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ALLIANCE GROUP CREDIT UNION

FINANCIAL STATEMENTS

FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

ALLIANCE GROUP CREDIT UNION

DIRECTORY

FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

		Appointed	Resigned	
Board of Directors	Chairman	D Ronald	Nov-13	
	Secretary	R Colyer	Nov-11	
	Directors	C Hay	Nov-00	
		M Winsloe	Nov-11	
		S Gillespie	Nov-99	
		A Gillespie	Nov-13	
		V Howden		21/04/2015
Trustees	C Hay M Winsloe D Ronald			
Trustee Supervisors	Trustees Executors Ltd			
Auditors	BDO Waikato			
Bankers	NZ Association of Credit Unions			
Solicitors	Anthony Harper			
Affiliations	New Zealand Association of Credit Unions Credit Union Institute of New Zealand			
Registered Office	Alliance Group Ltd, Lorneville Plant Riverton Highway 96 Invercargill			

ALLIANCE GROUP CREDIT UNION

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ALLIANCE GROUP CREDIT UNION

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

	Note	13 Months ended 30 September 2016	12 Months ended 31 August 2015
		\$	\$
Interest revenue	2	198,433	207,173
Other income	2	91,777	82,166
TOTAL INCOME		290,210	289,339
EXPENDITURE			
Interest expenditure	2	13,934	10,763
Loan impairment expenses	2	(4,698)	-
Employee benefits	2	149,768	129,059
Depreciation	2	2,190	2,320
Other expenditure	2	149,456	145,265
TOTAL EXPENDITURE		310,650	287,408
Total surplus/(deficit) for the period attributable to members		(20,440)	1,931
Total Comprehensive Revenue & Expense for the period attributable to members		(20,440)	1,931

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements

ALLIANCE GROUP CREDIT UNION

STATEMENT OF CHANGES IN NET ASSETS / EQUITY FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

	Accumulated Note Revenue and expense \$	Total Members Funds \$
Balance at 1 September 2015	687,837	687,837
Total comprehensive revenue and expense for the period		
Deficit for the 13 month period	(20,440)	(20,440)
Balance at 30 September 2016	<u><u>667,397</u></u>	<u><u>667,397</u></u>
Balance at 1 September 2014	685,906	685,906
Surplus for the 12 month period	1,931	1,931
<i>Total comprehensive Revenue and Expense for the year</i>	1,931	1,931
Balance at 31 August 2015	<u><u>687,837</u></u>	<u><u>687,837</u></u>

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

ALLIANCE GROUP CREDIT UNION

**STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016**


	Note	30-Sep-16	31-Aug-15
MEMBERS' FUNDS		\$	\$
Accumulated Revenue and Expense	4	667,397	687,837
TOTAL MEMBERS' FUNDS		<u>667,397</u>	<u>687,837</u>
ASSETS			
Cash and cash equivalents	5a	1,606,647	1,729,581
Short term investments	5b	40,000	-
Trade and other receivables	6	13,632	15,659
Loans to members	7-8	900,187	871,782
Plant & equipment	9	4,025	6,530
Capital notes	10	87,771	87,771
TOTAL ASSETS		<u>2,652,262</u>	<u>2,711,323</u>
LIABILITIES			
Trade and other payables	11	50,275	66,932
Members' deposits	12	1,934,590	1,956,553
TOTAL LIABILITIES		<u>1,984,866</u>	<u>2,023,485</u>
NET ASSETS		<u>667,397</u>	<u>687,837</u>

These Financial Statements are authorised for issue by:



Director

29/11/2016



Director

29/11/2016

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

ALLIANCE GROUP CREDIT UNION

STATEMENT OF CASH FLOWS FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

	Note	13 Months ended 30 September 2016	12 Months ended 31 August 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
		\$	\$
Interest received on members loans		198,077	207,802
Fees and commissions received		87,150	79,783
Interest received on bank and NZACU deposits			
Other income		4,627	2,363
Interest paid		(22,521)	(10,605)
Payments to suppliers and employees		(304,278)	(277,764)
Net movement in member deposits		(22,057)	110,425
Net movement in member loans		(23,613)	15,687
Net cash (used in)/provided by operating activities	23	<u>(82,615)</u>	<u>127,691</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(319)	(2,046)
Proceeds from sale of plant and equipment			
Movement in short term investments		(40,000)	
Net cash provided by (used in) investing activities		<u>(40,319)</u>	<u>(2,046)</u>
Total net increase in cash and cash equivalents held		(122,934)	125,645
Cash and cash equivalents at the beginning of the period		1,729,581	1,603,936
Cash and cash equivalents at the end of the period	5a	<u>1,606,647</u>	<u>1,729,581</u>

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements



ALLIANCE GROUP CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS

FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

Reporting Entity

Alliance Group Credit Union (the Credit Union) is registered under the Friendly Societies and Credit Unions Act 1982. The Credit Union is an FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013. The financial statements are general purpose financial statements which have been prepared in accordance with the Financial Reporting Act 2013 and the Friendly Societies and Credit Unions Act 1982. The Credit Union is a public benefit entity.

The Credit Union is a Licensed Non-Bank Deposit Taker. Its licence was approved by the Reserve Bank of New Zealand on 14 April 2015 under Section 14 of the Non-Bank Deposit Takers Act 2013.

Nature of Business

The purpose of a Credit Union is to promote savings among its members and to use those savings for their mutual benefit.

The Credit Union is restricted in its borrowings, and members contribute to the Credit Union, by way of share subscriptions. The shares cannot be transferred or sold. Members are able to withdraw their funds subject to certain conditions. The Credit Union makes loans to members or invests funds on the members' behalf. Interest and other income are received by the Credit Union and interest is paid to depositing members in the form of interest on shares.

As the Credit Union is providing a community and social benefit, it is designated as a public benefit entity.

The Credit Union operates predominantly in one industry, being the investment of its members' funds. All operations are based in New Zealand.

Transfer of Engagement

On the 31 May 2016 the members of the Credit Union voted at a Special General Meeting to transfer engagements to Steelsands Credit Union (SCU), effective 30 September 2016. These financial statements are therefore prepared on a disestablishment basis for the 13 months ended 30 September 2016 as the prior year balance date was 31 August 2015.

Final Financial Statements and Comparatives

The Credit Union ceased all operations on 30 September 2016, and these financial statements have been drawn up as of that date. Statement of Financial Position balances have all subsequently been transferred over to SCU with these accounts containing amounts immediately prior to transfer with there being no impact on measurement of assets or liabilities on transfer. This results in these financial statements being for the thirteen months in respect of the current year and for twelve months for the comparatives to 30 September 2015.

Trust Deed

To meet the requirements of the Securities Act 1978 which has subsequently been repealed and replaced with the Financial Reporting Act 2013 a Trust Deed was entered into on the 30 November 2001 between the Trustees of the Credit Union and Trustees Executors Limited. Trustees Executors Limited as the Prudential Supervisor was appointed to act in the interests of the members of the Credit Union by monitoring the compliance by the Credit Union of its obligations, its Rules, the Trust Deed and the Friendly Societies and Credit Unions Act 1982. In addition, the Prudential Supervisor is under duty to exercise reasonable diligence to ascertain whether the Credit Union has:

- (a) committed any breach of the Trust Deed or any of the conditions of issue of the shares; and
- (b) sufficient assets to meet its obligations to members, as they fall due.

1. STATEMENT OF ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the Credit Union in the preparation of the financial statements. Except where stated, the accounting policies have been consistently applied to all periods presented.

(a) Basis of Preparation

These financial statements were authorised for issue by the Directors on 29 November 2016.

These financial statements are required to be registered to keep the prospectus current and have been prepared in accordance with New Zealand Generally Accepted Accounting Practice, ("NZ GAAP"). They comply with Public Benefit Entity Accounting Standards ("PBE Standards"), as appropriate for Tier 1 not-for-profit public benefit entities. These are the Credit Union's first financial statements under PBE Standards and PBE-FRS 46 *First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs* has been complied with. For detail of the impact of adoption of the PBE Standards, please refer to Note (n).



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ALLIANCE GROUP CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS

FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

The financial statements have been prepared on the disestablishment basis. 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 other events is reported.

The presentational and functional currency is New Zealand dollars, rounded to the nearest dollar.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts repayable on demand.

(c) Revenue

Interest Revenue

Interest is recognised in surplus or deficit using the effective interest rate method.

(d) Interest Expense

Interest expense

Interest on members' shares is recognised as an expense in the period that it relates to using the effective interest method.

(e) Goods & Services Tax

The Credit Union is not registered for GST. Consequently, GST is included in the amounts recognised as income, expenses, assets and liabilities.

(f) Income Tax

No amounts have been provided for Income Tax as the Credit Union's income from members is exempt under section CW 44 of the Income Tax Act 2007. Income derived, other than from members, does not produce a taxable profit.

(g) Plant and equipment

Plant and Equipment

Plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably. All other repairs and maintenance are charged to surplus or deficit during the financial period in which they are incurred.

Depreciation

The depreciable amount of all plant and equipment is depreciated over their useful lives to the Credit Union commencing from the time the asset is held ready for use.

Plant and equipment is depreciated on a straight-line basis.

A summary of the rates used in the current and prior period is:

Computer Equipment	40%
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The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains & losses are included in surplus or deficit.

(h) Impairment of Non Financial Assets

The carrying amounts of the Credit Union's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In 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 of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of the cash flows of other assets or groups of assets ("the cash-generating unit").

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ALLIANCE GROUP CREDIT UNION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In 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 of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of the cash flows of other assets or groups of assets ("the cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in surplus or deficit. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation if no impairment loss had been recognised.

(i) Employee Benefits

Liabilities for wages and salaries, including non monetary benefits, annual, long service leave and sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled on an undiscounted basis. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(j) Financial Instruments Recognition

A financial instrument is recognised if the Credit Union becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Credit Union's contractual rights to the cash flows from the financial assets expire or if the Credit Union transfers the financial assets to another party without retaining control or substantially all the risks and rewards of the asset. Financial liabilities are derecognised if the Credit Union's obligations specified in the contract expire or are discharged or cancelled.

A financial asset or liability are offset only when the Credit Union has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial instruments are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less impairment allowance.

Available-for-sale financial assets are normally carried at fair value in subsequent periods with changes in fair value recognised in Other Comprehensive revenue and expense. However, as the Capital Notes are equity instruments that, do not have a quoted market price in an active market and the fair value cannot be measured reliably, they are measured at cost price in terms of the exemption in accounting standard *PBE IPSAS 29 (Financial Instruments - Recognition and Measurement)*.

The Credit Union assesses at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, is recognised in surplus or deficit.

Dividend income from available-for-sale assets is separately recognised in surplus or deficit as part of other income when the Credit Union's right to receive payments is established (ex-dividend date).

Deposits at Co-op Money NZ and Other Banks

Deposits at Co-op Money NZ and other banks are measured at amortised cost, using the effective interest method, less any impairment losses.

Trade and Other Receivables

These amounts represent amounts due for interest owing and other services performed by the Credit Union prior to the end of the financial period which are not received. The amounts are expected to be received within a year of recognition. They are initially recorded at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less impairment.

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ALLIANCE GROUP CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS

FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

Loans to Members

Loans to members are loans which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost, using the effective interest method, less allowance for impairment.

Financial liabilities

Non-derivative financial liabilities are classified as other financial liabilities and measured at amortised cost using the effective interest rate method.

Members' Deposits

Members' deposits are the members' shares in the Credit Union. For the purposes of financial reporting, members' shares are recognised as debt instruments as they are essentially savings accounts in nature.

They are recorded initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost, using the effective interest method. All payments of dividends on these shares are recorded as interest payments.

Interest on deposits is brought to account on an accrual basis.

Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Credit Union prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days. Trade payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

(k) Impairment - Loans & Receivables

The Credit Union considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level.

All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in surplus or deficit and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit.

The various components of impaired assets are as follows:

Individually impaired loans are loans and advances for which there is reasonable doubt that the Credit Union will be able to collect all amounts of principal and interest in accordance with the terms of the agreement and for which an individual assessment of impairment is made.

Collectively impaired loans are loans and advances that are not individually assessed for which a collective assessment of impairment is made based on the length of time the loan is in arrears.

Restructured loans are loans where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member.

Assets acquired through the enforcement of security are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

Past-due loans are loans or similar facilities in arrears when a member has failed to make payment when contractually due which are not impaired loans. 90 day past due loans are loans which have not been operated by the member within its key terms for at least 90 days and which are not impaired loans.



**ALLIANCE GROUP CREDIT UNION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016**

(l) Statement of Cash Flows

The Statement of Cash Flows is prepared using the direct approach.

Definitions of Terms Used in the Statement of Cash Flows:

"Cash and Cash Equivalents" includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by the organisation as part of their day-to-day cash management.

"Investing Activities" are those activities relating to the acquisition and disposal of current and non-current investments and any other non current assets.

"Financing Activities" are those activities relating to changes the size and composition of the capital structure of the Credit Union.

"Operating Activities" include all transactions and other events that are not investing or financing activities.

Netting of Cash flows

Certain cash flows have been netted in order to provide more meaningful disclosure as many of the cash flows are received and disbursed on behalf of members and reflect the activities of the members rather than those of the Credit Union. These include members' loans and members' shares.

(m) Critical Estimates, Judgements and Assumptions in Applying the Accounting Policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

All assets and liabilities were examined by the Directors on the disestablishment basis to confirm they are the same as they would have been on a continuous basis.

(n) First time adoption of PBE Standards

PBE FRS 46 First-time adoption of PBE standards by entities previously applying NZIFRS.

The annual financial statements are the Credit Union's first set of financial statements presented in accordance with PBE Standards.

There are no adjustments in the financial statements resulting from transition to PBE Standards.

The accounting policies adopted in the financial statements for the 13 months ended 30 September 2016 are consistent with those of the financial year ended 31 August 2015

Transition to PBE Standards has not had an impact on recognition and measurement of items recognised in the Statement Of Comprehensive Revenue and Expense And the Statement Of Financial Position

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**ALLIANCE GROUP CREDIT UNION
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

2 INCOME AND EXPENDITURE

<i>REVENUE</i>	Note	2016	2015
<i>Interest - Loans and Receivables</i>		\$	\$
Interest on Loans		139,501	138,195
Interest on Co-op Money NZ and Bank Deposits		58,617	68,690
Other Interest		315	288
Total Interest Income		198,433	207,173
<i>Other Income</i>			
Fees		78,381	69,721
Commissions		8,769	9,317
Other Income		4,627	3,128
Total Other Income		91,777	82,166
TOTAL INCOME		290,210	289,339
<i>EXPENDITURE</i>			
<i>Interest - Liabilities at amortised cost</i>			
Interest on Members Call Shares		13,934	10,763
Total Interest Expenditure		13,934	10,763
<i>Other Expenditure</i>			
Auditor Remuneration			
- External Audit of Financial Statements		16,777	8,963
- External Audit of Directors Certificates and Prospectus		621	1,049
Directors' Expenses and Training		1,678	-
Donations Made and Community Support		150	-
Other Expenses		130,230	135,253
Total Other Expenditure		149,456	145,265
<i>Loan Impairment Expenses</i>			
Movement in Allowance for Impaired Loans		(4,864)	-
Bad Debts Written Off		166	-
Total Impairment Expenses	8	(4,698)	-
<i>Depreciation Expenditure</i>			
Office Furniture and Equipment	9	2,190	2,320
Total Depreciation Expenditure		2,190	2,320
Total Depreciation and Amortisation		2,190	2,320

3 INTEREST PAID - MEMBERS' DEPOSITS

Interest is paid to depositing members. At times during the period the Credit Union may offer depositors special accounts that have a pre-set interest rate. Interest rates applied to members' deposits for the period were:

	2016	2015
S1 - Shares Account	0.00%	0.00%
S2 Off Season Account	0.00%	0.00%
S6 Loan Provider Account	0.00%	0.00%
S7 Christmas Club	3.00%	3.00%

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ALLIANCE GROUP CREDIT UNION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

4 RESERVES

Reserves at 30 September 2016		Total Members' Reserves
Balance carried forward		687,837
Deficit for the period		(20,440)
Balance carried forward		667,397
<hr/>		
The Reserve % to Total Assets		25.16%

Reserves at 31 August 2015		Total Members' Reserve
Balance brought forward		685,906
Surplus for the period		1,931
Balance carried forward		687,837
<hr/>		
The Reserve % to Total Assets		25.37%

Total Reserves

The Trust Deed requires that the total reserves, including accumulated revenue and expense, of the Credit Union amount to at least 10% of the total assets of the Credit Union.

The Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 requires that the Credit Union must:

- maintain a minimum capital ratio of 10%. This ratio is to be calculated by measuring the Credit Union's capital against specified weightings for credit, market and operational risks that the Credit Union is exposed to in the course of its business; and
- Limit its aggregate related party exposures to no more than 15% of its capital. Related parties to the Credit Union include directors, senior management and relatives of directors or senior managers

5a CASH AND CASH EQUIVALENTS

	Interest Rates	2016 \$	2015 \$
Cash on hand and bank balances	0.07%	21,647	59,581
Deposits at Other Banks	3.10%	1,585,000	1,670,000
		<u>1,606,647</u>	<u>1,729,581</u>

The deposits with Co-op Money NZ's central banking facility are excess funds held by the Credit Union. Co-op Money NZ minimises its exposure to credit risk by maintaining a diversified portfolio with controls over maturity, counter party and concentration of investment risks. All cash and cash equivalents are current assets. The bank deposits mature within three months.

5b SHORT TERM INVESTMENTS

		2016	2015
Deposits at Co-op Money NZ	3.10%	40,000	-
		<u>40,000</u>	<u>-</u>

Short term investments are bank deposits with a maturity between three months and one year.
Short term investments are current assets.

6 TRADE AND OTHER RECEIVABLES

	2016 \$	2015 \$
Other receivables	10,801	10,445
Prepayments	2,831	5,214
	<u>13,632</u>	<u>15,659</u>

Trade and other receivables are current assets and not impaired.



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**ALLIANCE GROUP CREDIT UNION
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

7 LOANS TO MEMBERS

Loans are made in accordance with the lending policy of the Credit Union and are repayable on demand in situations of default. An allowance for impairment has been made at the end of the reporting period. Bad loans are written off against the allowance for impairment.

(a) Loans to members comprise:

	2016	2015
	\$	\$
Neither Past Due nor Impaired	807,472	767,367
Past due but not impaired	92,676	116,473
Impaired loans	14,074	6,841
Gross Loans	914,222	890,681
Less:		
Allowance for impairment collectively	14,035	18,899
Net	900,187	871,782

(b) Credit quality - Security dissection

Secured by members' shares	449,328	459,321
	449,328	459,321

It is impractical to provide a valuation of the security held against loans due to the large number of assets to be valued to arrive at the amount.

Interest rates for loans are disclosed in Note 20 (d).

(c) Credit quality - Concentration of loans

	2016	2015
(i) Loans to individual or related groups of members which exceed 10% of member funds in aggregate	Nil	Nil
(ii) Loans to members are concentrated to individuals employed by Alliance Group Ltd	100%	100%
(iii) Loans to members are concentrated solely in New Zealand and principally within the common bond of the Credit Union;	100%	100%
(d) Current	396,754	399,990
Non Current	517,465	490,692
	914,219	890,682



**ALLIANCE GROUP CREDIT UNION
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

8 IMPAIRMENT OF LOANS AND ADVANCES

Key assumptions in determining the allowance for impairment

In the first instance, the likely impairment is calculated on an individual basis taking into account 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.

Thereafter the Credit Union makes a collective assessment of 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.

<u>Period of Impairment</u>	<u>% of Balance</u>
31 days to 90 days	20%
91 days to 180 days	40%
181 days to 270 days	60%
271 days to 365 days	80%
Over 365 days	100%
Unauthorised Savings overdrafts	100%

This allowance is checked to historical write offs and an additional allowance is made if necessary.

(a) Impairment Expense

	2016	2015
	\$	\$
Allowances for impairment - decrease in the year	(4,864)	-
Bad loans written off as expense in the year	166	-
	<u>(4,698)</u>	<u>-</u>

(b) Impairment of Loans

	Other Individually Impaired loans	Total
	\$	\$
Loans Individually Impaired		
Carrying amount at 1 September 2015	6,841	6,841
Addition to class	7,233	7,233
Written off	-	-
Deletions from class	-	-
Carrying amount at 30 September 2016	<u>14,074</u>	<u>14,074</u>
Individual Impairment Allowance		
Carrying amount at 1 September 2015	18,899	18,899
Addition to class	-	-
Written off	-	-
Deletions from class	(4,864)	(4,864)
Carrying amount at 30 September 2016	<u>14,035</u>	<u>14,035</u>
Net Loans at 30 September 2016	<u>39</u>	<u>39</u>

	Other Individually Impaired loans	Total
	\$	\$
Loans Individually Impaired		
Carrying amount at 1 September 2014	14,645	14,645
Addition to class	-	-
Written off	-	-
Deletions from class	(7,804)	(7,804)
Carrying amount at 31 August 2015	<u>6,841</u>	<u>6,841</u>
Individual Impairment Allowance		
Carrying amount at 1 September 2014	18,899	18,899
Addition to class	-	-
Written off	-	-
Deletions from class	-	-
Carrying amount at 31 August 2015	<u>18,899</u>	<u>18,899</u>
Net Loans at 31 August 2015	<u>(12,058)</u>	<u>(12,058)</u>



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**ALLIANCE GROUP CREDIT UNION
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

9 PLANT AND EQUIPMENT

	2016 \$	2015 \$
<i>Computer Equipment</i>		
At cost	16,870	25,412
Accumulated depreciation	(12,845)	(18,881)
	<u>4,025</u>	<u>6,531</u>
Total Plant & Equipment	<u>4,025</u>	<u>6,530</u>

(a) Movements in Carrying Amounts

Reconciliations of the carrying amounts of each class of plant and equipment between the beginning and end of the current financial year are set out below:

	Computer Equipment \$	Total \$
2016		
Balance at Beginning of Period	6,530	6,530
Additions	319	319
Disposals	(634)	(634)
Depreciation Expense	(2,190)	(2,190)
Carrying amount at Period End	<u>4,025</u>	<u>4,025</u>
2015		
Balance at Beginning of Period	6,804	6,804
Additions	2,046	2,046
Depreciation Expense	(2,320)	(2,320)
Carrying amount at Period End	<u>6,530</u>	<u>6,530</u>

(b) Impairment Losses

There was no impairment loss in respect of plant and equipment.

10 CAPITAL NOTES

Co-op Money NZ Capital Notes are classified as "available for sale" financial assets and are issued by Co-op Money NZ's Business Services Division as Trust Base Capital Notes (Capital Notes). These represent monies invested with Co-op Money NZ Business Services Division Trust and rank equally and without priority or preference among themselves. The Capital Notes rank after creditors in the event of the winding up of Co-op Money NZ Business Services Division Trust. Capital Notes may only be sold or transferred to another Credit Union that is a member of Co-op Money NZ Business Services Division Trust and with consent of the Co-op Money NZ Business Services Division Trust Board of Directors. There is no active market for these securities which have no guaranteed rate of return. The Credit Union has measured capital notes at cost under the exemption of PBE IPSAS 29

Dividends are payable on a six-monthly basis subject to the profitability of Co-op Money NZ Business Services Division Trust. Co-op Money NZ Capital Notes are non current assets.

The Credit Union's investment in these Base Capital Notes enables Co-op Money NZ to provide the Credit Union with essential services such as the core operating system, a central bank and "treasury" function, debit card facilities and insurance products.

	2016 \$	2015 \$
Co-op Money NZ Base Capital Notes at cost	87,771	87,771
	<u>87,771</u>	<u>87,771</u>



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FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

11 TRADE AND OTHER PAYABLES

	2016	2015
	\$	\$
Trade Payables	42,695	44,187
Sundry Creditors and Accrued Expenses	2,238	8,691
Employee Entitlements		11,739
ACCESSCARD & ACCESSDEBIT Settlement	5,342	2,313
	<u>50,275</u>	<u>66,930</u>

Trade payables generally have terms of 30 days and are interest free. Trade payables of a short-term duration are not discounted.

12 MEMBERS' DEPOSITS

	2016	2015
<i>Call Shares:</i>	\$	\$
Everyday Savings Accounts	703,094	782,287
Loan Provider Account	736,691	754,813
Christmas Club	494,805	419,453
<i>Total Call Shares</i>	<u>1,934,590</u>	<u>1,956,553</u>

Interest rates on members shares are disclosed in Note 3.

13 COMMITMENTS

(a) Lease commitments

There are no lease commitments as at 30 September 2016 (2015 : Nil).

There are no other commitments at 30 September 2016 (2015 : Nil).

14 STANDBY BORROWING FACILITIES

The Credit Union has a gross borrowing facility with Co-op Money NZ of:

	Approved Facility	Current Borrowing	Net Available
	\$	\$	\$
2016			
Overdraft	15,000	-	15,000
Standby Facility	-	-	-
	<u>15,000</u>	<u>-</u>	<u>15,000</u>
2015			
Overdraft	15,000	-	15,000
Stand by Facility	-	-	-
	<u>15,000</u>	<u>-</u>	<u>15,000</u>

Currently the unused overdraft facility is for \$15,000 (2015, \$15,000). The interest rate is 9.04% p.a. and the penalty rate is 14.10% p.a. There are no material terms of use.

15 CONTINGENT LIABILITIES

There are no material contingent liabilities not provided for in the financial statements (2015: Nil).



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FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The board had endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union.

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

- Market Risk and Hedging Policy management
- Credit risk management
- Liquidity risk management
- Capital adequacy management

The Credit Union has undertaken the following strategies to minimise the risks arising from financial instruments:

Market Risk

The Credit Union is not exposed to currency risk. The Credit Union does not trade in the financial instruments it holds on its books.

The Credit Union is exposed to interest rate risk arising from changes in market interest rates.

The policy of the Credit Union to manage the risk is to maintain a balanced "on book" strategy by ensuring the net interest rate gaps between members loans and members shares are not excessive.

The policy of the Credit Union is not to undertake derivatives to match the interest rate risks. The Credit Unions exposure to interest rate risk is set out in Note 18 which details the contractual interest rate risk profile.

The following tables summarise the sensitivity of the Credit Union's assets and financial liabilities to 1% movement in interest rate risk on the Credit Union's financial position and results.

The Board and Management consider that given the relatively stable nature of the New Zealand financial environment a 1% movement in interest rate risk is within prudential guidelines.

	2016 - Interest Rate Risk			2015 - Interest Rate Risk		
	Amount	-1% Profit & Equity \$	+1% Profit & Equity \$	Carrying Amount \$	-1% Profit & Equity \$	+1% Equity
Financial Assets						
Cash deposits at Co-op Money NZ and other Banks	1,625,000	(30,346)	30,346	1,670,000	(19,359)	19,359
Loan to Members	914,222	(8,957)	8,957	890,681	(8,905)	8,905
		<u>-39,303</u>	<u>39,303</u>		<u>-28,264</u>	<u>28,264</u>
Financial Liabilities						
Members' deposits	1,956,553	(17,051)	17,051	1,956,553	(15,771)	15,771
Total Increase / (Decrease)		<u>(56,354)</u>	<u>56,354</u>		<u>(44,035)</u>	<u>44,035</u>

The Credit Union performs sensitivity analysis to measure market risk exposures. The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing between the members' loans and members' deposits for the next 12 months. In doing the calculation the assumptions applied were that:

- The interest rate change would be applied over the loan products and term deposits
- The rate change would be as at the beginning of the 12-month period and no other rate changes would be effective during the period
- The term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposit with similar terms and rates applicable
- all loans would be repaid in accordance with the current contractual repayment terms
- The value and mix of call savings to term deposits would change to reflect planned business forecasts
- The value and mix of personal loans to mortgage loans will be unchanged

There has been no change to the Credit Union's exposure to market risk or the way the Credit Union manages and measures market risk in the reporting period.



ALLIANCE GROUP CREDIT UNION NOTES TO THE FINANCIAL STATEMENTS

FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES Continued

Credit Risk - Loans

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the entity.

There is no concentration of credit risk with respect to loans and receivables as the Credit Union has a large number of customers dispersed in areas of employment. The credit policy is that loans and investments are only made to members that are credit worthy

The Credit Union has established policies or procedures over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements
- Limits of exposure over the value to individual borrowers, non-mortgage secured loans, and concentrations to geographic and industry groups considered at high risk of default
- Reassessing and review of the credit exposures on loans and facilities
- Establishing appropriate provisions to recognise the impairment of loans
- Debt recovery procedures
- Review of compliance with the above policies

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

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken.

The Credit Union has a concentration in the retail lending for members who comprise employees and family at NZ Steel Ltd, Refining NZ and NZME Ltd, with a concentration of members and activity in Waluku, Pukekohe, Marsden Point and in the Auckland area for Wilson & Horton members. This concentration is considered acceptable on the basis that the Credit Union 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 loans.

Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days if not rectified. For loans where repayments are doubtful, external consultants maybe engaged to conduct recovery action once the loan is over 30 days in arrears. The exposures to losses arise predominantly in the non-secure personal loans and facilities. The significant accounting judgements related to the determination of the provision for impairment of loans are set out in Note 8.

Credit Risk - Deposits at Co-op Money NZ and Other Banks

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

There is a concentration of credit risk with respect to investment receivables with the placement of investments in Co-op Money NZ and other registered banks. The credit policy is that investments are only made to institutions that are creditworthy.

The risk of losses from the deposits undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration on one entity.

The board policy is to maintain investments in Co-op Money NZ, an association set up to support member Credit Unions. Any other investments must be with New Zealand-registered Banks who have credit ratings.

The trading banks used have ratings of AA- (Westpac) and A+ (Kiwibank) issued by Standard & Poors.



**ALLIANCE GROUP CREDIT UNION
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES Continued

Liquidity Risk

Liquidity risk is the risk that the Credit Union may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments. It is the policy of the Board of Directors that the Credit Union maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The Credit Union manages liquidity risk by:

- Continuously monitoring forecast and actual daily cash flows
- Reviewing the maturity profiles of financial assets and liabilities
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities

The Credit Union has a standby borrowing facility with Co-op Money NZ to provide support, if necessary, at short notice. The Credit Union's policy is to maintain at least 8% of total assets as liquid assets capable of being converted to cash within 7 days. The ratio is checked daily. Should the liquidity ratio fall below this level, the management and board are to address the matter and ensure that the liquid funds are obtained from new deposits or borrowing facilities available.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out specifically in Note 18.

The Credit Union has a financial covenant to ensure that the liquidity coverage ratio shall not fall below 1.2 at any time where: Liquidity Coverage Ratio means in respect of the immediately following month, the ratio of:

$$\frac{L + LR + SC}{SR}$$

- L means Liquid Assets
- LR means expected loan receivables within that month
- SC means expected gross share contributions within that month; and
- SR means expected gross share redemptions within that month.

The terms used in this covenant, and the calculations under this covenant, are in accordance with the terms of the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposure) Regulations 2010.

Capital Management

The Credit Union is regulated under the Friendly Societies and Credit Unions Act 1982. There is a statutory requirement over the minimum reserves required to be maintained. In addition the Credit Union operates under a trust deed which requires the minimum reserves to be held by the Credit Union to be 10% of total assets. The Credit Union reserves, as the end of the reporting period, is stated in Note 4.

The Credit Union's capital is determined as follows:

Tier 1	2016	2015
Retained earnings & other income reserves	667,397	687,837
Total reserves	667,397	687,837

To manage the Credit Union's capital, which can be affected by excessive growth and by changes in total assets, the Credit Union reviews the capital adequacy ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the board and the trustee if the capital ratio falls below 10%. Further, an annual capital budget projection of the capital level is maintained annually to address how strategic decisions or trends may impact on the capital level.



ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

17 MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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 associated table 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. For term loans the above dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied. Future Interest Receivable and Future Interest Payable represent the expected future interest cashflows arising from the contractual obligations of the underlying monetary assets and liabilities respectively. This maturity profile is based on the expected maturities based on the transfer of engagement to SUC not changing the nature of the assets and liabilities.

2016	On Call	Within 1 Month	1-3 Months	3 - 6 Months	6 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
Monetary Assets Receivable										
Cash & Bank	21,847	-	-	-	-	-	-	-	-	21,847
Deposits at NZACU	-	1,585,000	40,000	-	-	-	-	-	-	1,625,000
Trade and other receivables	13,632	-	-	-	-	-	-	-	-	13,632
Loans to members	-	34,895	68,776	101,333	191,750	308,516	208,949	-	-	914,219
Derivatives	-	-	-	-	-	-	-	-	-	-
Capital Notes	-	-	-	-	-	-	-	-	87,771	87,771
Future Interest Receivable	-	11,229	21,480	29,044	46,966	54,673	20,202	-	-	183,594
Total Monetary Assets Receivable	35,279	1,631,124	130,256	130,377	238,716	363,189	229,151	-	87,771	2,845,863

2016	On Call	Within 1 Month	1-3 Months	3 - 8 Months	8 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
Monetary Liabilities Payable										
Trade and other payables	-	50,275	-	-	-	-	-	-	-	50,275
Members Deposits	1,934,590	-	-	-	-	-	-	-	-	1,934,590
Short-term borrowings	-	-	-	-	-	-	-	-	-	-
Future Interest Payable	-	-	-	-	-	-	-	-	-	-
Total Monetary Liabilities Payable	1,934,590	50,275	-	-	-	-	-	-	-	1,984,865

2015 Monetary Assets Receivable	On Call	Within 1 Month	1-3 Months	3 - 8 Months	8 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
Cash & Bank	59,681	-	-	-	-	-	-	-	-	59,681
Deposits at NZACU	-	490,000	1,160,000	-	-	-	-	-	-	1,670,000
Trade and other receivables	15,659	-	-	-	-	-	-	-	-	15,659
Loans to members	-	34,364	68,918	102,586	194,122	302,585	188,107	-	-	890,682
Derivatives	-	-	-	-	-	-	-	-	-	-
Capital Notes	-	-	-	-	-	-	-	-	87,771	87,771
Future Interest Receivable	-	10,926	20,877	28,112	44,987	50,907	16,901	-	-	172,710
Total Monetary Assets Receivable	75,240	535,290	1,269,795	130,698	239,109	353,492	205,008	-	87,771	2,896,403

2015 Monetary Liabilities Payable	On Call	Within 1 Month	3 M	3 - 6 Months	6 - 12 Months	1-2 years	2-5 years	Over 5 years	No Maturity	Total
Trade and other payables	-	66,933	-	-	-	-	-	-	-	66,933
Members Deposits	1,956,553	-	-	-	-	-	-	-	-	1,956,553
Short-term borrowings	-	-	-	-	-	-	-	-	-	-
Future Interest Payable	-	-	-	-	-	-	-	-	-	-
Total Monetary Liabilities Payable	1,956,553	66,933	-	-	-	-	-	-	-	2,023,486

ALLIANCE GROUP CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

18 INTEREST RATE RISK

The Credit Union's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and financial liabilities, is as follows:

Repricing period at 30 September 2016																							
Floating interest rate		Fixed Interest Rate Maturing in:												Non-interest sensitive		Set six monthly in arrears		Total		Weighted average effective interest rate*			
		0 to 3 months		3 to 6 months		6 to 12 months		1 to 2 years		2 to 5 years		Over 5 years											
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Monetary Assets																							
Cash & Bank	22	80																		22	80	0.07%	0.04%
Deposits at NZACU			1,585	1,670	40															1,625	1,670	3.1%	4.3%
Trade & other receivables														14	16					14	16	n/a	n/a
Loans to members			104	103	101	103	192	194	309	303	209	188								915	891	14.9%	14.9%
Capital Notes																	88	88		88	88	4.7%	6.6%
Total Monetary Assets	22	60	1,689	1,773	141	103	192	194	309	303	209	188	0	0	14	16	88	88		2,664	2,725		
Monetary Liabilities																							
Deposits			1,935	1,957																1,935	1,957	1%	1%
Other payables														50	67					50	67	n/a	n/a
Total Monetary Liabilities			1,935	1,957	0	0	0	0	0	0	0	0	0	50	67	0	0			1,985	2,024		

* The weighted average effective interest rate has been calculated on the interest sensitive financial instruments in each category. N/A - Not Applicable.

(a) Capital notes do not have any pre determined rate of interest. Interest is payable on a six monthly basis in arrears subject to the profitability of the NZACU Business Services Division Trust. The last interest payment was 4.66%. (2015: 6.63% per annum).

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**ALLIANCE GROUP CREDIT UNION
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19 OTHER CREDIT RISKS

(a) Maximum Credit Risk Exposure

The Credit Union's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the Statement of Financial Position.

(b) Concentrations of Credit Risk

The Credit Union minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of customers. Credit risk is currently managed in accordance with the Prudential Standards to reduce the Credit Union's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement.

(c) Large Counterparties

The Credit Union has exposure to counter-parties as follows:

	Number of Counter-parties	
	Assets	Liabilities
Greater than 100% of equity	1	-
Between 90% and 100% of equity	-	-
Between 80% and 90% of equity	-	-
Between 70% and 80% of equity	-	-
Between 60% and 70% of equity	-	-
Between 50% and 60% of equity	-	-
Between 40% and 50% of equity	-	-
Between 30% and 40% of equity	-	-
Between 20% and 30% of equity	-	-
Between 10% and 20% of equity	-	-

(d) Loans to Members

Loans can only be made to Credit Union members. Loan interest rates range from 5.49 -14% p.a.

(31 August 2015 5.49 - 14% p.a.). The Credit Union has a lending policy that requires various levels and types of security for loans and includes that a portion of loans may be secured over the borrowing members shares. The Friendly Societies and Credit Unions Act 1982 limits the risk of any one member and provides, along with the loan agreement that any and all shares might be used to offset an individual loan to the limit of their liability.

The proportion of loans with repayments in arrears in excess of three months is:	2016 2.73%	2015 2.80%
Other than loans, there are no other monetary assets in arrears.		
The monthly repayments on the loans for the past period represent an average loan of :	Mths 25	Mths 26
Loans are for varying terms but the standard loan contract includes an "on demand" clause.		
The proportion of loans owed in aggregate by the debtors who owe the six largest amounts is:	2016 11.69%	2015 8.71%
There are no other monetary asset receivables that exceed the individual value of these six largest loans.		

The Credit Union does not offer an overdraft facility.

20 CONCENTRATION OF FUNDING

The Credit Union's source of funding is members' deposits. Accordingly, the funding is concentrated in and limited to the area of the 'common bond' and consequently the Credit Union funding is almost exclusively from individuals residing within Southland area and its satellite towns.

The Credit Union also has an industrial concentration of funding from employees and families of Alliance Group Limited. The funding from members is recorded as Members' Shares in the Statement of Financial Position.

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**ALLIANCE GROUP CREDIT UNION
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21 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability. Significant assumptions used in the determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts. The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Credit Union.

FINANCIAL ASSETS	2016			2015		
	Fair Value \$	Carrying Value \$	Variance \$	Fair Value \$	Carrying Value \$	Variance \$
Loans and receivables						
Cash & Bank	1,606,647	1,606,647	-	59,581	59,581	-
Short term investments	40,000	40,000	-	1,670,000	1,670,000	-
Trade & other receivables	13,632	13,632	-	15,659	15,659	-
Loans to members	900,187	900,187	-	871,782	871,782	-
Available for sale financial assets	-	-	-	-	-	-
Capital Notes	87,771	87,771	-	87,771	87,771	-
Total Financial Assets	2,648,237	2,648,237	-	2,704,793	2,704,793	-
FINANCIAL LIABILITIES						
Other financial liabilities						
Trade & other payables	50,275	50,275	-	66,932	66,932	-
Short-term borrowings	-	-	-	-	-	-
Deposits from members	1,934,590	1,934,590	-	1,956,553	1,956,553	-
Total Financial Liabilities	1,984,865	1,984,865	-	2,023,484	2,023,484	-

Where required as a result of the transfer of engagement, fair value has been determined as the amount that SCU is prepared to accept as the value of assets and liabilities at the time of transfer.

22 DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

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

Key management persons (KMP) has been taken to comprise the 7 Directors (2015: 6) and 1 (2015: 1) members of the executive management responsible for the day-to-day financial and operational management of the Credit Union.

Connected Parties are defined as the immediate relatives of Directors and Executive Management.

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

	2016		2015	
	Directors \$	Other KMP \$	Directors \$	Other KMP \$
(a) short-term employee benefits		63,198		58,639
(b) post-employment benefits - Kiwisaver		-		-
Total	-	63,198	0	58,639

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

Directors' and Key management persons' holdings at reporting date are:

	2016	2015
	\$	\$
Owing to Directors (Shares)	44,110	16,326
Owing from Directors (Loans)	31,948	9,204
Owing to Connected Parties (Shares)	40,985	37,690
Owing from Connected Parties (Loans)	795	10,012

The Credit Union deals with Directors, Trustees, Key management persons and connected parties on the same terms and conditions applied to all members.

There are no shares from directors, trustees, key management persons or connected parties exceeding 1% of the total issued share capital and all loans are repayable upon demand.

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 FOR THE 13 MONTHS ENDED 30 SEPTEMBER 2016

23 RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES WITH OPERATING SURPLUS

	2016 \$	2015 \$
Surplus for the Period	(20,440)	1,932
Non-Cash Items		
Depreciation	2,190	2,320
Amortisation	-	-
Gain/Loss on sale of Property Plant and Equipment	-	-
Allowance for Loan Impairment	(4,864)	-
Bad Debts	166	-
	<u>(2,508)</u>	<u>2,320</u>
Changes in Assets and Liabilities		
Movements in Trade & Other Receivables	2,027	1,341
Movements in Trade Payables & Other Accruals	(16,023)	(4,014)
Net movement in Member Loans	(23,613)	15,687
Net movement in Member Shares	(22,057)	110,425
Net Cash Provided by/(Used in) Operating Activities	<u>(82,615)</u>	<u>127,691</u>

24 CREDIT RATING EXEMPTION

From 1 March 2010, the Reserve Bank of New Zealand Act 1989 required every deposit taker (unless otherwise exempted), including Credit Unions, to have a current rating of its creditworthiness given by an approved rating agency. The Credit Union is not required to obtain a credit rating as it operates under the exemption contained in the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2016. The creditworthiness of the Credit Union is therefore not rated by an approved rating agency under the above Act. The Exemption Notice applies to the Credit Union because it has liabilities of less than \$20 million in the exemption year and it would be unduly onerous and burdensome for the Credit Union to comply with the requirements to have a credit rating.

The exemption is conditional on the Credit Union providing to the Reserve Bank, annually prior to March in each year, a statement from the directors of the Credit Union that the Credit Union meets the requirements of the exemption and that the Credit Union will be operating on the basis of the exemption for that forthcoming year.

25 EVENTS OCCURRING AFTER REPORTING DATE

Transfer of Engagements - Steelsands Credit Union

As of 10th August 2016 members of Alliance Credit Union have voted to a transfer of engagement to Steelsands Credit Union which has agreed to accept the transfer. The formal movement of members will occur as at 30th September 2016 following registration of the transfer by the Registrar of Friendly Societies and Credit Unions.

As a result all assets and liabilities are classified as current, being the value transferred to Credit Union Steelsands on 30 September 2016. There was no impact on measurement of assets or liabilities on transfer.

There are no known events subsequent to 30 September 2016 which would have a material impact on these financial statements (2015: Nil).



**INDEPENDENT AUDITOR'S REPORT
To the Members of Alliance Group Credit Union**



BDO WAIKATO

Report on the Financial Statements

We have audited the financial statements of Alliance Group Credit Union ("the credit union"), which comprise the statement of financial position as at 30 September 2016, the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the 13 months then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the credit union's members, as a body, in accordance with section 124(b) of the Friendly Societies and Credit Unions Act 1982. Our audit has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the credit union and the credit union's members as a body, for our audit work, for this report, or for the opinion we have formed.

The Responsibility of the Directors for the Financial Statements

The Directors' are responsible on behalf of the credit union for the preparation and fair presentation of financial statements in accordance with Public Benefit Entity Standards issued in New Zealand by the New Zealand Accounting Standards Board and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, as well as evaluating the presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, Alliance Group Credit Union.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alliance Group Credit Union as at 30 September 2016, and its financial performance and its cash flows for the 13 months then ended in accordance with Public Benefit Entity Standards.

Other Matter

The financial statements of Alliance Group Credit Union for the year ended 31 August 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 6 November 2015.

BDO Waikato

BDO Waikato
29 November 2016
Hamilton
New Zealand