended 30 June 2016

	Capital Redemption Reserve $	Other Reserve $	Transfer of Business $	Reserve for Credit Losses $	Retained Earnings $	Total $
Total at 1 July 2014	343,951	1,331,185	9,330,037	978,000	26,794,965	38,778,138
Total net profit for the year – as reported	-	-	-	-	1,016,658	1,016,658
Sub total	343,951	1,331,185	9,330,037	978,000	27,811,623	39,794,796
Transfers to (from) reserves						
Transfer to capital account on redemption of shares	12,882	-	-	-	(12,882)	-
Balance at 30 June 2015	356,833	1,331,185	9,330,037	978,000	27,798,741	39,794,796
Total at 1 July 2015	356,833	1,331,185	9,330,037	978,000	27,798,741	39,794,796
Total net profit for the year – as reported	-	-	-	-	139,958	139,958
Sub total	356,833	1,331,185	9,330,037	978,000	27,938,699	39,934,754
Transfers to (from) reserves						
Transfer to capital account on redemption of shares	7,022	-	-	-	(7,022)	-
Balance at 30 June 2016	363,855	1,331,185	9,330,037	978,000	27,931,677	39,934,754

STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2016

	Note	2016 $	2015 $
ASSETS			
Cash	4	3,991,577	6,487,212
Liquid investments	5	110,457,605	122,817,069
Receivables	6	2,304,284	2,286,238
Prepayments	7	111,365	200,157
Loans to members	8 & 9	202,667,495	199,133,703
Available for sale investments	10	2,177,866	2,016,566
Property, plant and equipment	11	516,727	633,694
Taxation assets	12	837,789	613,021
Intangible assets	13	96,590	105,635
TOTAL ASSETS		323,161,298	334,293,295
LIABILITIES			
Short Term Borrowings	14	18,213	-
Deposits from members	15	278,404,948	290,328,389
Creditor accruals and settlement accounts	16	3,311,960	2,983,146
Taxation liabilities	17	-	151,423
Provisions	18	1,491,423	1,035,541
TOTAL LIABILITIES		283,226,544	294,498,499
NET ASSETS		39,934,754	39,794,796
MEMBERS' EQUITY			
Capital reserve account	19	363,855	356,833
General reserve for credit losses	20	978,000	978,000
Other reserves	21	1,331,185	1,331,185
Transfer of Business Reserve	22	9,330,037	9,330,037
Retained earnings		27,931,677	27,798,741
TOTAL MEMBERS' EQUITY		39,934,754	39,794,796

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STATEMENT OF CASH FLOWS
For the year ended 30 June 2016

	Note	2016 $	2015 $
OPERATING ACTIVITIES			
Revenue inflows			
Interest received		12,993,674	13,889,614
Fees and commissions		758,254	803,696
Dividends		270,419	261,300
Other income		66,904	51,068
Revenue outflows			
Interest paid		(4,662,888)	(6,384,884)
Suppliers and employees		(8,115,868)	(7,572,802)
Income taxes paid		(323,517)	(163,976)
Net cash from revenue activities	35.b	986,978	884,016
Cashflows from other operating activities			
(Increase)/Decrease in members loans (net movement)		(3,475,562)	1,098,715
(Decrease)/Increase in member deposits and shares (net movement)		(12,134,174)	18,131,800
Decrease/(Increase) in receivables from other financial institutions (net movement)		12,359,464	(18,739,203)
Net cash from operating activities	35.b	(2,263,294)	1,375,328
INVESTING ACTIVITIES			
Inflows			
Net movement in available-for-sale financial assets		(161,300)	213,775
Outflows			
Purchase of property, plant and equipment		(32,137)	(383,026)
Purchase of intangibles		(57,117)	(111,976)
Net cash from investing activities		(250,554)	(281,227)
Total net cash (decrease)/increase		(2,513,848)	1,094,101
Cash at beginning of year		6,487,212	5,393,111
Cash at end of year	35.a	3,973,364	6,487,212

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is prepared by Select Credit Union Ltd (Select) as a single entity for the year ended 30 June 2016. The report was authorised for issue on 26th October 2016 in accordance with a resolution of the Board of Directors. The financial report is presented in Australian dollars.

Select is a Public Company incorporated and domiciled in Australia. The address of the registered office and the principal place of business is 59 Buckingham Street, Surry Hills NSW 2010. 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. Compliance with Australian Accounting Standards ensures compliance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). Select is a for-profit entity for the purpose of preparing the financial statements.

a. Basis of measurement and preparation

The financial statements have been prepared on an accruals basis and are based on historical costs which do not take into account changing money values or current values of non-current assets. The accounting policies are consistent with the prior year unless otherwise stated.

Select Credit Union is transferring all its assets, liabilities and reserves (including all future obligations, staff entitlements and employee terms and conditions) to Encompass Credit Union on the 1st July 2016, in accordance with the Financial Sector (Business Transfer and Group Restructure) Act 1999. Upon transfer, the Credit union will be known as Select Encompass Credit Union Limited. Following the transfer Select Credit Union Limited will cancel its Australian Deposit Taking Institution (banking) Licence, Consumer Credit Licence and Australian Financial Services Licence and remain a non operating company with minimal assets and some director shares. After concluding the lodgement of ASIC, APRA and Taxation returns, the company will be wound up.

Since the Credit Union is transferring all its business as an operating entity and is to be wound up, the financial statements of the credit union have been prepared on a liquidation basis of accounting.

Since the transfer of the business net assets were taken up at the book value as reported in the attached accounts as at 30 June 2016, there has been no variance between the liquidation basis for preparation of these accounts and the going concern basis of accounting, were it to have been applied.

b. Repo securitisation trust consolidation

Select has initiated the creation of a trust which holds rights to a portfolio of mortgage secured loans to enable the credit union to secure funds from the Reserve Bank of Australia, if required to meet emergency liquidity requirements. Select continues to manage these loans and receives all residual benefits from the trust and bears all losses should they arise. Accordingly,

(i) the trust meets the definition of a controlled entity and,

(ii) as prescribed under the accounting standards, since the credit union has not transferred all risks and rewards to the trust, the assigned loans are retained on the books of the credit union and not de-recognised.

The credit union has elected to present one set of financial statements to represent both the credit union as an individual entity and as a consolidated entity on the basis that the impact of consolidation is not material to the entity.

c. Classification and subsequent measurement of financial assets and financial liabilities

Financial assets and financial liabilities are recognised when Select becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value, adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- loans and receivables
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss, are presented within finance costs, finance income or other financial items, except for impairment of loans and receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Select's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in credit unions, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified credit union.

Hold to Maturity (HTM) investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if Select has the intention and ability to hold them until maturity. Select currently holds Term Deposits, Negotiable Certificates of Deposit and Floating Rate Notes in this category. If more than an insignificant portion of these assets are sold or redeemed early, then the asset class will be reclassified as available-for-sale (AFS) financial assets.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Available-for-Sale (AFS) financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Select's AFS financial assets, are the equity investment in Cuscal Limited, Transaction Solutions Ltd, Australian Mutuals Foundation and the Select 2012 Series 1 Trust Reserves.

The equity investments in Cuscal Limited and TransAction Solutions Ltd are measured at cost less any impairment charges, as their fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

Classification and subsequent measurement of financial liabilities

Select's financial liabilities include borrowings, trade and other payables. Financial liabilities are measured subsequently at amortised cost using the effective interest method.

d. Loans to members

(i) Basis of recognition

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

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

(ii) Interest earned

Term loans – 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.

Overdraft – 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.

Credit cards – the interest is calculated initially on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month, on cash advances and purchases in excess of the payment due date. Purchases are granted up to 55 days interest free until the due date for payment.

Non-accrual loan interest – while still legally recoverable, interest is not brought to account as income where Select is informed that the member is deceased or where a loan is impaired.

(iii) Loan origination fees and discounts

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

(iv) Transaction costs

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

(v) Fees on loans

The fees charged on loans after origination of the loan are recognised as income when the service is provided or costs are incurred.

(vi) Net gains and losses

Net gains and losses on loans to members, to the extent that they arise from the partial transfer of business or on securitisation, do not include impairment write downs or reversals of impairment write downs.

e. Loan impairment

(i) Specific and collective provisions for impairment

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. Estimated impairment losses are calculated on either a portfolio basis for loans of similar characteristics or on an individual basis. The amount provided is determined by management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement. The critical assumptions used in the calculation are as set out in Note 9. Note 23 details the credit risk management approach for loans.

The Australian Prudential Regulatory Authority's (APRA) prudential standards require a minimum provision to be maintained, based on specific percentages of the loan balance which are contingent upon the length of time the repayments are in arrears. This approach is used to assess the collective provisions for impairment.

An assessment is made at each statement of reporting date to determine whether there is objective evidence that a specific financial asset or a group of financial assets is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty or where the debt has been restructured to reduce the burden to the borrower.

(ii) General reserve for credit losses

In addition to the above specific provision, the Board has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties in the future, as well as potential losses on investments and other assets. The general reserve is based on estimation of potential risk in the loan portfolio based upon two broad areas for potential losses:

Systematic / environmental losses

This element of the general reserve is designed to cover factors external to Select but that will nevertheless have an impact on the credit facilities risk carried by Select; and

Portfolio credit losses

This element of the general reserve is designed to cover general portfolio risks which may arise over the life of the facilities and are in addition to provisions relating to credit risk emerging from the credit risk portfolio profile.

(iii) Renegotiated loans

Loans which are subject to renegotiated terms which would have otherwise been impaired do not have the repayment arrears diminished and interest continues to accrue to income. Each renegotiated loan is retained at the full arrears position until the normal repayments are reinstated and brought up to date and maintained for a period of 6 months.

f. Bad debts written off (direct reduction in loan balance)

Bad debts are written off from time to time as determined by management and the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment if a provision for impairment has previously been recognised.

g. Property, plant and equipment

Property, plant and equipment, with the exception of freehold land, are depreciated on a straight line basis so as to write off the net cost of each asset over its expected useful life. The useful lives are adjusted if appropriate at each reporting date. Estimated useful lives as at the balance date are as follows:

Leasehold improvements – up to 10 years;

Plant and equipment – 3 to 5 years;

Assets less than $1000 are not capitalised.

h. Liquid investments with other financial institutions

Term Deposits, Negotiable Certificates of Deposit (NCDs) and Floating Rate Notes (FRNs) with other financial institutions are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity for Term Deposits and NCDs and quarterly for FRNs. All deposits are in Australian currency.

The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the statement of financial position.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

i. Equity investments and other securities

Investments in shares are classified as available for sale financial assets where they do not qualify for classification as loans and receivables, or investments held for trading. Investments in shares which do not have a ready market and are not capable of being reliably valued, are recorded at the lower of cost or recoverable amount. All investments are in Australian currency.

j. Member deposits

(i) Basis for measurement

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

(ii) Interest payable

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

k. Borrowings

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

l. Provision for employee benefits

Provision is made for Select's liability for employee benefits arising from services rendered by employees to the balance date. Employee benefits expected to be settled within one year have been measured at their nominal amount.

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that Select expects to pay as a result of the unused entitlement. Annual leave is discounted when calculating the leave liability as Select does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period. Annual leave liability is still presented as a current liability for presentation purposes under AASB 101 Presentation of Financial Statements.

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

Provision for long service leave is on a pro-rata basis after twelve months service and backdated from commencement of employment based on the present value of estimated future cash flows.

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

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

m. Leasehold on premises

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

A provision is recognised for the estimated make good costs on the operating leases, based on the net present value of the future expenditure at the conclusion of the lease term discounted at 5%. Increases in the provision in future years due to the unwinding of the interest charge is recognised as part of the interest expense.

n. Income tax

The income tax expense shown in profit or loss is based on the profit before income tax adjusted for any non-tax deductible or non-assessable items between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 30%.

Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation; and the anticipation that Select will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit an income tax benefit to be obtained.

o. Intangible assets

Items of computer software which are not integral to the computer hardware owned by Select are classified as intangible assets. Computer software is amortised over the expected useful life of the software for 3 years.

p. Goods and services tax

As a financial institution, Select is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to Goods and Services Tax (GST) collection and similarly, the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases is generally recovered on a proportionate basis. In addition, certain prescribed purchases are subject to reduced input tax credits (RITC) of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of GST. To the extent that the full amount of the GST incurred is not recoverable from the Australian Tax Office (ATO), the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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

q. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

r. Business combinations

The Group applies the acquisition method in accounting for business combinations.

Under the Financial Sector (Transfers of Business) Act 1999, all assets and liabilities of the transferring body, wherever those assets and liabilities are located, become (respectively) assets and liabilities of the receiving body without any transfer, conveyance or assignment.

The credit union recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Acquisition costs are expensed as incurred.

s. Impairment of assets

At each reporting date, Select assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, the recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments at the time value of money and the risks specific to the asset. Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash generating unit to which the asset belongs.

t. Accounting estimates and judgements

Management has made critical accounting estimates when applying Select's accounting policies with respect to the impairment provisions for loans - refer Note 9.

u. New standards applicable for the current year

There were no new or revised accounting standards applicable for the financial year commencing 1 July 2015 that had any significant impact on the financial statements of the credit union.

v. New or emerging standards not yet mandatory

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period. The credit union's assessment of the impact of these new standards and interpretations is set out below. Changes that are not likely to impact the financial report of the credit union have not been reported.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

AASB reference	Nature of Change	Application Date	Impact on initial application
AASB 9 Financial Instruments (December 2015).	Amends the requirements for classification and measurement of financial assets. Recognition of credit losses are to no longer be dependent on the credit union first identifying a credit loss event. The credit union will consider a broader range of information when assessing credit risk and measuring expected credit losses including past experience of historical losses for similar financial instruments. The rules for hedge accounting have been overhauled to better reflect the credit union's underlying risk management activities in the financial statements.	Periods beginning on or after 1 January 2018.	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2019 year end and the revised Standard is not permitted to be early adopted until at least the year ended 30 June 2016, the credit union has not yet made a detailed assessment of the impact of these amendments. However, based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted.
AASB 15 Revenue from Contracts with Customers	Revenue from financial instruments is not covered by this new Standard, but AASB 15 establishes a new revenue recognition model for other types of revenue.	Periods beginning on or after 1 January 2017.	The credit union is yet to make a detailed assessment of the impact of AASB 15. However, based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted.
AASB 16 Leases Replaces AASB117	AASB16: Replaces AASB 117 Leases and some lease-related Interpretations. Requires all leases to be accounted for "on-balance sheet" by lessees, other than short-term and low value asset leases. Provides new guidance on the application of the definition of lease and on sale and lease back accounting. Requires new and different disclosure about leases.	Periods beginning on or after 1 January 2019.	The credit union is yet to make a detailed assessment of the impact of AASB 16. However, based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2019.

2. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2016 $	2015 $
a.	**Analysis of interest revenue**		
	Interest revenue on assets carried at amortised cost		
	Cash – deposits at call	130,637	99,234
	Receivables from financial institutions	3,396,788	3,745,786
	Loans to members	9,329,517	10,236,452
	Interest - other	37,391	37,010
	Total interest revenue	12,894,333	14,118,482
b.	**Fee, commission and other income**		
	Fee and commission revenue		
	Fee income on loans – other than loan origination fees	60,317	12,780
	Fee income from member deposits	395,763	491,442
	Other fee income	18,153	33,300
	Insurance commissions	52,085	64,869
	Other commissions	235,279	218,475
	Total fee and commission revenue	761,597	820,866
	Other income		
	Dividends received on available for sale assets	270,419	261,300
	Bad debts recovered	37,904	22,953
	Miscellaneous revenue	29,000	28,115
	Total other income	337,323	312,368
	Total fee, commission & other income	1,098,920	1,133,234
c.	**Interest expense**		
	Interest expense on liabilities carried at amortised cost		
	Short term borrowings	2,679	3,437
	Deposits from members	4,574,725	5,926,982
	Total interest expense	4,577,404	5,930,419
d.	**Impairment losses**		
	Loans and advances		
	Increase in provision for impairment	34,004	60,853
	Total impairment losses	34,004	60,853
e.	**Individually significant items of expenditure**		
	The following items of expense are shown as part of administration expenses and considered to be significant to the understanding of the financial performance:		
	Merger related costs		
	- Staff redundancies and Board payments	667,120	-
	- Information Technology	360,171	-
	- Remote Access	166,808	-
	- Branding, Consultants, Legal & Accountants advice, Stationery and Special General Meeting	135,956	-
		1,330,055	-

2. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont)

		2016 $	2015 $
f.	**Other prescribed disclosures**		
	General administration – employee costs include:		
	- net movement in provisions for employee annual leave	27,145	35,184
	- net movement in provisions for employee long service leave	40,673	61,681
		67,818	96,865
	General administration – depreciation expenses include:		
	- plant and equipment	41,165	53,552
	- leasehold improvements	89,317	97,353
	- lease make good	18,621	18,969
	- amortisation of software	66,158	46,291
		215,261	216,165
	General administration – office occupancy costs include:		
	Property operating lease payments		
	- minimum lease payments	618,881	573,150
	Other operating expenses include:		
	Auditor's remuneration (excluding GST)		
	- Audit and review of financial statements		
	- Auditors fees – Grant Thornton	86,996	80,680
	Other services (excluding GST)		
	- Taxation services – Grant Thornton	7,208	10,230
	- Other compliance – Grant Thornton	10,143	11,100
		17,351	21,330
	Loss on disposal of assets & intangible assets	6	297
	Net movement in provisions for other liabilities	49,053	32,089
	Supervision levy paid to APRA	15,560	14,515

3. INCOME TAX EXPENSE

a.	**The income tax expense comprises amounts set aside as:**		
	Provision for income tax attributable to current year's taxable income	103,610	343,758
	Add movement in the deferred tax asset	(153,710)	60,747
	Less over provision of tax in prior year	(2,574)	(66,781)
	Income tax expense attributable to operating profit	(52,674)	337,724

	2016 $	2015 $
b. The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:		
Profit	87,284	1,354,382
Prima facie tax payable on profit before income tax at 30%	26,185	406,315
Add tax effect of expenses not deductible		
- other non-deductible expenses	5,116	5,429
- dividend imputation adjustment	34,768	33,595
Less tax effect of		
- deductions allowed not in accounting expenses	(2,850)	(2,458)
Subtotal	63,219	442,881
Less		
- imputation credit	(115,893)	(111,985)
Income tax expense attributable to current year profit	(52,674)	330,896
Over provision of tax in prior year	(2,574)	(66,781)
Adjustment to deferred tax assets	2,574	73,609
Income tax expense attributable to operating profit	(52,674)	337,724
c. Franking Credits		
Franking credits held by Select after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year is:	5,092,451	4,136,815

4. CASH

Cash on hand	191,577	182,457
Deposits at call	3,800,000	6,304,755
	3,991,577	6,487,212

5. LIQUID INVESTMENTS

Investments at amortised cost		
Hold to maturity		
Negotiable certificates of deposit – Cuscal	-	4,996,120
Negotiable certificates of deposit – banks	19,567,264	29,866,102
Floating rate notes - banks	22,890,341	17,049,673
Deposits	68,000,000	70,905,174
	110,457,605	122,817,069
Dissection of deposits		
Deposits with banks	-	23,905,174
Deposits with credit unions and building societies	48,000,000	27,000,000
Deposits with unrated ADIs	20,000,000	20,000,000
Amounts expected to be repaid within 12 months are as described in Note 25.	68,000,000	70,905,174

	Note	2016 $	2015 $
6. RECEIVABLES			
Interest receivable on deposits with other financial institutions		1,031,425	1,130,766
Sundry debtors and settlement accounts		1,272,859	1,155,472
		2,304,284	2,286,238
7. PREPAYMENTS		111,365	200,157

8. LOANS TO MEMBERS

a. Amount due comprises:

	Note	2016 $	2015 $
Overdrafts and revolving credit		9,560,921	11,501,634
Term loans		193,068,384	187,652,109
Subtotal		202,629,305	199,153,743
Add/(Less):			
Unamortised loan origination fees		93,437	66,622
Unamortised fixed rate loan renegotiation fees		(3,643)	(1,538)
Subtotal		89,794	65,084
		202,719,099	199,218,827
Less: Provision for impaired loans	9	(51,604)	(85,124)
		202,667,495	199,133,703

b. Credit quality – security held against loans

	2016 $	2015 $
Secured by mortgage over real estate	193,691,903	189,075,994
Partly secured by goods mortgage	4,301,596	4,522,740
Wholly unsecured	4,635,806	5,555,009
	202,629,305	199,153,743

It is impractical to value all collateral as at the balance date due to the variety of the assets and their condition. A breakdown of the quality of residential mortgage security on a portfolio basis is as follows:

	2016 $	2015 $
Security held as mortgage against real estate is on the basis of		
- loan to valuation ratio of less than 80%	180,867,863	180,207,417
- loan to valuation ratio of more than 80% and mortgage insured	10,316,827	7,696,008
- loan to valuation ratio of more than 80% and not mortgage insured	2,507,213	1,172,569
Total	193,691,903	189,075,994

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

	2016 $	2015 $

c. Concentration of loans

(i) There are no loans to individual or related groups of members which exceed 10% of reserves in aggregate.

(ii) Loans to members are concentrated to individuals employed in the energy industry:

	2016 $	2015 $
Ausgrid employees	36,783,161	37,400,619
Other	165,935,938	161,818,208
Total	202,719,099	199,218,827

(iii) Geographical concentrations

	2016 $	2015 $
Australia	202,716,334	199,215,712
Overseas	2,765	3,115
Total	202,719,099	199,218,827

2016	**Housing**	**Personal**	**Business**	**Total**
NSW				
Central Coast	22,708,308	1,173,398	13,698	23,895,404
St George/Cronulla	28,785,893	1,309,284	37,203	30,132,380
City/North Shore/East Subs	26,374,973	846,050	3,108	27,224,131
South West/North West	68,027,689	3,361,191	35,850	71,424,730
Regional NSW	36,300,990	1,314,444	199,163	37,814,597
Total	182,197,853	8,004,367	289,022	190,491,242
Other states and territories				
Victoria	3,276,959	307,750	-	3,584,709
Queensland	6,704,049	357,360	-	7,061,409
South Australia	46,239	38,593	-	84,832
Western Australia	264,932	64,118	-	329,050
Tasmania	406,838	12,257	-	419,095
Northern Territory	-	1,008	-	1,008
ACT	646,696	98,293	-	744,989
Other	-	2,765	-	2,765
Total – as per statement of financial position	193,543,566	8,886,511	289,022	202,719,099

2015	**Housing**	**Personal**	**Business**	**Total**
NSW				
Central Coast	21,992,478	1,321,447	16,953	23,330,878
St George/Cronulla	27,878,480	1,474,477	46,041	29,398,998
City/North Shore/East Subs	25,543,559	952,798	3,847	26,500,204
South West/North West	65,883,263	3,785,278	44,367	69,712,908
Regional NSW	36,484,853	1,480,289	246,478	38,211,620
Total	177,782,633	9,014,289	357,686	187,154,608
Other states and territories				
Victoria	3,197,548	346,580	-	3,544,128
Queensland	6,541,590	402,449	-	6,944,039
South Australia	45,118	43,462	-	88,580
Western Australia	258,512	72,207	-	330,719
Tasmania	396,980	13,803	-	410,783
Northern Territory	-	1,136	-	1,136
ACT	631,025	110,694	-	741,719
Other	-	3,115	-	3,115
Total – as per statement of financial position	188,853,406	10,007,735	357,686	199,218,827

8. LOANS TO MEMBERS (cont)

	2016 $	2015 $
c. Concentration of loans (cont)		
Concentration of loans by purpose		
Loans to natural persons	193,543,566	188,853,406
Residential loans and facilities	8,886,511	10,007,735
Personal loans and facilities	30,329	34,948
Business loans and facilities	202,460,406	198,896,089
Loans to corporations	258,693	322,738
d. Securitised loans		
The values of securitised loans which do not qualify for derecognition as the conditions do not meet the criteria in AASB 139.	36,794,177	30,260,950

9. PROVISION ON IMPAIRED LOANS

	2016 $	2015 $
a. Total provision comprises		
Individual specific provisions	51,604	85,124
b. Movement in the provision for impairment		
Balance at the beginning of year	85,124	41,322
Add (deduct):		
Transfers from profit or loss	34,004	60,853
Bad debts written off against the provision for impaired Loans	(67,524)	(17,051)
Balance at end of year	51,604	85,124

Details of credit risk management are set out in Note 23.

	2016 $	2015 $
c. Impaired loans written off		
Amounts written off against the provision for impaired loans	67,524	17,051
Amounts written off directly to expense	-	-
Total bad debts	67,524	17,051
Bad debts recovered in the year	37,904	22,953

d. Analysis of loans that are impaired or potentially impaired by class

In the notes below:

- "Carrying value" is the amount in the statement of financial position.
- "Value of impaired loans" is the 'on statement of financial position' loan balances which are past due by 90 days or more.
- "Provision for impairment" is the amount of the impairment provision allocated to the class of impaired loans.

	2016 Carrying value	2016 Value of Impaired Loans	2016 Provision for Impairment	2015 Carrying value	2015 Value of Impaired Loans	2015 Provision for Impairment
	$	$	$	$	$	$
Loans to Members						
Mortgages	193,543,566	-	-	188,853,406	-	-
Personal	6,152,507	42,876	27,318	6,967,601	66,932	44,049
Overdrafts and Credit Cards	2,764,333	28,003	24,286	3,075,082	56,008	41,075
Total Loans to Natural Persons	202,460,406	70,879	51,604	198,896,089	122,940	85,124
Corporate Borrowers	258,693	-	-	322,738	-	-
Total	202,719,099	70,879	51,604	199,218,827	122,940	85,124

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

	2016 Carrying value	2016 Provision	2015 Carrying value	2015 Provision
	$	$	$	$
90 to 181 days in arrears	18,591	7,435	42,428	16,971
182 to 272 days in arrears	10,788	6,473	888	533
273 to 364 days in arrears	12,457	9,966	13,143	10,514
365 days and over in arrears	26,671	26,671	44,894	44,894
Overlimit facilities 14 days and over	2,372	1,059	19,309	12,212
Total	70,879	51,604	120,662	85,124

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

f. Loans with repayments past due but not regarded as impaired

There are no loans with a value past due which are considered to be impaired. It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and condition.

Loans with repayments past due but not impaired are in arrears as follows:

2016	1-3 mths	3-6 mths	6-12 mths	Over 12 mths	Total
Mortgage secured	1,143,504	-	-	-	1,143,504
Other loans	-	-	-	-	-
Personal loans	48,224	-	-	-	48,224
Credit cards	-	-	-	-	-
Overdrafts	25,976	-	-	-	25,976
Total	1,217,704	-	-	-	1,217,704

2015	1-3 mths	3-6 mths	6-12 mths	Over 12 mths	Total
Mortgage secured	448,975	-	290,653	-	739,628
Other loans	-	-	-	-	-
Personal loans	43,844	-	-	-	43,844
Credit cards	-	-	-	-	-
Overdrafts	16,153	-	-	-	16,153
Total	508,972	-	290,653	-	799,625

9. PROVISION ON IMPAIRED LOANS (cont)

g. Key assumptions in determining the provision for impairment

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

Period of Impairment	% of balance
Less than 90 days	0
90 days to 181 days	40
182 days to 272 days	60
273 days to 364 days	80
365 days and over	100

10. AVAILABLE FOR SALE INVESTMENTS

	Note	2016 $	2015 $
Shares in unlisted companies – at cost			
- Cuscal Ltd	10.a	863,215	863,215
- TransAction Solutions Ltd – "A" class shares	10.a	229,763	229,763
- Australian Mutuals Foundation	10.a	100	-
Subtotal		1,093,078	1,092,978
Deposit			
Select 2012 Series 1 Trust Reserves		1,084,788	923,588
Total		2,177,866	2,016,566

The deposit for the Reserves is a requirement under the Trust Deed and the deposit is held with the National Australia Bank for the Select 2012 Series 1 Trust.

a. Disclosures on shares held at cost valued with unobservable inputs

Cuscal Ltd

The shareholding in Cuscal is measured at its cost value in the statement of financial position. This company supplies services to member organisations which are all mutual banks and credit unions. Select holds shares in Cuscal to enable the credit union to receive essential banking services – refer to Note 32. The shares are able to be traded but within a market limited to other mutual ADIs. The volume of shares traded in the market is low.

Management have used the unobservable inputs to assess the fair value of the shares. The financial reports of Cuscal record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of Cuscal, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market, a market value is not able to be determined readily. The net dividend return in 2015/2016 was 8.5 cents. Management has determined that the cost value of $0.60 per share is a reasonable approximation of fair value based on the likely value available on a sale.

Select is not intending to dispose of these shares.

TransAction Solutions Ltd (TAS)

The shareholding in TAS is measured at its cost value in the statement of financial position. This company supplies services to member organisations which are primarily mutual banks and credit unions. Select holds shares in TAS to enable the credit union to receive essential core banking IT services – refer to Note 32. The shares are able to be traded but within a market limited to other mutual ADIs. The volume of shares traded in the market is low.

Management have used the unobservable inputs to assess the fair value of the shares. The financial reports of TAS record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of TAS, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market, a market value is not able to be determined readily. The most recent identified transaction value was $1 per share. The net dividend return in 2015/2016 was 65.27 cents. Management has determined that the cost value of $1 per share is a reasonable approximation of fair value based on the likely value available on a sale.

Select is not intending to dispose of these shares.

Australian Mutuals Foundation

The Australian Mutuals Foundation Ltd is a company limited by guarantee. The objects of the company are; domestically, to assist with the provision of care and support for children who are at risk due to abuse or neglect; internationally, to provide people with access to financial services so that they can save for their future and lift themselves out of poverty by developing sustainable financial co-operatives in South East Asia and the South Pacific; and, to provide a mechanism for members of credit unions and mutuals, and the general public, to donate to assist those affected by natural disasters. Select is not intending to dispose of these shares. The share value is $100.

11. PROPERTY, PLANT AND EQUIPMENT

	2016 $	2015 $
Plant and equipment - at cost	450,925	496,251
Less: accumulated depreciation	(363,764)	(390,345)
	87,161	105,906
Capitalised leasehold improvements at cost	1,657,869	1,692,224
Less: accumulated depreciation	(1,228,303)	(1,164,436)
	429,566	527,788
	516,727	633,694

Movement in the assets balances during the year were:

	2016			2015		
	Plant and equipment $	Leasehold Improvements $	Total $	Plant and equipment $	Leasehold Improvements $	Total $
Opening balance	105,906	527,788	633,694	143,364	277,475	420,839
Purchases	22,421	9,716	32,137	16,391	366,635	383,026
Less						
Assets disposed	(1)	-	(1)	(297)	-	(297)
Depreciation charge	(41,165)	(107,938)	(149,103)	(53,552)	(116,322)	(169,874)
Balance at the end of the year	87,161	429,566	516,727	105,906	527,788	633,694

		2016 $	2015 $

12. TAXATION ASSETS

		2016 $	2015 $
Tax Refund	17	71,057	-
Deferred tax assets		766,732	613,021
		837,789	613,021
Deferred tax assets comprise:			
Accrued expenses not deductible until incurred		87,546	48,818
Provisions for impairment on loans		15,481	25,537
Provisions for employee benefits		461,002	321,660
Provisions for other liabilities		13,166	24,292
Depreciation on fixed assets		206,329	202,750
Amortisation of intangible assets		10,589	9,963
Deferred fees (less transaction costs) on loan origination		(26,938)	(19,525)
Prepayments		(443)	(474)
		766,732	613,021

13. INTANGIBLE ASSETS

	2016 $	2015 $
Computer software	975,241	1,246,354
Less accumulated amortisation	(878,651)	(1,140,719)
	96,590	105,635
Movement in the assets balances during the year were:		
Opening balance	105,636	39,950
Purchases	57,117	111,976
Less		
Assets disposed	(5)	-
Amortisation charge	(66,158)	(46,291)
Balance at the end of the year	96,590	105,635

14. SHORT TERM BORROWINGS

	2016 $	2015 $
Overdraft	18,213	-
Total Borrowings	18,213	-

15. DEPOSITS FROM MEMBERS

	2016 $	2015 $
Member Deposits		
- at call	154,651,054	159,352,104
- term	123,624,722	130,845,367
Member withdrawable shares	129,172	130,918
	278,404,948	290,328,389

Amounts expected to be repaid within 12 months are as described in Note 25. There were no defaults on interest and capital payments on these liabilities in the current or prior years.

	2016 $	2015 $
Concentration of member deposits		
(i) There are no significant member deposits which in aggregate represent more than 10% of the total liabilities.		
(ii) Member deposits at balance date received from individuals including persons employed in the energy industry:		
Ausgrid employees	29,999,594	28,249,694
Other	248,405,354	262,078,695
Total	278,404,948	290,328,389
(iii) Geographical concentrations		
Australia	277,219,284	289,143,258
Overseas	1,185,664	1,185,131
Total	278,404,948	290,328,389
NSW	267,952,056	279,329,442
Other states and territories		
Victoria	3,787,426	4,203,268
Queensland	3,246,704	3,373,714
South Australia	447,492	448,498
Western Australia	1,273,693	1,284,693
Tasmania	32,401	31,401
Northern Territory	30,671	31,671
ACT	448,841	440,571
Overseas	1,185,664	1,185,131
Total – as per statement of financial position	278,404,948	290,328,389

16. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS

	2016	2015
Annual leave	352,646	341,653
Creditors and accruals	989,495	1,108,916
Interest payable on deposits	815,282	900,766
Accrual for GST payable	9,410	10,594
Accrual for other tax liabilities	81,442	46,483
Sundry creditors	945,071	418,317
Unclaimed money	63,825	94,519
Deferred Income	54,789	61,898
	3,311,960	2,983,146

17. TAXATION LIABILITIES

	2016 $	2015 $
Current income tax liability	-	151,423
Current income tax liability comprises:		
Balance – previous year	151,423	38,422
Less paid	(105,000)	(38,555)
Tax refund	10,211	66,914
Over statement in prior years	(2,574)	(66,781)
Liability for income tax in current year	103,610	343,758
Less instalments paid in current year	(228,727)	(192,335)
Balance – current year	(71,057)	151,423

18. PROVISIONS

	2016 $	2015 $
Long service leave	751,019	730,545
Lease make good of premises	263,510	263,510
Provision for Cards & Internet Fraud	22,330	11,841
Gosford lease	21,555	29,645
Redundancy	433,009	-
	1,491,423	1,035,541
Provision movements comprises:		
Lease make good		
Balance – previous year	263,510	230,162
Liability increase in current year	-	33,348
Balance – current year	263,510	263,510
Provision for Cards & Internet fraud		
Balance – previous year	11,841	30,112
Liability increase in current year	29,000	24,000
Written off against the provision	(18,511)	(42,271)
Balance – current year	22,330	11,841
Gosford lease		
Balance – previous year	29,645	37,734
Liability increase in current year	-	-
Less expensed	(8,090)	(8,089)
Balance – current year	21,555	29,645
Redundancy Provision		
Balance at the beginning of the year	-	-
Liability increase in current year	433,009	-
Less expensed	-	-
Balance - current year	433,009	-

	2016 $	2015 $

19. CAPITAL RESERVE ACCOUNT

	2016 $	2015 $
Balance at the beginning of the year	356,833	343,951
Transfer from retained earnings on share redemptions	7,022	12,882
Balance at the end of year	363,855	356,833

Share Redemption

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

20. GENERAL RESERVE FOR CREDIT LOSSES

	2016 $	2015 $
General reserve for credit losses	978,000	978,000

This reserve is maintained to comply with the Prudential Standards set by APRA

21. OTHER RESERVES

	2016 $	2015 $
Other reserves	1,331,185	1,331,185

22. BUSINESS TRANSFER RESERVE

	2016 $	2015 $
Business Transfer Reserve	9,330,037	9,330,037

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Board has endorsed a policy of compliance and risk management to suit the risk profile of Select. Select's risk management focuses on the areas of market risk, liquidity risk and credit risk. The Audit and Risk Committees are integral to the management of risk and they act under authority provided by the Board of Directors. The main elements of risk governance are as follows:

Board of Directors: This is the primary governing body. It approves the level of risk to which Select is exposed and the framework for reporting and mitigating such risks.

Audit Committee: The Audit Committee is established to provide an objective non-executive review of the effectiveness of Select's financial reporting and financial management framework. Its role includes monitoring audit reports it receives from internal and external auditors and management's responses thereto, liaising with the auditors (internal and external) on the scope of their work and experience in conducting an effective audit, ensuring the external auditors remain independent in the areas of work conducted, monitoring APRA reporting obligations, and ensuring relevant risk policies are reviewed regularly.

Risk Committee: The purpose of the Risk Committee is to assist the Board of Directors in the discharge of its responsibilities by providing an objective non-executive review of the effectiveness of Select's risk management framework. Its role includes: review and acceptance of corporate insurance policies, oversee the assessment of the risk profile for Select through regular review of the core risks and the risk register, monitor the management of identified risks, review and determine the adequacy of risk management policies, systems and procedures, assess the risks of new ventures and/or strategic initiatives and ensure the risks inherent in proposed business activities are adequately understood and managed, and review the Business Continuity Management policy for adequacy.

Asset and Liabilities Committee: This committee has responsibility for monitoring interest rate risk exposures and ensuring that treasury and finance functions adhere to exposure limits as outlined in the policies for interest rate risk and liquidity risk.

Executive Manager - Risk: This officer has responsibility for liaising with the operational function to ensure timely production of information for the Risk Committee and ensuring that instructions passed down from the Board via the Risk Committee are implemented.

Internal Audit: Internal audit has responsibility for implementing controls testing and assessment as required by the Audit Committee.

KEY RISK MANAGEMENT POLICIES

Key risk management policies encompassed in the overall risk management framework include:

- Market risk
- Liquidity management
- Credit risk management
- Capital management

Select has undertaken the following strategies to minimise the risks arising from its operations.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont)

A. MARKET RISK POLICY

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

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

The management of market risk is the responsibility of the Assets and Liabilities Committee, which reports to the Board.

Interest rate risk

Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to the changes in interest rates. Most banks are exposed to interest rate risk within their treasury operations. Select does not have a treasury operation and does not trade in financial instruments.

Interest rate risk in the banking book

Select is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities. The interest rate risk on the banking book is measured monthly and reported to the Board.

In the banking book, the most common risk Select faces arises from fixed rate assets and liabilities which exposes Select to risk should interest rates change.

The level of mismatch on the banking book is set out in Note 26. The table at Note 26 displays the period that each asset and liability will reprice as at the balance date. This risk is not considered significant to warrant the use of derivatives as a mitigant.

Method of managing risk

Select manages interest rate risk by the use of value at risk (VaR) models, interest rate sensitivity analysis and gap reporting. The detail and assumptions used are set out below.

Value at risk (VaR)

Select's exposure to market risk is measured and monitored using the VaR methodology of estimating potential losses. VaR is a technique which estimates the potential losses that could occur on risk positions taken due to movements in market rates and prices over a specified time period to a given level of confidence. VaR, as set out in the table below, has been calculated using historical simulations, using movements in market rates and prices, a 99 per cent confidence level and taking into account historical correlations between different markets and rates.

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

	2016	2015
VaR for a 20 day holding period	$143,770	$246,192

Select has therefore calculated that within a 99 per cent level of confidence given the risks as at 30 June 2016, that for 99 out of 100 observations the market based loss will not be greater than the VaR number.

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

B. LIQUIDITY RISK POLICY

Liquidity risk is the risk that Select may encounter in raising funds to meet commitments associated with financial intermediation e.g. loan fundings or member withdrawal demands. It is the policy of the Board of Directors that Select maintains adequate cash reserves and committed credit facilities so as to meet member withdrawal demands.

Select manages liquidity risk by:

- Monitoring daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the liquidity ratio daily.

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

Select is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under APRA prudential standards. Select's policy is to apply 15% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level, management and the Board will address the matter and ensure liquid funds are obtained from new deposits or borrowing facilities available. Note 29 describes the borrowing facilities as at the balance date. These facilities are in addition to the support available from CUFSS.

The maturity profile of Select's financial assets and financial liabilities, based on the contractual repayment terms, are set out in Note 25. The ratio of liquid funds over the past year is set out below:

	2016 $	2015 $
Liquid funds to total adjusted liabilities as at 30 June	14.45%	17.80%
Minimum policy ratio as at 30 June	15.00%	15.00%
Average for the year	16.38%	16.72%
Minimum during the year	14.07%	14.22%
Liquid funds to total member deposits as at 30 June	16.79%	20.23%

Liquid funds as at 30 June were below 15.00% due to a timing difference with liquid funds at 15.61% within 4 business days.

C. CREDIT RISK POLICY

Credit risk is the risk when members, financial institutions and other counterparties are unable to meet their obligations to Select which may result in financial losses. Credit risk arises principally from Select's loan book and investment assets. The analysis of Select's loans by class is as follows:

	2016			2015		
	Carrying value $	Commit-ments $	Max. exposure $	Carrying value $	Commit-ments $	Max. exposure $
Loans to Natural Persons						
Mortgage	193,543,566	49,093,211	242,636,777	188,853,406	43,776,100	232,629,506
Personal	6,152,507	561,175	6,713,682	6,967,601	632,384	7,599,985
Overdrafts and Credit Cards	2,764,333	7,479,684	10,244,017	3,075,082	8,009,706	11,084,788
Total Loans to Natural Persons	202,460,406	57,134,070	259,594,476	198,896,089	52,418,190	251,314,279
Corporate Borrowers	258,693	316,036	574,729	322,738	267,447	590,185
Total	202,719,099	57,450,106	260,169,205	199,218,827	52,685,637	251,904,464

Carrying value is the value on the statement of financial position. Maximum exposure is the value on the statement of financial position plus undrawn facilities (loans approved not advanced, redraw facilities, line of credit facilities, overdraft facilities and credit card limits). The details are shown in Note 28 and a summary is in Note 8. All loans and facilities are funded within Australia. Concentrations are described in Note 8c.

The method of managing credit risk is by way of strict adherence to credit assessment policies before a loan is approved, and close monitoring of defaults in the repayment of loans thereafter on a weekly basis. The credit policy has been endorsed by the Board to ensure that loans are only made to members that are creditworthy, that is, capable of meeting loan repayments.

Select has established policies over:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure to individual borrowers, non-mortgage secured loans, commercial lending and concentrations to geographic and industry groups that may be considered at high risk of default;
- Reassessment and review of credit exposures on loans and facilities;
- Establishment of appropriate provisions to recognise impairment of loans and facilities;
- Debt recovery procedures;
- Review of compliance with the above policies;

Regular reviews of compliance are conducted as part of the internal audit scope.

Past due and impaired

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

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont)

Daily reports monitor loan repayments to detect delays in repayments and recovery action is undertaken after seven days. For loans where repayments are doubtful, external consultants may be engaged to conduct recovery action once the loan is over 90 days in arrears. Exposures to losses arise predominantly in personal loans and facilities not secured by registered mortgages over real estate.

If evidence of loss exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in profit or loss. In estimating these cash flows, management makes judgements about the counterparty's financial situation and the net realisable value of any underlying collateral.

In addition to specific provisions against individually significant financial assets, Select makes collective assessments for each financial asset portfolio segmented by similar risk characteristics. Statement of financial position provisions are maintained at a level that management deems sufficient to absorb probable incurred losses in Select's loan portfolio from homogenous portfolios of assets and individually identified loans.

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

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

Bad debts

Amounts are written off when collection of the loan or advance is considered to be remote. All write offs are on a case by case basis, taking account of the exposure at the date of the write off. In relation to secured loans, the write off takes place on ultimate realisation of collateral value or from claims on any lender's mortgage insurance. A reconciliation of the movement of both past due and impaired exposure provisions is provided in Note 9.

Collateral securing loans

A sizeable portfolio of the loan book is secured by residential property in Australia, therefore Select is exposed to risk in the reduction of the loan to valuation ratio (LVR) should the property market be subject to a decline. The risk of losses from loans undertaken is primarily reduced by the nature and quality of the security taken.

The Board guideline is to maintain 80% of loans in well secured residential mortgages which carry an 80% loan to valuation ratio or less. Note 8b describes the nature and extent of the security held against loans as at the balance date.

Concentration risk – individuals

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

The aggregate value of large exposure loans is set out in Note 8. Select holds no significant concentrations of exposures to members. Concentration exposures to counterparties are closely monitored for all exposures over 5% of the capital base. Select's policy on exposures of this size is to insist on an initial loan to valuation ratio (LVR) of a maximum 80%.

Concentration risk – industry

Select has a concentration in retail lending for members who comprise employees and their families in the energy industry. This concentration is considered acceptable on the basis that Select was formed to service these members and the employment concentration is not exclusive. Should members leave the industry, the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans. The details of the geographical and industry concentrations are set out in Note 8c.

Credit risk – liquid investments

Credit risk to the liquid investments is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in Select incurring a financial loss. This usually occurs when borrowers fail to settle their obligations to Select. The credit policy is that investments are only made to institutions that are creditworthy.

The risk of losses from liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body or the limits to concentration on any one financial institution. Also, the size of Select as compared to the industry is relatively low so that the risk of loss is reduced.

Under the liquidity support scheme at least 3.1% (2015:3.2%) of Select's assets must be invested in Cuscal, or other approved ADI, to allow the scheme to have adequate resources to meet its obligations if needed. Investments, except those in other credit unions and Cuscal, must be with an Australian registered ADI with a minimum credit rating grade of 3, according to APRA prudential standards. Board policies limit investment exposures to individual counterparties to 47% of capital and the maximum individual non rated ADI exposure is $4,000,000.

External credit assessment for institution investments

Select uses the ratings of reputable ratings agencies to assess the credit quality of all investment rated exposures and where applicable, uses the credit quality assessment scale in APRA prudential guidance AGN 112. The credit quality assessment scale within this standard has been complied with.

The exposure values associated with each credit availability assessment are as follows:

	2016			2015		
Investments with	**Carrying value $**	**Past due value $**	**Provision $**	**Carrying value $**	**Past due value $**	**Provision $**
Cuscal – rated A+ Long Term and A-1 Short term	3,781,787	-	-	11,300,875	-	-
ADIs – rated A-2 and above Short Term	-	-	-	10,905,174	-	-
ADIs – rated AA- and below Long Term	90,457,605	-	-	86,915,775	-	-
Unrated institutions - Credit Unions, Banks and Building Societies	20,000,000	-	-	20,000,000	-	-
Total	114,239,392	-	-	129,121,824	-	-

D. CAPITAL MANAGEMENT

Capital levels are prescribed by APRA. Under APRA prudential standards, capital is determined in three components, credit risk, market risk (trading book) and operations risk. The market risk component is not required as Select is not engaged in a trading book for financial instruments.

Capital resources

Tier 1 capital

The vast majority of Tier 1 capital comprises retained profits and realised reserves. From 1 January 2013, the Tier 1 capital also includes property asset revaluation reserves.

Additional Tier 1 capital

Includes preference share capital approved by APRA and which qualify as Tier 1 capital.

Tier 2 capital

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by APRA.

Tier 2 capital generally comprises general reserve for credit losses and Tier 2 capital instruments – subordinated loan.

Capital in Select is made up as follows:

	2016 $	2015 $
Tier 1 Common Equity		
Retained earnings & Reserves	38,866,961	38,751,712
Less prescribed deductions	(2,010,621)	(1,860,075)
Net Tier 1 Common Equity	36,856,340	36,891,637
Tier 1 Additional Equity		
Additional Tier 1 Capital instruments	-	-
Less prescribed deductions/adjustments	-	-
Net Tier 1 Capital	36,856,340	36,891,637
Tier 2 Capital		
Tier 2 Capital instruments		
General reserve for credit losses	978,000	978,000
Less prescribed deductions	-	-
Net Tier 2 capital	978,000	978,000
Total Capital	37,834,340	37,869,637

Select is required to maintain a minimum capital level of 8% of risk weighted assets at all times. Risk weights attached to each asset are based on the weights prescribed by APRA in its Prudential Standard APS 112. The general rules apply the risk weights according to the level of underlying security.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont)

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

Basel III 2016	Basel III 2015	Basel II 2014	Basel II 2013	Basel II 2012
23.18%	23.74%	23.34%	20.03%	18.98%

The capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. To manage capital Select reviews the ratio monthly and monitors major movements in asset levels. Policies have been implemented to require reporting to the Board and APRA if the capital ratio falls below set trigger ratios. Further, a 5 year capital budget projection of capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Pillar 2 capital for operational risk

Select uses the standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams. The operational risk capital requirement is calculated by mapping Select's three year average net interest income and net non-interest income to Select's various business lines.

Based on this approach, Select's operational risk capital requirement is $1,505,722 ($2015: $1,491,188).

It is considered that the standardised approach accurately reflects Select's operational risk other than for the specific items set out below.

Internal capital adequacy management

The objective of the internal capital adequacy assessment process is to ensure that Select prudently manages its capital adequacy as required by law.

The Board is committed to ensuring that Select maintains an appropriate level and quality of capital commensurate with the type, amount and concentration of risks to which Select is exposed from its activities. The Board has taken into account the regulatory framework, Select's risk attitude, and the relatively small, simple and low risk nature of Select's business.

The Board has determined that the prudent level of capital is the sum of the regulatory capital requirements, the additional capital required to cover other material risks as identified, and a buffer to cover other capital factors as assessed.

24. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes:

	Note	2016 $	2015 $
Financial assets - carried at amortised cost			
Cash	4	3,991,577	6,487,212
Liquid investments	5	110,457,605	122,817,069
Receivables	6	2,243,367	2,246,914
Loans to members	8 & 9	202,667,495	199,133,703
Total loans and receivables		315,368,467	324,197,686
Available for sale investments - carried at cost	10	2,177,866	2,016,566
Total financial assets		321,537,910	332,701,464
Financial liabilities			
Deposits from members	15	278,404,948	290,328,389
Creditors	16	2,868,462	2,584,416
Total carried at amortised cost		281,273,410	292,912,805
Total financial liabilities		281,273,410	292,912,805

25. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES (UNDISCOUNTED)

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

2016	Book Value $	Up to 3 months $	3-12 months $	1-5 years $	After 5 years $	No Maturity $	Total $
FINANCIAL ASSETS							
Cash	3,991,577	3,997,938	-	-	-	-	3,997,938
Liquid investments	110,457,605	26,409,312	64,441,528	24,514,043	-	-	115,364,883
Receivables	2,243,367	1,212,663	-	-	-	-	1,212,663
Loans to members	202,667,495	7,022,464	10,475,394	60,667,876	225,362,928	-	303,528,662
Available for sale investments	2,177,866	1,086,143	-	-	-	1,093,078	2,179,221
On statement of financial position	321,537,910	39,728,520	74,916,922	85,181,919	225,362,928	1,093,078	426,283,367
Total financial assets	321,537,910	39,728,520	74,916,922	85,181,919	225,362,928	1,093,078	426,283,367
FINANCIAL LIABILITIES							
Deposits from members	278,404,948	217,325,752	58,681,957	4,133,209	-	129,172	280,270,090
Creditors	2,868,462	2,047,430	5,750	-	-	-	2,053,180
Sub total	281,273,410	219,373,182	58,687,707	4,133,209	-	129,172	282,323,270
Undrawn loan commitments Note 28	57,450,106	57,450,106	-	-	-	-	57,450,106
Total financial liabilities	338,723,516	276,823,288	58,687,707	4,133,209	-	129,172	339,773,376

2015	Book Value $	Up to 3 months $	3-12 months $	1-5 years $	After 5 years $	No Maturity $	Total $
FINANCIAL ASSETS							
Cash	6,487,212	6,493,925	-	-	-	-	6,493,925
Liquid investments	122,817,069	42,976,954	79,436,885	3,338,608	-	-	125,752,447
Receivables	2,246,914	1,117,191	-	-	-	-	1,117,191
Loans to members	199,133,703	7,435,961	10,179,155	61,924,951	227,068,188	-	306,608,255
Available for sale investments	2,016,566	925,015	-	-	-	1,092,978	2,017,993
On statement of financial position	332,701,464	58,949,046	89,616,040	65,263,559	227,068,188	1,092,978	441,989,811
Total financial assets	332,701,464	58,949,046	89,616,040	65,263,559	227,068,188	1,092,978	441,989,811
FINANCIAL LIABILITIES							
Deposits from members	290,328,389	229,674,744	56,049,132	6,718,687	-	130,918	292,573,481
Creditors	2,584,416	1,672,066	11,584	-	-	-	1,683,650
Sub total	292,912,805	231,346,810	56,060,716	6,718,687	-	130,918	294,257,131
Undrawn loan commitments Note 28	52,685,637	52,685,637	-	-	-	-	52,685,637
Total financial liabilities	345,598,442	284,032,447	56,060,716	6,718,687	-	130,918	346,942,768

25. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES (DISCOUNTED) (cont)

The table below represents the above maturity profile summarised at discounted values. The contractual arrangements best represents the estimated minimum amount of repayment on the loans, liquid investments and on the member deposits within 12 months. While the liquid investments and member deposits are presented in the table below on a contractual basis, as part of our normal banking operations we would expect a large proportion of these balances to roll over. Loan repayments are generally accelerated by members choosing to repay loans earlier. These advance repayments are at the discretion of the members and not able to be reliably estimated.

	2016			2015		
	Within 12 months $	After 12 months $	Total $	Within 12 months $	After 12 months $	Total $
FINANCIAL ASSETS						
Cash	3,991,577	-	3,991,577	6,487,212	-	6,487,212
Liquid investments	88,567,506	21,890,099	110,457,605	119,795,654	3,021,415	122,817,069
Receivables	2,143,466	99,901	2,243,367	2,231,165	15,749	2,246,914
Loans to members	11,241,054	191,426,441	202,667,495	11,354,516	187,779,187	199,133,703
Available for sale investments	1,084,788	1,093,078	2,177,866	923,588	1,092,978	2,016,566
Total financial assets	107,028,391	214,509,519	321,537,910	140,792,135	191,909,329	332,701,464
FINANCIAL LIABILITIES						
Deposits from members	274,451,258	3,953,690	278,404,948	283,978,903	6,349,486	290,328,389
Creditors	2,835,878	32,584	2,868,462	2,522,824	61,592	2,584,416
Total financial liabilities	277,287,136	3,986,274	281,273,410	286,501,727	6,411,078	292,912,805

26. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

2016	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	After 5 years $	Non-interest bearing $	Total $
FINANCIAL ASSETS							
Cash	3,800,000	-	-	-	-	191,577	3,991,577
Liquid Investments	19,901,582	27,866,749	62,689,274	-	-	-	110,457,605
Receivables	728,945	339,385	489,771	-	-	685,266	2,243,367
Loans to members	135,324,703	4.431,823	31,424,829	31,486,140	-	-	202,667,495
Available for sale investments	1,084,788	-	-	-	-	1,093,078	2,177,866
Total financial assets	160,840,018	32,637,957	94,603,874	31,486,140	-	1,969,921	321,537,910
FINANCIAL LIABILITIES							
Deposits from members	178,827,852	37,885,565	57,608,669	3,953,690	-	129,172	278,404,948
Creditors	191,324	239,437	351,937	32,584	-	2,053,180	2,868,462
Sub-total	179,019,176	38,125,002	57,960,606	3,986,274	-	2,182,352	281,273,410
Undrawn loan commitments Note 28	53,858,489	-	3,591,617	-	-	-	57,450,106
Total financial liabilities	232,877,665	38,125,002	61,552,223	3,986,274	-	2,182,352	338,723,516

2015	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	After 5 years $	Non-interest bearing $	Total $
FINANCIAL ASSETS							
Cash	6,304,755	-	-	-	-	182,457	6,487,212
Liquid Investments	28,396,024	25,031,210	69,389,835	-	-	-	122,817,069
Receivables	995,401	283,363	615,402	-	-	352,748	2,246,914
Loans to members	143,061,698	383,394	16,746,299	38,942,312	-	-	199,133,703
Available for sale investments	923,588	-	-	-	-	1,092,978	2,016,566
Total financial assets	179,681,466	25,697,967	86,751,536	38,942,312	-	1,628,183	332,701,464
FINANCIAL LIABILITIES							
Deposits from members	181,350,957	47,518,491	54,978,538	6,349,485	-	130,918	290,328,389
Creditors	232,246	302,375	304,553	61,592	-	1,683,650	2,584,416
Sub-total	181,583,203	47,820,866	55,283,091	6,411,077	-	1,814,568	292,912,805
Undrawn loan commitments Note 28	52,157,637	-	-	528,000	-	-	52,685,637
Total financial liabilities	233,740,840	47,820,866	55,283,091	6,939,077	-	1,814,568	345,598,442

27. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

For the financial and non-financial assets where the fair values are reported below, all are measured using Level 3 unobservable inputs. The description of the valuation technique(s) and the inputs used in the fair value measurement are in the notes that follow.

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability. A significant assumption used in determining the cash flows is that the cash flows will be consistent with the contracted cash flows under the respective contracts. The calculation reflects the interest rate applicable for the remaining term to maturity, not the rate applicable to the original term.

The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets are held which are regularly traded by Select and there is no active market to assess the value of the financial assets and liabilities. The values reported have not been adjusted for the changes in credit ratings of the assets.

	2016			2015		
	Fair Value $	Carrying Value $	Variance $	Fair Value $	Carrying Value $	Variance $
FINANCIAL ASSETS						
Cash	3,991,577	3,991,577	-	6,487,212	6,487,212	-
Liquid investments	110,561,078	110,457,605	103,473	122,890,890	122,817,069	73,821
Receivables	2,243,367	2,243,367	-	2,246,914	2,246,914	-
Loans to members	202,676,765	202,667,495	9,270	199,225,760	199,133,703	92,057
Available for sale investments	2,177,866	2,177,866	-	2,016,566	2,016,566	-
Total financial assets	321,650,653	321,537,910	112,743	332,867,342	332,701,464	165,878
FINANCIAL LIABILITIES						
Deposits from members	278,480,504	278,404,948	75,556	290,464,023	290,328,389	135,634
Creditors	2,868,462	2,868,462	-	2,584,416	2,584,416	-
Total financial liabilities	281,348,966	281,273,410	75,556	293,048,439	292,912,805	135,634

27. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES) (cont)

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

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

Liquid assets and receivables from other financial institutions

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

Loans and advances

The carrying value of loans and advances is net of unearned income and specific provisions for doubtful debts. For variable rate loans (excluding impaired loans), the amount shown in the statement of financial position is considered to be a reasonable estimate of fair value subject to the assessment of the credit spread on personal loans considered to be less marketable. The fair value for fixed rate loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio, future principal and interest cash flows), based on the period to maturity of the loans. The discount rates applied were based on the current applicable rate offered for the average remaining term of the portfolio.

The fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the cash flows.

Deposits from members

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

Assets measured at fair value based on Level 3 in the Statement of Financial Position

Fair value measurement at end of the reporting period using:

	Balance	Level 1	Level 2	Level 3
Available-for-sale financial assets	1,093,078	-	-	1,093,078

The shares in unlisted companies are measured at cost as they cannot be measured reliably at fair value.

The fair value hierarchy has the following levels:

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

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

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

28. FINANCIAL COMMITMENTS

	2016 $	2015 $
a. Outstanding loan commitments		
Loans approved but not funded	6,829,924	3,664,718
b. Loan redraw facilities		
Loan redraw facilities available	33,386,902	31,664,478
c. Undrawn loan facilities		
Loan facilities available to members for overdrafts, credit cards and line of credit loans are as follows:		
Total value of facilities approved	26,794,201	28,858,075
Less amounts advanced	(9,560,921)	(11,501,634)
Net undrawn value	17,233,280	17,356,441
These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.		
Total financial commitments	57,450,106	52,685,637

d. Future capital commitments

Select has no future capital commitments at 30 June 2016. (2015: nil).

	2016 $	2015 $
e. Computer bureau and core banking software expense commitments		
Not later than one year	613,936	373,336
Later than 1 year but not later than 2 years	2,563,609	1,493,346
	3,177,545	1,866,682
f. Lease expense commitments for operating leases on property occupied by Select		
Not later than one year	566,444	564,730
Later than 1 year but not later than 5 years	545,279	775,785
Later than 5 years	288,783	358,134
	1,400,506	1,698,649

The operating leases are in respect of property used for providing branch services to members and administration. There are no contingent rentals applicable to leases taken out. The terms of the leases are for between 2 to 10 years.

There are no restrictions imposed on Select so as to limit the ability to undertake further leases or borrow funds or issue dividends.

29. STANDBY BORROWING FACILITIES

Select has a borrowing facility with Credit Union Services Corporation (Australia) Limited (Cuscal) of:

	2016		
	Gross $	Current Borrowing $	Net Available $
Loan facility	-	-	-
Overdraft facility	1,000,000	(18,213)	981,787
Total standby borrowing facilities	1,000,000	(18,213)	981,787

	2015		
	Gross $	Current Borrowing $	Net Available $
Loan facility	-	-	-
Overdraft facility	1,000,000	-	1,000,000
Total standby borrowing facilities	1,000,000	-	1,000,000

Withdrawal of the loan facility is subject to the availability of funds at Cuscal.

Cuscal holds an equitable mortgage charge over all assets of Select as security against overdraft amounts drawn under the facility arrangements.

30. CONTINGENT LIABILITIES

Liquidity support scheme

Select is a member of the Credit Union Financial Support Scheme Limited (CUFSS) a company limited by guarantee, established to provide financial support to member credit unions in the event of a liquidity or capital problem. As a member, Select is committed to maintaining 3.1% (2015: 3.2%) of total assets as deposits with Cuscal, or other ADIs approved by APRA.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating credit union would be 3.1% (2015:3.2%) of the credit union's total assets (3% under loans and facilities and 0.1% (2015:0.2%) under the cap on contributions to permanent loans). This amount represents participating credit unions irrevocable commitment under the ISC. At the balance date there were no loans issued to Select under this arrangement.

Reserve Bank Repurchase Obligations (REPO) Trust

To support liquidity management, Select has entered into an agreement to maintain a portion of mortgage secured loans as security against any future borrowings from the Reserve Bank as part of the liquidity support arrangements.

Guarantees

Bank guarantees of $189,818 (2015: $189,818) are held in relation to leased premises.

31. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

a. Remuneration of key management persons

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

KMP have been taken to comprise 8 Directors (2015:8) and the 4 members of executive management (2015:4) responsible for the day to day financial and operational management of Select. The aggregate compensation of KMP during the year, comprising amounts paid or payable or provided for, was as follows:

		2016 Directors and other KMP $	**2015 Directors and other KMP $**
(a)	short-term employee benefits	900,555	833,537
(b)	post-employment benefits - superannuation contributions	141,357	153,398
(c)	other long-term benefits – net increases in long service leave provision	19,512	8,648
(d)	termination benefits	276,902	20,144
(e)	share-based payments	-	-
Total		1,338,326	1,015,727

In the above table, remuneration shown as "short term benefits" means (where applicable) wages, salaries, paid annual leave and paid sick leave, profit-sharing and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

All remuneration to Directors was approved by members at the previous Annual General Meeting of Select. Directors standing down from the Board at the commencement of the merger with Encompass Credit Union Ltd were paid $178,000.

Other transactions with related parties

The disclosures are made in accordance with AASB 124 and include disclosures relating to Select's policy for lending to related parties and, in respect to related party transactions, the amount included in:

(a) each of the loans and advances, deposits and acceptances and promissory notes;

(b) each of the principal types of income, interest expense and commissions paid;

(c) the amount of the expense recognised in the period for impairment losses on loans and advances and the amount of any allowance at the reporting date; and

(d) irrevocable commitments and contingencies and commitments arising from off balance sheet statement of financial position items.

b. Loans to Directors and other key management persons

Select's policy for lending to Directors and management is that all loans are approved on the same terms and conditions which apply to members for each class of loan with the exception of loans to KMP who are not Directors. There are no loans which are impaired in relation to the loan balances with Directors or other KMP. KMP who are not Directors and who have personal loans and/or overdraft facilities are charged interest at the Fringe Benefits Tax benchmark rate.

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

The detail of transactions during the year is as follows:

	2016			**2015**		
	Mortgage Secured $	**Other term loans $**	**Credit Cards $**	**Mortgage Secured $**	**Other term loans $**	**Credit Cards $**
Funds available to be drawn	342,243	93,953	10,000	109,754	70,480	5,000
Balance	1,077,657	32,547	-	793,131	49,020	-
Amounts disbursed or facilities increased in the year	1,049,331	30,325	918	227,582	36,051	9,225
Interest and other revenue earned	42,350	2,806	-	41,693	4,751	118

31. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL (cont)

c. Deposits from Directors and other key management persons

Select's policy for receiving deposits from KMP is that all transactions are approved and deposits accepted on the same terms and conditions which apply to members for each type of deposit.

Other transactions between related parties include deposits from Directors and other KMP are:

	2016 $	2015 $
Total value term and savings deposits	689,416	597,449
Total interest paid on deposits	14,094	9,889

d. Transactions with other related parties

Other transactions between related parties include deposits from Director related entities or close family members of Directors and other KMP. Select's policy for receiving deposits from related parties is that all transactions are approved and deposits accepted on the same terms and conditions which apply to members for each type of deposit. There are no benefits paid or payable to close family members of KMP. There are no service contracts to which KMP or their close family members are an interested party.

32. OUTSOURCING ARRANGEMENTS

Select has arrangements with other organisations to facilitate the supply services to members.

a. CUSCAL Limited

Cuscal is an Approved Deposit-taking Institution registered under the Corporations Act 2001 and the Banking Act. Select has equity in the company. Cuscal:

(i) provides the license rights to Visa Card in Australia and settlement with other institutions for ATM, Visa card and cheque transactions, direct entry transactions, as well as the production of Visa and Redicards for use by members;

(ii) operates the computer network used to link Redicards and Visa cards through Reditellers and other approved ATM providers to Select's computer systems;

(iii) provides treasury and money market facilities to Select.

The valuation of the Cuscal shares is based on the net assets backing as at the most recent financial report, to recognise the company is not readily marketable, except within the current ADI membership of Cuscal. Refer Note 10 for details on the fair value assessment.

b. Ultradata Australia Pty Ltd

This company provides and maintains the core banking application software utilised by Select.

c. TransAction Solutions Ltd

This company operates the computer facility on behalf of Select in conjunction with other credit unions. Select has a management contract with the company to supply computer support staff and services to meet the day to day needs of Select and compliance with relevant prudential standards.

The credit union holds equity in TAS. This company primarily operates to service credit unions and non-credit union customers. The shares are not readily traded except within the ADI membership of the company. Refer Note 10.

33. SUPERANNUATION LIABILITIES

Select contributes to superannuation funds for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of Directors and employees. The superannuation funds are administered by independent trustees.

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

34. TRANSFERS OF FINANCIAL ASSETS

The credit union has established arrangements for the transfer of loan contractual benefits of interest and repayments to support ongoing liquidity facilities. These arrangements are with the Select 2012 Trust for securing the ability to obtain liquid funds from the Reserve Bank – these loans are not de-recognised as the credit union retains the benefits of the trust until such time as a drawdown is required.

Only residential mortgage-backed securities (RMBS) that meet specified criteria, are eligible to be transferred.

Securitised loans retained on the balance sheet [not de- recognised]

The values of securitised loans which are not qualifying for de-recognition as the conditions do not meet the criteria in the accounting standards, are set out below. In each case the loans are variable interest rate loans, hence the book value of the loans transferred equates to the fair value of those loans.

The associated liabilities are equivalent to the book value of the loans reported.

	2016 $	2015 $
Balance Sheet values		
Loans and receivables		
Select 2012 Trust Series 1	36,794,177	30,260,950
Off balance sheet commitments (redraws)		
Financial commitments (Net)		
Select 2012 Trust Series 1	10,707,335	10,691,781

Select 2012 Trust

The Select 2012 Trust is a trust established by the credit union to facilitate the liquidity requirements under the prudential standards. The Trust has an independent trustee. In the case of the Select 2012 Trust, the credit union receives a Note certificate to sell to the Reserve Bank of Australia should the liquidity needs not be satisfied by normal operational liquidity. The Note is secured over residential mortgage-backed securities (RMBS),

The credit union has financed the loans and received the net gains or losses from the Trust after trustee expenses.

The credit union retains the credit risk of losses arising from loan default or security decline, and the interest rate risk from movements in market interest rates.

If a portion of the value of the portfolio in the Select 2012 Trust fails to meet the Trust's criteria, the credit union is obliged to repurchase those loans.

	2016 $	2015 $
35. NOTES TO STATEMENT OF CASH FLOWS		
a. Reconciliation of cash		
Cash includes cash on hand, and deposits at call with other financial institutions and comprises:		
Cash on hand	191,577	182,457
Deposits at call	3,800,000	6,304,755
Overdraft	(18,213)	-
Total cash	3,973,364	6,487,212
b. Reconciliation of cash from operations to accounting profit		
The net cash increase/(decrease) from operating activities is reconciled to the profit after tax.	139,958	1,016,658
Profit after income tax		
Add/(Deduct) :		
Depreciation expense	149,103	169,874
Loss on sale of assets and intangibles	6	297
Increase in provisions for staff leave	464,476	59,405
(Decrease)/Increase in provision for income tax	(222,481)	113,001
Increase in other provisions	2,399	6,988
Increase in accrued expenses	499,994	95,549
(Decrease) in interest payable	(85,484)	(454,465)
Decrease/(Increase) in prepayments	88,792	(401)
(Increase) in sundry receivables	(3,343)	(17,169)
(Increase)/Decrease in taxation assets	(153,711)	60,747
Decrease/(Increase) in interest receivable	99,341	(228,868)
Amortisation expense on intangible assets	66,158	46,291
Amortised fees on loans	(24,710)	(27,693)
(Decrease)/Increase in provisions for loans	(33,520)	43,802
Net cash from revenue activities	986,978	884,016
Add (Deduct) non-revenue operations		
(Increase)/Decrease in loans balances	(3,475,562)	1,098,715
Decrease/(Increase) in liquid investment balances	12,359,464	(18,739,203)
(Decrease)/Increase in deposit balances	(12,134,174)	18,131,800
Net cash from operating activities	(2,263,294)	1,375,328

36. EVENTS SUBSEQUENT TO REPORTING DATE

TRANSFER OF BUSINESS

Basis for Compilation

Select Credit Union is transferring all its assets, liabilities and reserves (including all future obligations, staff entitlements and employee terms and conditions) to Encompass Credit Union on 1st July 2016, in accordance with the Financial Sector (Business Transfer and Group Restructure) Act 1999.

On 1 July Encompass Credit Union changed its name to Select Encompass Credit Union Limited.

The primary reason for the transfer was detailed in the Select Credit Union members' special general meeting information pack, and was to consolidate the mutual interests of both credit unions into an organisation better capable of withstanding economic pressures and regulatory requirements.

37. CORPORATE INFORMATION

Select Credit Union Ltd is a company limited by shares and registered under the Corporations Act *2001*.

The address of the registered office is:
59 Buckingham Street, Surry Hills NSW 2010.

The address of the principal place of business is:
59 Buckingham Street, Surry Hills NSW 2010.

Formally the address of the registered office was Level 2, Quad 2, 8 Parkview Drive, Sydney Olympic Park, NSW 2127.

The nature of the operations and its principal activities are the provision of deposit taking facilities and loan facilities to the members of Select.

ABN: 20 058 538 140

AFSL & ACL: 238257