



**CUFSS LIMITED
(CUFSS)**

ABN 24 088 097 563

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2016**

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CUFSS LIMITED DIRECTORS' REPORT

The Directors of CUFSS Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2016 and in order to comply with the provisions of the Corporations Act 2001 the Directors Report as follows:

Directors

The following persons were Directors of the company during the financial year and up to the date of this report: B A Williams (Chairman); R Keogh; D Walsh; K McKenna; and P McNamara.

For information on Directors regarding their qualifications, experience, responsibilities, directorships in other entities, declared interests, and meeting attendances refer to pages 4 to 5 which are to be read as part of this report.

Principal Activity

The company's principal activity is the provision of emergency financial liquidity support services for the benefit of Australian Mutual Authorised Deposit Taking Institutions (ADI'S). During the year there were no significant changes in the nature of those activities.

No new members joined during the financial year.

The following members terminated their membership during the financial year:

- Queensland Teachers Mutual Bank (trading as QTMB) effective 1st July 2015;
- CUA effective 5th July 2015;
- Australian Military Bank Limited effective 1st March 2016;
- Police & Nurses Limited trading as P & N Bank effective 1st July 2016.

Big Sky Building Society has given notice of termination of their membership which will be effective 1ST January 2017.

In light of the resignation of six large members over the past two financial years and the continued merger activity within the Mutual ADI sector; the Board undertook a Strategic Review of the future of the Company during 2015 and 2016 using KPMG. All members were given input into the review and the results communicated via various roadshow meetings and at the 2015 Annual General meeting. The key outcome was that majority of members supported CUFSS to continue.

The Board believes that the company remains viable to deliver on its objectives for the short to medium term.

Refer to further comments under "Subsequent Events" and "Future Developments" headings.

Review of Operations

The profit after income tax expense of the company for the year ended 30 June 2016 was \$3,251 (2015 \$7,012).

The Directors believe that the results are in line with expectations.

Dividends

No dividend has been declared or paid for the year ended 30 June 2016 (2015: \$0)

The Directors do not recommend a dividend in respect of the current financial year.

Subsequent Events

The Board of Directors have determined based on the strategic review that CUFSS has a finite future and has begun a process to engage members about the future of the company. The Board has determined that the Members' of the company will determine CUFSS future. There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the entity, the results of those operations, or the state of affairs of the entity in future years.

Future Developments

Other than the Strategic Review referred to above and process detailed under Subsequent Events there is no known future developments that will have a material effect on the Company's business or performance.

CUFSS LIMITED DIRECTORS' REPORT (continued)
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Indemnification of Officers

The company has agreed to indemnify the Directors of the company and the Company Secretary and any related party against a liability that may arise from their positions within the company to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability indemnified.

The company paid premiums of \$842 (2015: \$935) in respect to directors' and officers' liability insurance during the financial year. The contract of insurance does not include details of premiums paid in respect of individual officers of the company and prohibits disclosure of the amount of the premium paid.

The company has not otherwise during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company, or a related entity, against a liability incurred in their capacity as an officer or auditor.

Signed in accordance with a resolution of Directors made pursuant to S298 (2) of the Corporations Act 2001.

Independence Declaration

The auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 6 of the financial report.

On behalf of the directors

B. A. Williams
Chairman

D. Walsh
Director

Signed in Sydney and dated this 16th day of August 2016.

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CUFSS LIMITED
INFORMATION ON DIRECTORS/OFFICERS

BRUCE ASTON WILLIAMS - DIRECTOR

Aged 61. Appointed to the Board: 21st November 2005

Qualifications

FCIS; Master of Business (Finance)

Experience

Retired CEO of Police Bank Ltd

Over 40 years' of experience in banking and finance, including 26 years employment with Police Bank Ltd.

Special Responsibilities

Acting Chairman 11th March 2015 – 10th March 2016;

Appointed Chairman 10th March 2016.

Other Declared Interests

Director - Chelsea Wealth Management Pty Ltd ceased 19th February 2016

Director - Chelsea Shared Services Pty Ltd ceased 19th February 2016

Director Chelsea Home Loans Pty Ltd ceased 19th February 2016

Member Police Bank

Number of Meetings Attended

5 out of 5

ROBERT KEOGH - DIRECTOR

Aged 62 Appointed to the Board: 14th March 2012

Qualifications

B.Bus (Banking & Finance); FIPA; FAIM; MAICD;

Experience

CEO of Community CPS Australia Limited trading as Beyond Bank Australia;

Over 37 years' experience in the mutual banking industry.

Special Responsibilities

None

Other Declared Interests

Chief Executive Officer – Community CPS Australia Limited (T/A Beyond Bank Australia)

Director - Beyond Bank Foundation Limited

Director Community CPS Services Limited

Director Credit Union Pageant Company Limited

Member Beyond Ban Australia

Number of Meetings Attended

5 out of 5

KIERAN MCKENNA – DIRECTOR

Aged 50

Appointed to the Board: 11TH June 2014

Qualifications

MBA, MAICD

Experience

Chief Risk Officer - Cuscal

27 years' experience in Senior Management in the financial services and risk management industry including Westpac, St George and Australian Securities Exchange.

Special Responsibilities

None

Other Declared Interests

Chief Risk Officer Cuscal

Alternate Director NNPA

Number of Meetings Attended

5 out of 5.

CUFSS LIMITED**INFORMATION ON DIRECTORS/OFFICERS (CONTINUED)****DAMIEN WALSH - DIRECTOR**

Aged 52 Appointed to the Board: 13TH March 2013

Qualifications

B. Bus (Acctg), MBA, FCPA, GAICD, F FIN,

Experience

Managing Director of mecu Limited, trading as Bank Australia

25 years' experience in Senior Management in the mutual banking sector.

Special Responsibilities

None

Other Declared Interests

Managing Director mecu Limited (Bank Australia)

Director Ed Credit Insurance Services Pty Ltd

Director Ed Credit Services Pty Ltd

Member EECU Limited

Director Data Action Pty Ltd

Director Business Council of Co-operatives and Mutuals

Australian Bankers' Association Council member

Number of Meetings Attended

5 out of 5.

PAUL MCNAMARA – DIRECTOR

Age 54 Appointed to the Board 4th August 2016.

Qualifications:

B Comm; AssociateCPA

Experience:

General Manager Orange Credit Union;

27 years' experience in the Australian Mutual Banking industry

Special responsibilities:

None.

Other Declared Interests:

General Manager Orange Credit Union

Member Orange Credit Union

Number of Meetings Attended

0 out of 0.

GARY WILLIAM EGGERT –OFFICER & COMPANY SECRETARY

Aged 64 Appointed to the Role: 1st July 2007.

Qualifications

Diploma Financial Services, FAMI, FFIN, FIPA, JP (NSW101703)

Experience

Over 47 years' experience in banking and finance, including 35 years management experience within the Mutual ADI Industry.

Special Responsibilities

Executive Officer and Company Secretary

Other Declared Interests

Member Select Encompass Credit Union

Member IMB Bank trading as Shire Banking

Director Engadine RSL & Citizens Club trading as Club Engadine RSL

Treasurer & Pension Officer Engadine RSL Sub Branch

Number of Meetings Attended

5 out of 5.

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
CUFSS LIMITED**

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

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

Name of Firm: THOMAS HOPPER & PARTNERS
Chartered Accountants

Name of Auditor: 
Steven Dadich

Address: 1/68 Alfred Street Milsons Point NSW 2061

Dated this 6 **day of** August, 2016.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CUFSS LIMITED**

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CUFSS LIMITED**

Opinion

In our opinion:

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

Emphasis of Matter – Going Concern

We draw attention to Note 18 and Note 19 of the financial report, along with comments included in the Directors' Report, which highlight the fact that in view of the recent ongoing decline in members subscribing to the industry support framework administered by CUFSS Limited, the company has a finite future. Accordingly, a process has been initiated to engage independent consultants and the members to determine the future of the company's operations following the twelve-month period from the date of signing of this Independent Auditor's Report. Furthermore, the Board of Directors have indicated that it is their intention to have the members vote on the company's future at the 2017 Annual General Meeting. Our opinion is not modified in respect of this matter for the financial year ended 30 June 2016.

Name of Firm: THOMAS HOPPER & PARTNERS
Chartered Accountants

Name of Auditor: 
Steven Dadich

Address: 1/68 Alfred Street Milsons Point NSW 2061

Dated this 16 **day of** August, 2016.

**CUFSS LIMITED
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

**CUFSS LIMITED
DIRECTORS' DECLARATION**

The Directors declare that:

- a) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and give a true and fair view of the financial position and performance of the Company;
- c) In the Director's opinion the attached Financial Statements are in compliance with International Financial Reporting Standards as stated in Note 2 of the Financial Statements.

Signed in accordance with a resolution of the Directors made pursuant to s295 (5) of the Corporations Act 2001.

On behalf of the Directors

B. A. Williams
Chairman

D. Walsh
Director

Signed in Sydney and dated this 16th day of August 2016.

CUFSS LIMITED
ABN 24 088 097 563
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR YEAR ENDED
30 JUNE 2016

	Note	30 June 2015 \$	30 June 2016 \$
Revenue	3	442,444	409,671
Management expenses		(177,012)	(187,476)
Auditor's remuneration	6	(11,100)	(7,320)
Directors fees		(117,896)	(91,253)
Legal expenses		-	-
Accountancy & consultancy fees		(56,700)	(48,082)
Occupancy and technology expenses		(29,195)	(31,308)
Administration expenses		(40,391)	(39,587)
Total Expenses		(432,294)	(405,026)
Profit/(Loss) before income tax expense		10,150	4,645
Income tax (expense)/benefit	4	(3,138)	(1,394)
Profit/(Loss) for the period		<u>7,012</u>	<u>3,251</u>
Other Comprehensive Income		-	-
Total Comprehensive Income attributable to members of the Company.		<u>7,012</u>	<u>3,251</u>

Notes to the financial statements are included on pages 14 to 24.

CUFSS LIMITED
ABN 24 088 097 563
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	30 June 2015 \$	30 June 2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	143,577	103,244
Trade and other receivables	8	1,838	2,805
Other assets	9	6,789	6,190
TOTAL CURRENT ASSETS		152,204	112,239
NON-CURRENT ASSETS			
Deferred tax assets	4, 10	10,292	12,635
TOTAL NON-CURRENT ASSETS		10,292	12,635
TOTAL ASSETS		162,496	124,874
CURRENT LIABILITIES			
Other payables	11	57,211	8,129
Current tax liabilities	12	-	1,496
Provisions	13	27,095	33,988
TOTAL CURRENT LIABILITIES		84,306	43,613
NON-CURRENT LIABILITIES			
Deferred tax liabilities	4, 14	2,037	1,857
TOTAL NON-CURRENT LIABILITIES		2,037	1,857
TOTAL LIABILITIES		86,343	45,470
NET ASSETS		76,153	79,404
SHAREHOLDERS' EQUITY			
Issued capital	15	-	-
Retained earnings	15	76,153	79,404
TOTAL EQUITY		76,153	79,404

Notes to the financial statements are included on pages 14 to 24.

CUFSS LIMITED
ABN 24 088 097 563
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Note	Ordinary Issued Capital \$	Retained Earnings \$	Total \$
Balance at 30 June 2014		-	69,141	69,141
Profit for the period		-	7,012	7,012
Balance at 30 June 2015		-	76,153	76,153
Profit for the period		-	3,251	3,251
Balance at 30 June 2016		-	79,404	79,404

Notes to the financial statements are on pages 14 to 24.

CUFSS LIMITED
ABN 24 088 097 563
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Note	30 June 2015 Inflow/(Outflow)	30 June 2016 Inflow/(Outflow)
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		436,067	405,484
Payments to suppliers and employees		(384,431)	(446,614)
Interest received		6,245	4,355
Income tax (paid)/refunded		(8,654)	(934)
GST paid/refunded		-	(2,624)
Net cash (used in) / provided by operating activities	16	49,227	(40,333)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash flows from investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash flows from financing activities		-	-
Net (decrease) / increase in cash held		49,227	(40,333)
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		94,350	143,577
CASH AT THE END OF THE FINANCIAL YEAR		143,577	103,244

Notes to the financial statements are on pages 15 to 25.

NOTES TO THE FINANCIAL STATEMENTS

1. New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and therefore are not yet effective for the year ending 30 June 2016. The company has decided not to early adopt any of the new and amended pronouncements.

- AASB 9 Financial Instruments (Effective After 1 January 2018)
- AASB 14 Regulatory deferral accounts (Effective After 1 January 2016)
- AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11] (Effective After 1 January 2016)
- AASB 2014- 4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138) (Effective After 1 January 2016)
- AASB 2014-6 Amendments to Australian Accounting Standards - Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141] (Effective After 1 January 2016)
- AASB 15 Revenue from Contracts with Customers (Effective After 1 January 2018)
- AASB 1056 Superannuation Entities (Effective After 1 July 2016)
- AASB 1057 Application of Australian Accounting Standards (Effective After 1 January 2016)
- AASB 2014-9 Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements (Effective After 1 January 2016)
- AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Effective After 1 January 2018)
- AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (Effective After 1 January 2016)
- AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101 (Effective After 1 January 2016)
- AASB 2015-5 Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exception (Effective After 1 January 2016)

- AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049] (Effective After 1 July 2016)
- AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13] (Effective After 1 July 2016)
- AASB 2015-9 Amendments to Australian Accounting Standards - Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057] (Effective After 1 January 2016)
- AASB 16 Leases (Effective After 1 January 2019)
- 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112] (Effective After 1 January 2017)
- 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 (Effective After 1 January 2017)
- 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities [AASB 136] (Effective After 1 January 2017)
- IFRS 2 (Amendments) Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2] (Effective After 1 January 2018)

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial report is a general-purpose financial report, which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. Unless otherwise indicated, all amounts are in Australian dollars.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical Accounting Judgements and Key Sources of Estimation Uncertainty.

Management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or periods.

Accounting policies are selected and applied in a manner, which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or the events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a) 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 insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

b) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities are recognised in respect of employee benefits, which are expected to be settled within 12 months.

c) Receivables

Trade and other receivables are measured at amortised cost using the effective interest method less impairment.

d) Impairment of financial assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the company income tax rate, adjusted for changes in deferred tax assets and liabilities and unused tax losses.

Deferred tax assets are recognised when temporary differences arise between the tax base of assets and liabilities and their respective carrying amounts, which give rise to a future tax benefit, Or where a benefit arises due to unused tax losses, but are only recognised in both cases to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences or tax losses.

Deferred tax liabilities are recognised when such temporary differences will give rise to taxable amounts being payable in future periods. Deferred Income Tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or the liabilities are settled.

f) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, for which it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the net estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where the provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some, or all, of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

2. 2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(h) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

3. **REVENUE**

	30 June 2015 \$	30 June 2016 \$
Subscriptions – Mutual ADI's	418,079	387,309
Subscriptions – Cuscal Limited	18,119	18,007
Interest Revenue	6,246	4,355
	442,444	409,671

4. **INCOME TAX EXPENSE**

Tax expense comprises

Income statement

Current Income tax charge

Deferred tax expense/income relating to the origination and reversal of temporary differences

Income tax expense reported

Reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate is as follows:

Profit before income tax expense

Income tax expense calculated at 30% thereon

Net non-deductible / non-assessable items:

Entertainment

Income tax expense

	30 June 2015 \$	30 June 2016 \$
	-	3,916
	3,138	(2,523)
	3,138	1,393
	10,150	4,643
	3,045	1,393
	93	-
	3,138	1,393

4. **INCOME TAX EXPENSE (CONTINUED)**

Deferred income tax assets

Deferred income tax assets	30 June 2016			
	Opening	Equity	Profit	Closing
	\$	\$	\$	\$
Accounts payable & other liabilities	2,559	-	(120)	2,439
Provisions	7,733	-	2,463	10,196
Total deferred tax assets	10,292	-	2,343	12,635
	30 June 2015			
	Opening	Equity	Profit	Closing
	\$	\$	\$	\$
Accounts payable & other liabilities	2,595	-	(36)	2,559
Provisions	8,297	-	(564)	7,733
Total deferred tax assets	10,892	-	(600)	10,292

Deferred income tax liabilities

ferred income tax liabilities		30 June 2016			
		Opening \$	Equity \$	Profit \$	Closing \$
Accounts receivable & other assets		2,037	—	(180)	1,857
Total deferred tax liabilities		2,037	—	(180)	1,857
		30 June 2015			
		Opening \$	Equity \$	Profit \$	Closing \$
Accounts receivable & other assets		1,976	—	61	2,037
Total deferred tax liabilities		1,976	—	61	2,037
		30 June 2015		30 June 2016	
Net deferred tax assets		\$		\$	
– Refer Notes 10 & 14.		8,255		10,778	

5. KEY MANAGEMENT PERSONNEL COMPENSATION

A. Names and positions held by key management personnel in office at any time during the financial year are:

<i>Key Management Person</i>	<i>Position Held</i>
Mr B A Williams	Director/Acting Chairman/Chairman – Non Executive
Mr R Keogh	Director – Non Executive
Mr D Walsh	Director – Non-Executive
Mr K McKenna	Director – Non-Executive Director
Mr G W Eggert	Executive Officer & Company Secretary

B. Compensation Practices

The board's policy for determining the nature and amount of compensation of key management for the entity is as follows.

The compensation structure for key management personnel is based on a number of factors including length of service, particular experience of the individual concerned, meeting attendance and the overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to the date of retirement.

C. Key Management Personnel Compensation

	Salary & Directors Fees \$	Super Contributions \$	Other Benefits \$	Total \$
<u>2016</u>				
Total Compensation	255,199	22,927	603	278,729
<u>2015</u>				
Total Compensation	269,201	25,008	699	294,908

6. REMUNERATION OF AUDITORS

	30 June 2015 \$	30 June 2016 \$
External Audit fees – Thomas Hopper Partners	6,600	7,320
Internal Audit fees – Bell Partners	4,500	-
	<u>11,100</u>	<u>7,320</u>

	30 June 2015	30 June 2016
	\$	\$
7. <u>CASH AND CASH EQUIVALENTS</u>		
Cash at bank and cash on hand	143,577	103,244
Reconciliation of cash Cash at the end of the financial year as shown on the cash flow statement is reconciled to items in the balance sheet as follows;		
Cash and cash equivalents	143,577	103,244
The company has an overdraft facility with Cuscal Limited:		
Approved facility	100,000	100,000
Current borrowings	-	-
Net available	100,000	100,000
8. <u>TRADE AND OTHER RECEIVABLES</u>		
Interest receivable from Cuscal investment account	349	181
Goods and services tax credit receivable from ATO	-	2,624
Income tax refund due from ATO	1,489	-
Total	1,838	2,805
9. <u>OTHER ASSETS</u>		
Prepayments – Corporate Insurance	6,789	6,190
10 <u>FUTURE INCOME TAX ASSETS</u>		
Deferred tax assets	10,292	12,635
11. <u>OTHER PAYABLES</u>		
Sundry payables and accruals	57,211	8,129
12. <u>CURRENT TAX LIABILITIES</u>		
Income tax liabilities	-	1,496

	30 June 2015	30 June 2016
	\$	\$
13. <u>PROVISION FOR EMPLOYEE BENEFITS</u>		
The aggregate employee benefit liability recognised in the Financial Statements is as follows:		
Provision for employee benefits:		
- Provision at beginning of period	27,659	27,095
- Add accruals for the period	5,914	19,698
- Deduct accrued leave taken or paid on termination	(6,478)	(12,805)
Provision at end of period	27,095	33,988
14. <u>DEFERRED TAX LIABILITIES.</u>		
Deferred tax liabilities	2,037	1,857
15. <u>SHAREHOLDERS EQUITY</u>		
The company is limited by guarantee. On winding up each person who is or was a member (within one year of the winding up) may have to contribute \$100 if required.		
Retained Earnings		
Balance at the beginning of the year	69,141	76,153
Profit/(Loss) for the period	7,012	3,251
Balance at the end of the financial year	76,153	79,404
16. <u>NOTES TO THE STATEMENT OF CASH FLOWS</u>		
Reconciliation of Cash Flows from Operations with Profit from Ordinary Activities after Income Tax		
Profit/(loss) for the period	7,012	3,251
(Increase) / Decrease in assets:		
(Increase) Decrease in Trade and other receivables	(133)	(2,456)
(Increase) Decrease in other assets	(201)	599
(Increase) Decrease in deferred tax asset	601	(2,343)
Increase / (Decrease) in liabilities:		
(Increase) Decrease in current tax liabilities	(6,176)	2,985
(Increase) Decrease in trade and other payables	48,627	(49,082)
(Increase) Decrease in provision for employee benefits	(564)	6,893
(Increase) Decrease in deferred tax liabilities	60	(180)
	49,227	(40,333)

17. FINANCIAL INSTRUMENTS

The Company's most material financial instrument is a deposit/overdraft account the Company maintains with a related company, Cuscal Limited. The account is conducted on the same basis as applies to credit unions and other parties who maintain deposit/overdraft accounts with the related company.

	30 June 2015 \$	30 June 2016 \$
Carrying value	143,577	103,244
Fair value	143,577	103,244
Interest rate is repriced within one month in both the current and prior year.		
Interest rate at the end of the financial year	1.75%	1.60%
Average balance	295,297	245,387
Interest revenue	5,277	4,355
Average interest rate	1.79%	1.77%

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange (currency risk), market interest rates (interest rate risk) and market prices (price risk). The cash balance is exposed to movements in interest rates.

A sensitivity of a 0.5% increase or decrease in interest rates on average balances has been used as this represents management's assessment of the possible change in interest rates. A positive number indicates an increase in profit or loss while a negative number indicates an equal and opposite impact on profit or loss.

Sensitivity impact	Decrease 0.5%		Increase 0.5%	
	2015 \$	2016 \$	2015 \$	2016 \$
Profit or loss	(1,476)	(1,228)	1,476	1,228

Credit risk

Cuscal Limited is an approved deposit taking institution regulated by APRA. Cuscal currently holds an A+/Stable/A-1 (long term) and A-1 (short term) rating from Standard and Poor's - the last three annual S&P assessments have produced the same ratings result. Accordingly the Company believes the deposit/overdraft account is subject to minimal credit risk.

Interest rate risk

As the deposit/overdraft account bears floating interest rates, the Company is exposed to interest rate risk, should short-term rates vary. As the Company is cash positive, this exposure may cause interest revenue to vary.

Liquidity risk management

The Company manages liquidity risk by maintaining a substantial cash balance, which includes effectively holding all its equity in cash.

17. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial assets and liabilities

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the accounting policies in Note 2.

18. SUBSEQUENT EVENTS

Three members terminated their membership with the appropriate twelve months' notice during the financial year:

- Queensland Teachers Mutual Bank (trading as QTMB) effective 1st July 2015;
- CUA effective 5TH July 2015;
- Australian Military Bank effective 1st March 2016.

Subsequent to the end of the financial year the following members terminated their membership with the appropriate twelve months' notice

- Police and Nurses Limited trading as P & N Bank effective 1st July 2016;
- Big Sky Building Society Limited effective 1st January 2017.

Over the past two financial years the Board has undertaken a Strategic Review of the future of the Company engaging KPMG as consultants. The outcomes of the strategic review were reported to members at the 2015 Annual General Meeting. The Board continues to review the future of the company. In light of the review the Board believes that the company remains viable in the short to medium term.

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, other than the comments made at Note 19 Going Concern; that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the entity, the results of those operations, or the state of affairs of the entity in future years.

19. GOING CONCERN

In view of the recent decline in members subscribing to the industry support framework administered by CUFSS Limited, the company continues to discuss the future options past the short term. Over the next twelve months members will be engaged in determining the company's future. This will be undertaken by roadshows and ultimately with a discussion and possible resolution/s at the 2017 Annual General Meeting.

At the time of finalising the financial statements, it is expected that CUFSS Limited will be able to pay its debts as and when they fall due over at least the next 12 months and therefore continue to operate as a going concern subject to any potential decisions on future operations.

20. ADDITIONAL COMPANY INFORMATION

CUFSS Limited is an unlisted public company limited by guarantee, incorporated in Australia.

The registered office and principal place of business are both:

Level 11
35 Clarence Street
SYDNEY NSW 2000
Telephone 02 80358460
Web: cufss.com.au

The number of employees at 30 June 2016 was 1 (2015: 1).

