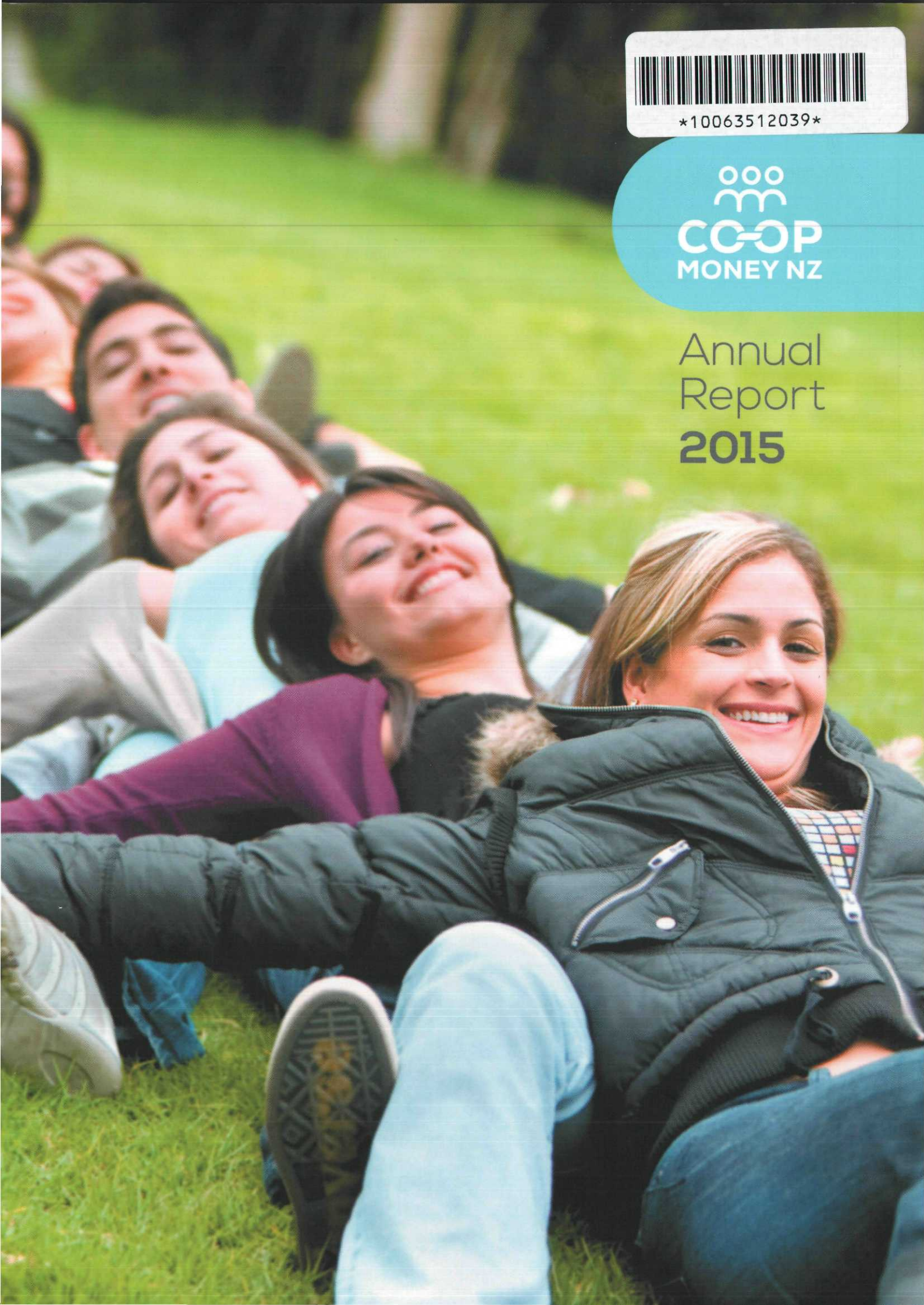




\*10063512039\*



# Annual Report **2015**





The three stylised people signify that through our Members, their members, and the community working together co-operatively, we all grow.

## Our Mission

Co-op Money NZ exists to represent, promote and support Members and provide cost effective business services.

## Our Vision

All Members and Co-op Money NZ cooperating together to grow.

## Our Values

- Communication
- Co-operation
- Value to Members

## INDEX

8	Member Locations
9	Chairman's Report
11	Chief Executive's Report
15	Board & Governance
21	Independent Auditors' Report
23	Accounts
66	Board of Directors

## CO-OP MONEY NZ DIRECTORY

### Registered Office:

Level 3, 25 Teed Street  
Newmarket, Auckland, 1023

### Postal Address:

PO Box 9582, Newmarket  
Auckland 1149  
New Zealand

### Contact Us:

E: [info@coopmoneynz.org.nz](mailto:info@coopmoneynz.org.nz)  
P: +64 9 520 0451

### Websites:

[www.coopmoneynz.org.nz](http://www.coopmoneynz.org.nz)  
[www.coopinsurancenz.co.nz](http://www.coopinsurancenz.co.nz)  
[www.coopservicesnz.co.nz](http://www.coopservicesnz.co.nz)

### Solicitors:

Bell Gully

### External Auditors:

PricewaterhouseCoopers

### Internal Auditors:

Deloitte

### Bankers:

Westpac Institutional Bank

**Insurers:** Crambie Lockwood  
Insurance Brokers

### Executive Team:

Henry Lynch  
**Chief Executive Officer**

David Smart  
**Chief Financial Officer**

Jonathan Lee  
**Chief Operating Officer**

Deane Johns  
**Chief Information Officer**

### Leadership Team:

Clint Wharfe  
**Sales & Service Centre Manager**

Glen Hill  
**Accounting Manager**

Kelvin Ho  
**Development Manager**

Kelvin Nolan  
**Claims and Underwriting Manager**

Louisa Plumptre  
**Programme Manager**

Herbert Wulff  
**Central Banking Manager**

Rene Brettenny  
**Manager Banking Services**

Rodney Brown  
**Manager, Products**

Sathya Ashok  
**Communications Manager**

Steve Friis  
**Manager, Risk & Compliance**



## Collectively, Co-op Money NZ Members...

operate  
90+  
branches  
nationwide

operate  
the largest  
non-surcharge  
ATM network  
outside of the  
major banks

have  
assets of  
over \$1.5  
billion

have  
200,000  
'mum & dad'  
members

have 1  
in 20 New  
Zealanders  
'banking' with  
them

employ  
over 500  
staff

are the  
6th largest  
financial  
transactor in  
NZ

### Co-op Money NZ is proud to be the industry voice for our Member credit unions and mutual building societies in New Zealand.

Co-operatively owned credit unions and mutual building societies play an important role in the New Zealand financial services market and have a long and proud history of serving communities across the country.

### Our history and ownership

Co-op Money NZ came into existence in 1961 as the New Zealand Credit Union League. In 1989 we became the New Zealand Association of Credit Unions. In 2014, we changed our name to Co-op Money NZ to better reflect the nature of our Members and how they help their members manage their money. We are owned by 13 Member credit unions and represent in total 14 credit unions and 4 mutual building societies, with total assets of \$1.5 billion.

### Our Members

Co-op Money NZ represents credit unions and mutual building societies that meet the financial services needs of approximately 200,000 'mum and dad' New Zealanders. With a focus on members, not shareholder profits, customer satisfaction levels for our Members are among the highest in the market. They work hard to serve communities throughout New Zealand, both in main centres and in small towns.

### Our future

Credit unions and mutual building societies are building their strength and visibility to ensure they are considered as the first option in the communities they serve. Ongoing reviews of our governance, pricing, service and products will continue to ensure we offer our Members what they need to satisfy their current and future members. We will continue to encourage working together to harness the collective strength of credit unions and mutual building societies.

### Co-op Money NZ and the International Credit Union Movement

Co-op Money NZ is committed to operating according to International Credit Union Operating Principles founded on the philosophy of cooperation and democracy. Co-op Money NZ is a member of the World Council of Credit Unions (WOCCU), which ensures we have up-to-date information and cooperation from credit union organisations worldwide.

### Cooperatives in New Zealand

Co-op Money NZ also supports the wider cooperative sector through our membership of Cooperative Business New Zealand. Cooperatives in New Zealand employ 168,000 people directly and indirectly by the farms and shops that are co-op members is made into six figures. Together, co-operatives are responsible for 8 percent of GDP.





**\$1,811,000**

Group profit for year

**\$948,357**

Total annual dividend paid

**\$1.3m**

Co-op Insurance NZ rebate paid to credit unions

**\$193,000**

contribution to Group Profit for Co-op Insurance NZ

**We exist to represent, promote and support Members, and provide cost effective business services.**

**As the collective industry voice for our Member credit unions and mutual building societies, Co-op Money NZ provides representation and advocacy for our Members to government, regulatory bodies, media and consumer groups.**

We provide dedicated advisory and operational support services, such as risk and compliance, learning and development training programmes, and public relations.

In addition to providing representation and support to our Members, Co-op

Money NZ is also an independent provider of quality products & services to financial institutions.

Co-op Money NZ delivers a full spectrum of core banking and insurance products and services, tailored to meet the needs of our Members and other financial institutions. Our collaborative approach enables our Members and customers to achieve economies of scale and provide the kind of operational efficiencies required to be successful in a highly competitive market.

In addition to this, Co-op Money NZ also provides the following services:

- A range of compliance services to help financial services

organisations to understand and comply with existing and emerging legislation and regulations in a cost effective manner.

- Central Banking – a facility that enables our Members to benefit from a centralised Treasury operation to optimise their investment return and business liquidity.
- A range of training and development opportunities for directors, managers and front line staff, including online and face to face. This includes three NZQA recognised certificate courses developed in association with The Skills Organisation.

# Last 12 Months: Key Highlights

16

Co-op Learning  
graduates with NZQA  
Certificates



CO-OP  
MONEY NZ

Rebrand  
November 2014

29%

Increase in  
AccessDebit  
Cards issued

All 18

Members licensed as  
Non-Bank Deposit Takers  
by the Reserve Bank of  
New Zealand



Political Panel Event  
Langham Hotel, Auckland  
August 2014

99.95%

Information  
Service channels  
uptime

13,726

calls logged at the  
Co-op Money NZ  
service desk

118%

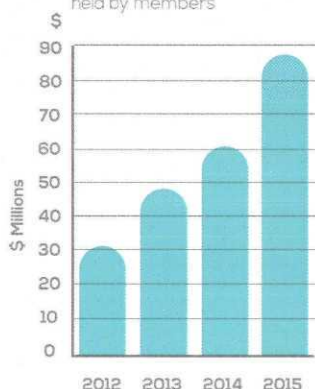
increase in value  
of Mobile Banking  
Transactions

Annual  
Conference and Gala  
Dinner held  
at Movie  
World, Gold  
Coast



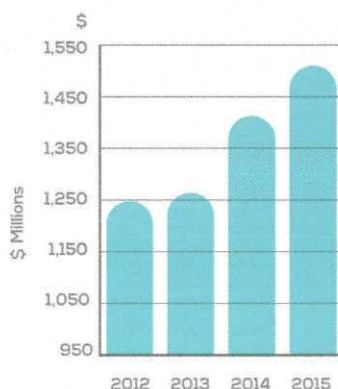
KiwiSaver:

Total value of units  
held by members



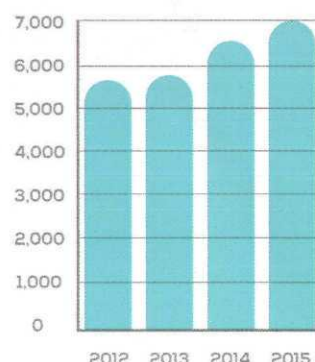
Member Assets:

as at 30 June



Funeral Plan Policies:

as at 30 June





## Our Products



Co-op Money NZ provides Member organisations and other financial services institutions with a range of financial services, banking and insurance products.

We work closely to provide all of our Members and customers with the benefits from shared knowledge and back office scale to help drive down costs while maintaining a high degree of system robustness and security.

With over 50 years' experience in financial IT and operational support services, we are well equipped to help financial institutions with their daily business and IT challenges. In addition, we have:

- Established relationships with industry regulators
- Bilateral agreements in place with all major banks for ATMs/ card services
- A principal licence with MasterCard™
- Annual audits by PwC and Deloitte
- Network security audited annually by Security-Assessment.com
- Robust security and compliance on all network services and entry points
- Dual mirrored data sites provide secure disaster recovery systems

### Our core products include:

**FACTS Computer Bureau** | 24/7 real time bureau and core banking software platform with a full suite of savings and loans products. Functionality includes card processing, internet, telephone and text banking, giving even small financial institutions

robust transactional banking and payment capabilities.

**ATM Machines and Card Services** | servicing, maintenance and settlement services for card transactions at ATMs for our customers, as well as own-branding options for standard Eftpos and MasterCard scheme debit cards.

**Accesscash** | nationwide network of over 100 ATMs.

**AccessDebit MasterCard®** | a Debit MasterCard® card that can be used on-line, at ATM and EFTPOS terminals throughout New Zealand and at millions of locations overseas, wherever MasterCard™ is accepted.

**Accesscard** | which can be used at all ATM and EFTPOS terminals throughout New Zealand and overseas where the MAESTRO logo is displayed.

**AccesssMobile** | a state-of-the-art mobile banking app that can be 'skinned' to individual branding requirements for organisations.

**Infrastructure Solutions** | together with a number of key partners, our team of highly skilled IT professionals can provide total leading-edge technology solutions and services to effectively become the in-house 'IT department' for small organisations.

Providing the benefits of shared knowledge and back office scale to help drive down costs.



Our collaborative approach enables our customers to achieve economies of scale and provide the kind of operational efficiencies required to be successful in a highly competitive market.

# and Services



Simple, cost effective products that live up to the tagline "covering you co-operatively"



New Tongan and Samoan versions of our brochures.

Everything we do has the co-operative philosophy in mind. Here's what our customers are saying...

"We found Co-op Insurance NZ provided such friendly and efficient service in both setting up the insurance and ensuring hassle-free claims, that we decided to insure our second vehicle with them as well!"

Tom & Jacqui

"Outstanding service and settlement. First time experience with Co-op Insurance NZ – very little paperwork to claim, fast decision – 100% satisfied!"

Robert

"You have been an absolute pleasure to deal with and made the claim process so much easier and stress free. Thank you very much for all your help and patience. I really appreciate everything you have done for my family and I."

Dacey

Co-op Insurance NZ, provides all New Zealanders with a range of car, redundancy/bankruptcy and accidental death insurance products designed for the needs of Kiwis.

We also provide credit union members with great value loan repayment insurance and funeral plan insurance products, and provide house and contents insurance through our partner Vero.

Being owned by Co-op Money NZ means we are ultimately owned by the credit unions of New Zealand. That's why everything we do has the co-operative philosophy in mind: we really want to do the best for our customers and our focus is not on making big profits for offshore shareholders.

We are constantly reviewing our products and listening to Member feedback to ensure we are providing quality, market-leading insurance policies that reflect the needs of customers, and this year introduced three new products:

- Bundled discount option for Comprehensive Motor Vehicle Insurance with Home and Contents Insurance through our partner Vero Insurance New Zealand.
- BackStop Redundancy and Bankruptcy Insurance
- Accidental Death Insurance

Recognising the significance of the Pasifika community to many of our Member credit unions, this year we introduced Samoan and Tongan language versions of our insurance product brochures to help improve the understanding and importance of insurance to a wider customer base.

Co-op Insurance NZ is proud to be an insurer licensed by the Reserve Bank of New Zealand under the Insurance (Prudential Supervision) Act 2010.



# Co-op Money NZ

## Member Locations

### Northland Region:

**ACU**  
Whangarei  
**NZCU Steelsands**  
Marsden Point  
**Westforce Credit Union**  
Whangarei

### Auckland Region:

**ACU**  
Clendon  
Glen Innes  
Mangere  
Otara  
Papakura  
Papatoetoe  
**Fisher & Paykel Credit Union**  
Appliances, East Tamaki  
Healthcare, East Tamaki  
**NZCU Auckland**  
Auckland Airport  
Penrose  
Manukau City  
Mt Wellington  
**NZCU Employees**  
Penrose  
**NZCU Steelsands**  
Auckland City  
Glenbrook  
Waiuku  
**Westforce Credit Union**  
Avondale  
Onehunga  
Papakura  
Pukekohe

### Waikato Region:

**ACU**  
Hamilton  
Hamilton-Te Kohao Health  
**First Credit Union**  
Hamilton City  
Ngaruawahia  
Te Aroha  
Te Kauwhata  
Thames

### Bay of Plenty Region:

**Caxton Employees Credit Union**  
Kawerau

### Credit Union Central

Edgecumbe  
Kawerau  
Kopeopeo  
Murupara  
Rotorua  
Taneatua  
Te Puke  
**First Credit Union**  
Bethlehem  
Greerton  
Kawerau  
Mt. Maunganui  
Rotorua  
Tauranga Hospital  
Taupo  
Tokoroa  
Whakatane

### Taranaki Region:

**NZCU Baywide**  
New Plymouth

### Gisborne Region:

**Credit Union Central**  
Gisborne  
**NZCU Baywide**  
Gisborne

### Hawkes Bay Region:

**Heretaunga Building Society**  
Hastings  
**Napier Building Society**  
Napier  
**NZCU Baywide**  
Dannevirke  
Hastings  
Hastings Hospital  
Napier  
Taradale  
Waipukurau  
Wairoa

### Manawatu/ Wanganui Region:

**ACU**  
Whanganui  
**NZCU Baywide**  
Palmerston North  
Palmerston North Hospital  
Wanganui

### Wellington Region:

**ACU**  
Porirua  
**First Credit Union**  
Johnsonville  
**New Zealand Police & Families Credit Union**  
Wellington  
**NZCU Baywide**  
Lower Hutt  
Masterton  
Porirua  
Wainuiomata  
**NZ Fire Fighter's Credit Union**  
Petone  
**Wairarapa Building Society**  
Masterton

### Nelson Region:

**Nelson Building Society**  
Nelson  
Motueka  
Richmond  
Takaka  
**NZCU South**  
Nelson  
Richmond  
Nelson Port

### West Coast Region:

**Nelson Building Society**  
Greymouth  
Murchison  
Westport  
**NZCU South**  
Greymouth

### Canterbury Region:

**Nelson Building Society**  
Ashburton  
**NZCU South**  
Hornby  
Sydenham  
Timaru

### Otago Region:

**NZCU South**  
Dunedin  
Oamaru

### Southland Region:

**Alliance Group Credit Union**  
Invercargill  
**NZCU South**  
Invercargill  
Gore





## Chairman's Report

Simon Scott

### Overview

Overall, Co-op Money NZ and its subsidiary companies have again performed very well, with a group profit for the year to 30 June 2015 of \$1,811,000 compared to the prior year profit of \$1,508,000. Co-op Money NZ has an ongoing strategic goal to maintain capital adequacy, while returning value to our Members. The final year's result to 30 June 2015 is once again a very good result. Total dividends paid during the year were \$948,357, and the dividend rate was 6.92%. Capital adequacy as at 30 June 2015 was 12.55%, compared to the policy minimum of 10%, and a target range of 11.5% to 14%.

### Delivering on Value

The team at Co-op Money NZ has a mandate to provide Members with quality products and services at the best possible pricing, and are regularly reviewing internal pricing structures and value provided by external business partners to be able to deliver on that promise.

I would like to commend Henry and his team on their focus to continually provide value to Members, hand in hand with a number of new products, service and process enhancements.

AccessMobile, our market-leading mobile banking product, was one such product enhancement, launched in May 2015. Since its inception, over 18,500 of your members have embraced the technology, and we had envisaged a significant drop-off in the use of the 'old-school' text banking as a result. Surprisingly, demand for the text-banking option has remained relatively consistent and Co-op Money NZ has managed to negotiate a reduced pricing structure which will save Members approximately 8% per transaction going forward.

Regular business partner reviews are undertaken by Co-op Money NZ to

ensure your pricing is as competitive as possible. As with all supply contracts, the more the volume, the bigger the discount so our collective purchasing power is only as strong as our support for Co-op Money NZ's and Co-op Insurance NZ's products and services.

### Co-op Insurance NZ

Overall, Co-op Insurance NZ has performed very well, with rebates of \$1,323,511 payable compared to \$1,361,288 for the year ended 30 June 2014. Insurance commission for this year was \$1,876,000, up from \$1,766,000 for the year ended 30 June 2014.

The team at Co-op Insurance NZ are continually looking at ways to improve efficiency and improve profitability for the company overall. In terms of the Carminder product, enhancements are being progressively made, including the introduction of paperless direct debits, automated underwriting wherever possible (due for release at the end of August 2015) and a new multi-year policy option, being launched at the inaugural 2015 Insurance Champion's Summit. These improvements are designed to enhance the member experience,

improve back office efficiency and ultimately lead to greater sales.

It is pleasing to report an overall growth rate of 5.9% in Gross Written Premium for the company. This was driven by growth in Funeral Plan premium of 33.8% and in Motor Vehicle premium of 8.4%.

## Regulatory Changes

At the time of writing last year's Annual Report, we were awaiting to hear the final outcome of the Non-Bank Deposit Taker's (NBDT) Prudential Supervision regime review undertaken by the Reserve Bank of New Zealand (RBNZ) – and a year later, at the time of writing this, we are still awaiting the Minister of Finance's report on the review.

Whilst changing legislation at times can seem painfully slow, the persistence shown by the Co-op Money NZ team in terms of lobbying on our behalf has continued to pay off in the past year, with the announcement in December 2014 that the RBNZ will raise the qualifying threshold for the exemption from the credit rating requirement for NBDTs from \$20m to \$40m, providing a capital ratio of 12% is maintained. This is a positive outcome for those Members who have been sitting just below that threshold and have been hesitant to grow their organisations' asset base with the threat of yet another additional compliance cost on the horizon.

Another achievement in the past year was the announcement that the disclosure requirements under the Financial Market Conducts Act (FMC) would be simplified for NBDTs. I know for our Members that the production of a prospectus every year given the simple nature of savings products has been an ongoing compliance headache. The transition from a complex prospectus to a much simpler Product Disclosure Statement is currently being worked on following intensive lobbying by the Co-op Money NZ team.

## Collective Knowledge

Sharing learnings from such experiences with new legislation is an excellent example of the value that Membership of Co-op Money NZ provides – and the NBDT licensing process undertaken by all Co-op Money NZ's Members in the past year has been a prime demonstration of the power of our collective knowledge base. NZCU Steelsands was the early adopter for this regulatory project and through the support and guidance of the Co-op Money NZ Risk & Compliance team, was the first NBDT in New Zealand to be issued with a licence, and I know many of us are very grateful for their shared learnings.

It was encouraging to see that all 18 Co-op Money NZ Members gained their licenses ahead of the deadline. I understand it took a lot of your time and resource to complete the licensing process, and I commend all of you for this achievement. I also have no doubt that the positive relationship that exists between Co-op Money NZ and the RBNZ helped support Members through what was a relatively complex new requirement for our sector to undertake.

The biggest changes to our governing legislation in recent years will be the amendments to the Friendly Societies & Credit Unions Act 1982 announced in July 2014 by the Minister of Commerce and Consumer Affairs. These long awaited changes, allowing credit unions 'legal status' and the ability to lend to small businesses owned by members, which could potentially be enacted by the end of 2015.

I would like to thank the Co-op Money NZ executive team for the considerable work being undertaken in conjunction with the Ministry of Business, Innovation and Employment and the Parliamentary Counsel Office in drafting these changes that will be included as part of the upcoming omnibus Regulatory Systems Bill.

## People Helping People

The fundamental philosophy that started the whole co-operative

movement several hundred years ago is being recognised this year as the theme for the 2015 International Credit Union (ICU) Day on Thursday 15 October.

'People Helping People' is a phrase we have no doubt all used over the years when describing what our organisations are all about, so I really encourage you to embrace this year's ICU day theme and use it as a great opportunity to get out in your local communities to promote the real meaning of being a financial co-operative.

## Changing to Grow

As the economy, technology and the world changes, we need to change too. Whilst our core fundamental reason for being will always be 'people helping people', I think we all recognise that without change, there can't be growth. Our September 2015 Conference theme 'Changing to Grow' explores this, and we are also in the process of reviewing the Governance structure for Co-op Money NZ as part of our recognition of the significant change in recent years of our collective Membership.

One thing that hasn't changed is the dedication, hard work and professionalism shown by the teams at Co-op Money NZ and Co-op Insurance NZ. We are truly fortunate to have such a strong and supportive team working behind the scenes to help us drive our organisations forward. Thank you for everything you do for us.

Of course, I would also like to thank my fellow Directors for their ongoing support, hard work and dedication to the job over the past year. And I would like to personally like to thank you, our Members, for continuing to live the People Helping People philosophy for your members every day.



**SIMON SCOTT**  
Chairman of the Board

A portrait of Henry Lynch, the Chief Executive, smiling and wearing glasses and a dark blazer over a checkered shirt. The background is a blurred office setting.

## Chief Executive's Report

Henry Lynch

**N**ovember 2014 saw the biggest visible change for our organisation for some time: the complete rebranding of all three of our trading entities to better reflect our people-focused, co-operative foundations.

This transition from the New Zealand Association of Credit Unions to Co-op Money NZ wasn't without its challenges—a very public objection filed by The Co-operative Bank to the use of our new trading name delayed the launch of our rebrand until the outcome of a High Court decision was released. We knew our case was extremely sound before undertaking our defence, and the judge's decision resoundingly supported our right as a co-operative to use the descriptive term 'Co-op' in our name. This was an important win for all New Zealand co-operative organisations in recognising our right to promote our collective history and common philosophy in this way.

We have had very positive feedback on our new branding and I am sure you will agree its modern, people-friendly feel is a much better reflection of who we are and what we do today.

### Member Engagement

We have really been focused on increasing Member engagement in the past 12 months and have instilled a philosophy amongst the team of looking for as many opportunities as possible to gain Member input into projects. We have also undertaken a

series of 'bilateral' meetings whereby Co-op Money NZ's Executive Team meet with the key management of each credit union to better understand their specific business challenges and discuss how we can help each other.

We have continued to have regular teleconference meetings with Member representatives in the FACTS and Co-op Insurance NZ User Groups, and of course the Information Systems Steering Committee (ISSC) has done a fantastic job in helping us drive and monitor our work in the IT space. I would like to thank all of the Member participants in these groups for their time and dedication as it is only with this type of interactive relationship that we can deliver the products and services our Members need.

### Navigating using the ISSC Roadmap

The ISSC Roadmap, developed in conjunction with the ISSC, has become a guiding pathway for our IT projects and we recently undertook a series of presentations to each Member credit union outlining the big-picture thinking in terms of key projects for Members over the next few years.

One of the major projects already underway is the full review of our core banking system to ensure it is future-proofed for this fast-changing, digital world. Although at the time of writing,



The first group of NZQA graduates.

a final outcome had yet to be decided, there has been very positive feedback on the solutions being proposed.

Another significant project is our move to become a Principal Licensee with MasterCard™. This change will allow our Members ATM machines to accept MasterCards from overseas issuers, a positive move particularly for those in high-traffic tourist areas.

## Compliance Demands Tail Off But Not Running Away!

Although we are delighted with progress that has been achieved in a number of areas in terms of lobbying for reduced compliance requirements, recently passed and impending legislation changes has still required considerable work from our Compliance and IS teams to ensure that our documentation and processes are compliant.

Changes to three major pieces of legislation—the Credit Contracts and Consumer Finance Amendment Act (CCCFA), the Fair Trading Act and impending amendments to the Friendly Societies and Credit Unions Act 1982—have necessitated a full review of our standard Loan Agreement and General Terms

documentation. This was a major undertaking and thank you to all of the Members who participated in the working group to both simplify and modernise these documents.

We have also embarked on a significant project that is being undertaken in stages to ensure that our data security processes are compliant with the Payment Card Industry Data Security Standards (PCI DSS). This project involves a number of areas, including an upgrade of our Postilion Switch, upgrading our database and network segmentation and encryption to ensure that your members' card and transaction data is as secure as possible at all times.

## Insurance Enhancements

Our rebranding programme late last year also saw Credit Union Insurance's trading name changed to Co-op Insurance NZ in line with our new brand-family, and our associated website and member communications material were modernised and freshened. An insurance 'roadshow' held in Auckland, Rotorua and Christchurch provided a valuable interactive forum for Members to better understand our product range, and also enabled us to

introduce two new products BackStop (Redundancy & Bankruptcy) and Accidental Death Insurance. In response to Member feedback, we also implemented a new facility to allow bundling of our Carminder Comprehensive product with a Home & Contents policy through our general insurance partner, Vero.

One of our ongoing strategic goals is to grow scale to benefit Members, and within the insurance space, we are looking at ways of leveraging our existing product infrastructure and systems. The first significant step in this growth strategy has been establishing a partnership with Kiwi-owned Provident Insurance who are now white-labelling our comprehensive car insurance product throughout their network of registered motor vehicle traders.

In addition to increased scale efficiencies, the key benefit to Members of such partnerships is the ability to devote more resources into product and system enhancements that will ultimately be rolled out throughout our motor vehicle insurance product offering. One such enhancement already rolled out has been the Paperless Direct Debit facility, which now enables staff to set up a member's payment process for their

motor vehicle insurance policy entirely online. Additional enhancements coming up include a multi-year policy option for motor vehicle insurance, and improved automated underwriting within the online system to reduce the need for manual review of applicant information.

## NZQA Qualifications Embraced

The introduction last year of two NZQA certified certificates has already seen significant success, with 16 staff members throughout the country completing the programme and attaining a nationally recognised qualification. This fantastic achievement was recognised at a graduation ceremony at the March 2015 Forum—complete with formal graduation gowns!

A third NZQA certificate, a National Certificate in Business (Level 3), has also now been rolled out, and response to this has also been extremely positive, with 11 staff already enrolled. Industry training body, The Skills Organisation, with whom we have partnered to deliver this Co-op Learning strategy, is very impressed with the way our Members have embraced this programme, and we know participating organisations will continue to see long term benefits both in terms of staff performance, and retention.

We are continually looking at new ways to facilitate training within your organisations and the introduction of our excellent 'Leadership Series' of videos last year will continue to be expanded on. Another project we have been working on is an AML refresher training programme to be offered in the rather unusual format of an interactive on-line game. Staff will be given a scenario and become the 'AML Investigator' in a game that then demonstrates their understanding of the AML legislation requirements. This 'gamification' approach has been proven to be an extremely effective learning tool and we are sure it will make your staff

more positive about undertaking the required AML refresher training!

## Events Supporting Learning

Events, such as our Forums, Summits and Annual Conference, continue to enable a positive sharing of ideas and learning opportunities for Members as well as an opportunity to further build relationships and alliances with key political and regulatory decision makers.

One of the key events on our calendar last year was the 'Pre-Election Workshop and Political Panel' held in the lead-up to the 2014 election. Well supported by both Members and our business partners, the evening featured politicians from all the major parties presenting their view on "How Government Should Encourage the Local Co-op and Community Owned Banking Sector to Have a Stronger Role in the New Zealand Society and The Economy". We were also fortunate to have the new Minister of Commerce and Consumer Affairs, Hon Paul Goldsmith, open our Forum where he discussed the changes being made to the Friendly Societies and Credit Unions Act 1982 as part of the upcoming Government omnibus bill.

We have also hosted two separate summits for our building society Members this past year, as we recognise they have a number of unique challenges and needs. I would like to thank all of the chairs, directors, managers and Co-op Money NZ and Co-op Insurance NZ staff who take time out of their precious weekends to attend these events. Not only are they a great way to pick up new ideas, but they are also a very valuable networking opportunity for both Members and our staff.

## International focus

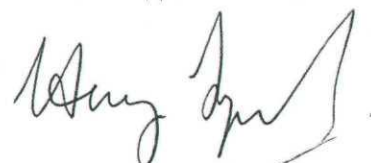
The way Co-op Money NZ is structured and our relationship with Members is somewhat unique in the credit union and co-operative

financial services industry worldwide. Our ability to be both an industry association advocating for our Members, and the primary product and services provider means we garner a lot of interest from overseas organisations looking at how they can improve the performance of their respective co-operative sectors.

In the past 12 months, we have hosted delegations from the San Francisco Federal Credit Union, the Vietnamese Government's Co-operative Planning Division and representatives from the Co-operative Organisation of Parana State (OCEPAR) and Co-operative Learning System (SESCOOP) of Brazil. They have all been very impressed with both Co-op Money NZ's operation and that of the Member credit unions who have presented to the groups during their visits – thank you to those Members for their time and professionalism in supporting our international interactions.

As we embark on a new financial year, I am excited about the positive changes we are likely to see in the coming months as the result of many years' lobbying come to fruition through the Government Bill amending the Friendly Societies and Credit Unions Act 1982. I would like to express my genuine thanks to every Co-op Money NZ and Co-op Insurance NZ staff and board member for their on-going commitment and dedication in serving our Members, and to our Members for their continued support and collaboration. The past 12 months have been an exciting period of change for us all, and the coming year will no doubt be filled with many more new challenges and opportunities.

I look forward to working with you all to achieve even greater success for our sector, and thank you for your continued support.



HENRY LYNCH  
Chief Executive



# Board & Governance

**Co-op Money NZ has adopted the Corporate Governance in New Zealand – Principles and Guidelines publication endorsed by the Financial Markets Authority to review and report on our governance practices. Details of the directors are set out on page 67 of this report.**

At the 2014 AGM Peter Taylor and Bruce Bleakley were elected to the board. Following the election results, Simon Scott was re-elected as Chair and Claire Matthews was elected as Deputy Chair. Graham Clouston was re-elected and Chris Andersen and Bruce Bleakley were elected as Trustees.

Rob Nicholls was re-elected Chair of the Audit & Risk Committee and Graham Clouston and Claire Matthews were re-elected as Audit & Risk Committee members.

In December 2014, Chris Andersen resigned as a Director due to work commitments. His position remained vacant for the balance of the financial year.

In August 2015, Claire Matthews replaced Simon Scott as Chair of Co-op Money NZ, and Peter Taylor became Deputy Chair.

## 1. Ensuring solid foundations for management and oversight

Co-op Money NZ has procedures designed to:

- Enable the Board to provide strategic guidance and effective oversight of management
- Clarify the respective roles and responsibilities of Board members and senior executives in order to facilitate Board and management accountability to both Co-op Money NZ and its Member credit unions

- Ensure the balance of authority so that no single individual has unfettered powers.

The Board has an obligation to protect and enhance the value of Co-op Money NZ's assets and act in its interests. It exercises this obligation through the approval of appropriate organisational strategy and processes, with particular regard to investment portfolio composition and return expectations.

Co-op Money NZ achieves Board and management accountability through written terms of reference (policies), and a formal delegation of authority to the Chief Executive. The Chief Executive is charged with the day-to-day leadership and management of Co-op Money NZ.

The Board appointed Rob Nicholls as Independent Director in November 2009.

## 2. Structuring the board to add value

Directors believe that for the Board to be effective it needs to facilitate the efficient discharge of the duties imposed by law and to add value to Co-op Money NZ. To achieve this, the Board is organised in such a way that it:

- Obtains a proper understanding of, and competence to deal with, the current and emerging issues of the business
- Can effectively review and challenge the performance of management and exercise independent judgment.

### Board composition

Co-op Money NZ's constitution (its Rules) provides for a maximum of seven directors one of whom may be appointed by the Board as an Independent Director for one or more fixed terms not exceeding three years each.

### Committees of the Board

The only current committees of the board are the Audit and Risk Committee and Director Nomination Committee. From time to time the Board may create ad hoc committees to examine specific issues on its behalf.

### Board process

Although the majority of directors are elected by Member credit unions to bring special expertise or perspectives to Board deliberations, decisions of the Board are made as a whole after taking each perspective into account and in the best interests of Co-op Money NZ.

The Directors receive comprehensive information on Co-op Money NZ's operations before each meeting and have unrestricted access to any other information or records. Senior management is available and attend relevant sections of Board meetings to address queries and to assist in developing the Board's understanding of the issues facing Co-op Money NZ and the performance of the business.

Director participation remains very high with all Directors being present at the majority of meetings. In addition to regular Board meetings an annual strategic planning process occurs.

The Strategic Plan for 1 January 2015 to 31 December 2016 has been approved by Members and Management report regularly to Members on progress toward achievement of the KPIs embedded in the plan.



### 3. Promoting ethical and responsible decision making

Co-op Money NZ has written procedures to clarify the standards of ethical behaviour required of directors and management and ensure observance through a Code of Ethics and a policy on dealing appropriately with conflicts and/or interests. Co-op Money NZ has an employee handbook which embodies our values and supplements the code of conduct practices that are incorporated into all employees' terms of employment. An Ethics Committee can be formed when requested by the Board, or a Member

credit union, for the purposes of reviewing any complaint received in accordance with the Code of Ethics.

### 4. Safeguarding the integrity of financial reporting

While the ultimate responsibility to ensure the integrity of Co-op Money NZ's financial reporting rests with the Board, Co-op Money NZ has in place a structure of review and authorisation designed to ensure truthful and factual presentation of its financial position. This includes:

- An appropriately resourced Audit & Risk Committee operating under a written charter
- Review and consideration by the Audit & Risk Committee of the accounts and appropriate policies
- A process to oversee and ensure the independence and competence of Co-op Money NZ's external auditors
- Responsibility for appointment of the external auditors resides with the Audit & Risk Committee subject to approval by the Board
- Establishment of an independent external party who conducts the internal audit function with reporting responsibility to the Audit & Risk Committee



- The Audit & Risk Committee meet on a regular basis throughout the year and report directly to the Board.

## 5. Making timely and balanced disclosure

Accountability for compliance with disclosure obligations is with Co-op Money NZ's Secretary. The Secretary's position has been delegated by the Board to the Chief Executive. Significant announcements including the interim half year and final full year results and dividend, the financial statements for those periods, and any advice on a change of earnings forecast requires the Chief Executive and Chief Financial Officer

to seek prior approval from the Audit & Risk Committee and the Board.

## 6. Respecting the right of Members

Co-op Money NZ seeks to ensure that its Members understand its activities by:

- Communicating regularly and effectively with them
- Giving Members ready access to balanced and clear information about Co-op Money NZ and any key organisational proposals
- Making it easy for Member credit unions to participate in general meetings and forums.

To assist with this, a Co-op Money NZ intranet is maintained with relevant information including copies of presentations, reports and media or Member communiqué releases. The annual report is available in electronic format from Co-op Money NZ.

## 7. Recognising and managing risk

Co-op Money NZ has a formalised system for identifying, overseeing, managing and controlling risk. The Board is ultimately responsible for the oversight of risk management and setting Co-op Money NZ's risk appetite and tolerances. The Audit & Risk Committee assists the Board in discharging its responsibilities

with regards the oversight of risk management. The processes involved require the maintenance of a governance level Risk Management Framework and a Risk Register that identifies key operational risks facing the business and the status of various initiatives employed to reduce them. A Risk Appetite Dashboard is maintained which shows performance against Board approved risk tolerances and highlights any deviation from compliance with the risk tolerance.

The Audit & Risk Committee is responsible for designing an internal audit programme addressing the adequacy of internal controls related to Co-op Money NZ's credit, liquidity, market, operational and insurance risks. The committee is also responsible for overseeing the audit programme designed to test the adequacy of internal controls related to the Information Services delivered by Co-op Money NZ including the security of the FACTS system.

## 8. Encouraging enhanced performance

Directors and senior executives need to be equipped with the appropriate knowledge and information to discharge their responsibilities effectively and be assured that individual and collective performance is regularly and fairly reviewed.

Board policy provides financial resource for directors' ongoing training and education with a formal appraisal process that includes the chairman. On appointment directors receive an education and development allowance for their term. This is specifically for professional development, education and training that will be of direct benefit to their role as an Co-op Money NZ director. As part of the annual review of its governance processes, the Board evaluates annually the performance of the Chief Executive.

The evaluation is based on criteria that include the performance of the business and the accomplishment of key strategic objectives and other non-

quantitative objectives established at the beginning of each year.

In addition to these annual performance reviews, the significant policy issues, annual budget and capital expenditure decisions of management are put through a formal Board review process.

## 9. Remunerating fairly and responsibly

### Remuneration philosophy

Co-op Money NZ's remuneration strategy aims to attract, retain and motivate high calibre employees at all levels of the organisation, and so drive performance and sustained growth of Member value.

Underpinning this strategy is a philosophy that all employees should be appropriately and competitively rewarded. Total remuneration for senior executives comprises a base salary including the value of any benefits and may include a short term variable incentive in the form of an annual performance related payment that requires achievement of a mix of financial and business targets.

### Non-executive directors' remuneration

The fees paid to non-executive directors for services in their capacity as directors of Co-op Money NZ during the year ended 30 June 2014 are as per the table on page 66. Co-op Money NZ's policy is to align directors' remuneration to the market measured against organisations of similar total asset value and similar annual revenues. Directors' fees are normally reviewed annually and any changes recommended to Members biennially, unless a significant market movement has occurred. The last review was in 2014 and at that AGM the pool of directors' fees payable in any one year was increased to \$235,000.

In acknowledgment of the varying workloads of the Board's Audit & Risk Committee \$6,912 from the director fee pool is set aside for the Chair of the Audit & Risk Committee and additional meeting fee expenses

of \$500 for a full day meeting or \$250 per teleconference or half day meeting is paid to members of the Audit & Risk Committee. These are only paid if the meetings occur on a non-board meeting date.

### Travel expenses

The directors receive reimbursement for their travel, accommodation and out of pocket expenses whilst attending Board meetings. Apart from travel and costs to attend Co-op Money NZ's Annual General Meeting, Conference and forums, Co-op Money NZ does not pay for accompanying partners. When directors travel overseas to international meetings and conferences, their travel, registration and accommodation expenses are paid. Reasonable costs (including travel, accommodation and registration), are also paid for a partner of an official representative of Co-op Money NZ attending such international meetings.

### Directors' development allowance

Directors are allocated \$6,000 development allowance per term to be used with Board approval to gain personal development relevant to the Director's identified needs to enhance their performance as a Co-op Money NZ / Co-op Insurance NZ Director.

### Directors' insurance protection

Co-op Money NZ maintains appropriate Personal Accident cover as well as Directors' Liability Insurance for its directors. The Personal Accident cover for directors provides for full proceeds being paid to the insured director or their estate, in the event of a claim being made. The Directors' Liability Insurance ensures that the directors will suffer no financial loss as a result of actions taken by them as directors, provided that they operate with due diligence and within the law.

### Chief Executive Officer's remuneration

In accordance with the revised Co-op Money NZ Rules approved at the September 2012 AGM, the Chief Executive has ceased to be a director, ex officio of Co-op Money

NZ. Executive managers do not receive any further remuneration in their capacity where they are appointed as a director of Co-op Money NZ or its subsidiaries.

## 10. Recognising the legitimate interest of stakeholders

Co-op Money NZ recognises that it has a number of legal and other obligations to non-member stakeholders such as employees, regulatory authorities, suppliers

and the community as a whole. Its commitment to these obligations is captured in our Code of Ethics and various policies and procedures for ethical conduct, the responsibility to employees and relationships with suppliers and customers. These are incorporated into the employment terms of all employees.

### Holding securities or other interests

No director or executive of Co-op Money NZ holds any notes or any personal beneficial interest in Co-op Money NZ.

### Compliance with corporate governance best practice

Co-op Money NZ seeks to meet the principles of best practice for New Zealand directors as promulgated by the Four Pillars of Effective Board Governance as published by the Institute of Directors in New Zealand Inc.



# Financial Statements

The directors are pleased to present the financial statements of Co-op Money NZ for the year ended 30 June 2015.

For and on behalf of the board of directors.



**Claire Matthews**  
Chair  
21 August 2015



**Peter Taylor**  
Deputy Chair  
21 August 2015

---

## Report of the Audit & Risk Committee

We wish to report to the members of Co-op Money NZ that we have attended to the requirements of the Rules as follows:

We have seen that PricewaterhouseCoopers have completed the annual Audit in accordance with the Friendly Societies and Credit Unions Act 1982.

We have determined that a written Auditors' Report is received, and reviewed the Auditors' Report on behalf of the Members.

We have reviewed Co-op Money NZ minutes and financial statements for the year to 30 June 2015 and determined that actions taken are in accordance with the Friendly Societies and Credit Unions Act 1982, Co-op Money NZ Policy and the Rules.



**Rob Nicholls**  
Chair of the Audit & Risk Committee  
21 August 2015



## ***Independent Auditors' Report***

to the members of New Zealand Association of Credit Unions

### ***Report on the Financial Statements***

We have audited the financial statements of New Zealand Association of Credit Unions (the "Association"), trading as Co-op Money NZ, on pages 23 to 65, which comprise the statements of financial position as at 30 June 2015, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Association and the Group. The Group comprises the Association and the entities it controlled at 30 June 2015 or from time to time during the financial year.

### ***Directors' Responsibility for the Financial Statements***

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' 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). These standards require that we comply with relevant 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 auditors' 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 auditors consider the internal controls relevant to the Association's and the Group's preparation and fair presentation of the financial statements that give a true and fair view of the matters to which they relate 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 Association's and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall 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.

We are independent of the Association and the Group. Our firm carries out other services for the Group in the areas of tax compliance, assurance related and corporate finance services. The provision of these other services has not impaired our independence.

### ***Opinion***

In our opinion, the financial statements on pages 23 to 65 present fairly, in all material respects, the financial position of the Association and Group as at 30 June 2015, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

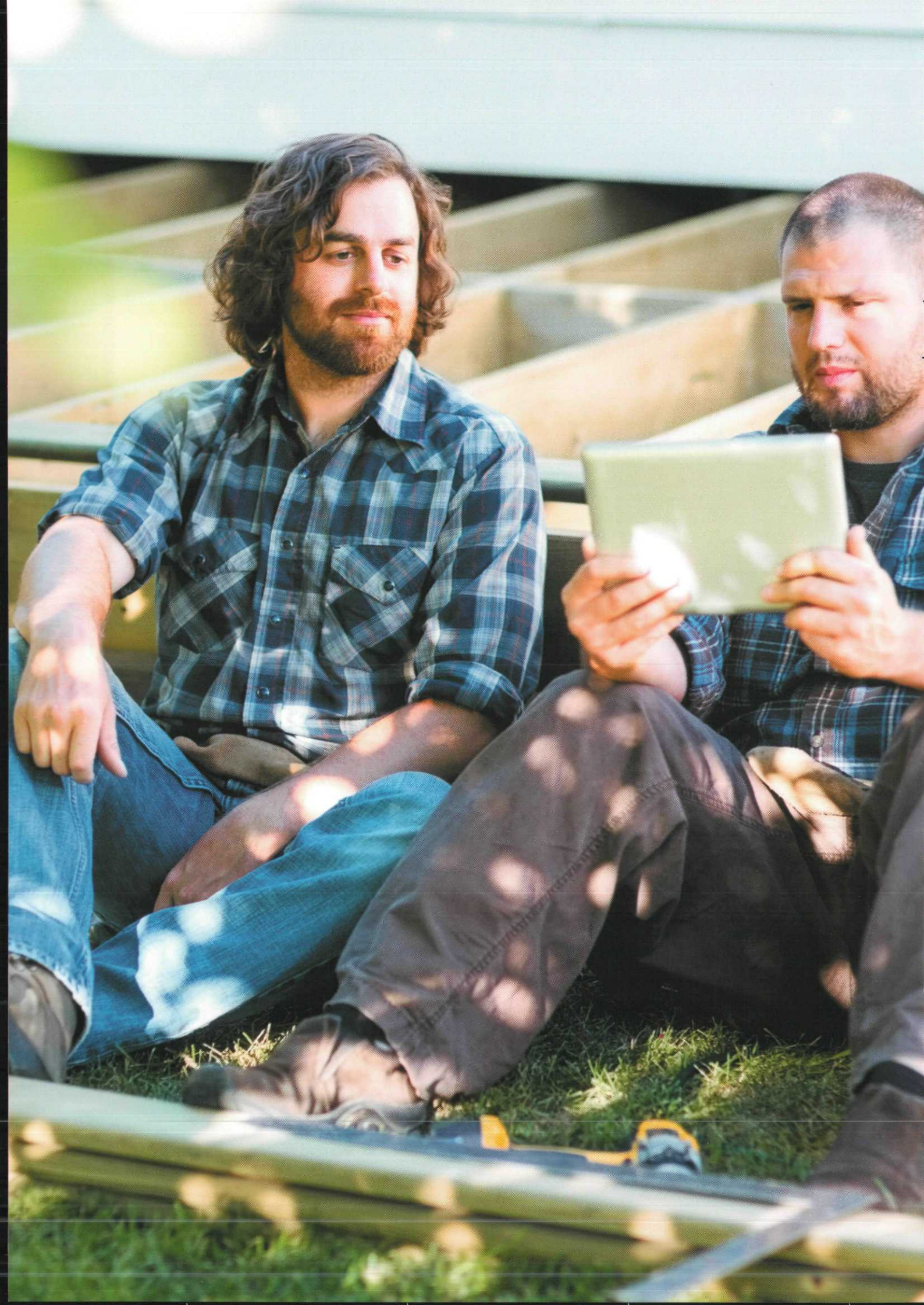
### ***Restriction on Use of our Report***

This report is made solely to the Association's members, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' 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 Association and the Association's members, as a body, for our audit work, for this report or for the opinions we have formed.

  
Chartered Accountants  
21 August 2015

Auckland

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand  
T: +64 (9) 355 8000, F: +64 (9) 355 8001, [www.pwc.com/nz](http://www.pwc.com/nz)



# Statements of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2015

	Note	Group		Association	
		2015 \$000	2014 \$000	2015 \$000	2014 \$000
Interest Revenue	2	4,639	4,426	4,360	4,232
Interest Expense	3	3,509	3,671	3,561	3,737
<b>NET INTEREST REVENUE</b>		<b>1,130</b>	<b>755</b>	<b>799</b>	<b>495</b>
Banking Services Revenue		13,595	13,358	13,575	13,350
Insurance Premium Revenue	7	9,137	8,650	-	-
Other Revenue	4	879	1,051	2,236	2,457
<b>TOTAL REVENUE NET OF INTEREST EXPENSE</b>		<b>24,741</b>	<b>23,814</b>	<b>16,610</b>	<b>16,302</b>
Employee Costs	5	4,336	4,044	3,874	3,568
Insurance Claims & Commissions	7	6,955	6,308	-	-
Transaction Costs		7,448	7,801	7,448	7,801
Operating Expenses	6	4,301	4,171	3,632	3,525
<b>TOTAL EXPENDITURE</b>		<b>23,040</b>	<b>22,324</b>	<b>14,954</b>	<b>14,894</b>
Dividend and Share of Profit/(Loss) of Joint Venture accounted for using the equity method	30	82	18	-	-
<b>NET PROFIT BEFORE IMPAIRMENT</b>		<b>1,783</b>	<b>1,508</b>	<b>1,656</b>	<b>1,408</b>
Impairment Credit	8	28	-	28	-
<b>NET PROFIT BEFORE TAXATION</b>		<b>1,811</b>	<b>1,508</b>	<b>1,684</b>	<b>1,408</b>
Taxation Expense	9	-	-	-	-
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,811</b>	<b>1,508</b>	<b>1,684</b>	<b>1,408</b>

This statement should be read in conjunction with the accompanying notes.

# Statements of Changes in Equity (Members' Funds)

FOR THE YEAR ENDED 30 JUNE 2015

## GROUP

	Base Capital Notes	Accumulated Losses	Total
	\$000	\$000	\$000
Balance at 1 July 2013	13,695	(2,587)	11,108
Base Capital Notes Dividends Paid	-	(638)	(638)
Profit and Total Comprehensive Income for the Year	-	1,508	1,508
<b>Balance at 30 June 2014</b>	<b>13,695</b>	<b>(1,717)</b>	<b>11,978</b>
Balance at 1 July 2014	13,695	(1,717)	11,978
Base Capital Notes Dividends Paid	-	(948)	(948)
Total Comprehensive Income for the Year	-	1,811	1,811
<b>Balance at 30 June 2015</b>	<b>13,695</b>	<b>(854)</b>	<b>12,841</b>

## ASSOCIATION

	Base Capital Notes	Accumulated Losses	Total
	\$000	\$000	\$000
Balance at 1 July 2013	13,695	(2,636)	11,059
Base Capital Notes Dividends Paid	-	(638)	(638)
Profit and Total Comprehensive Income for the Year	-	1,408	1,408
<b>Balance at 30 June 2014</b>	<b>13,695</b>	<b>(1,866)</b>	<b>11,829</b>
Balance at 1 July 2014	13,695	(1,866)	11,829
Base Capital Notes Dividends Paid	-	(948)	(948)
Total Comprehensive Income for the Year	-	1,684	1,684
<b>Balance at 30 June 2015</b>	<b>13,695</b>	<b>(1,130)</b>	<b>12,565</b>

This statement should be read in conjunction with the accompanying notes.

# Statements of Financial Position

AS AT 30 JUNE 2015

		Group		Association	
	Note	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>EQUITY (MEMBERS' FUNDS)</b>					
Base Capital Notes	10	13,695	13,695	13,695	13,695
Accumulated Losses	11	(854)	(1,717)	(1,130)	(1,866)
<b>TOTAL EQUITY (MEMBERS' FUNDS)</b>		<b>12,841</b>	<b>11,978</b>	<b>12,565</b>	<b>11,829</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	12	18,810	10,790	17,280	10,790
Accounts Receivable	14	4,004	3,743	1,532	1,671
Expected Recoveries	7	120	145	-	-
Investments	15	90,283	102,951	89,933	102,296
Loans Receivable	16	-	69	-	69
Prepayments	17	646	520	352	255
Inventory	18	83	126	83	126
Property, Plant and Equipment	19	575	500	528	466
Other Intangible Assets	20	1,291	789	872	604
Non-current Deposit		147	147	147	147
<b>TOTAL ASSETS</b>		<b>115,959</b>	<b>119,780</b>	<b>110,727</b>	<b>116,424</b>
<b>LIABILITIES</b>					
Deposits Received	21	94,412	99,680	95,570	102,157
Accounts Payable	22	3,703	3,610	2,234	2,121
Unearned Premium Liability	23	2,152	1,957	-	-
Provisions	24	409	387	358	317
Outstanding Claims Liability	7	2,442	2,168	-	-
<b>TOTAL LIABILITIES</b>		<b>103,118</b>	<b>107,802</b>	<b>98,162</b>	<b>104,595</b>
<b>NET ASSETS</b>		<b>12,841</b>	<b>11,978</b>	<b>12,565</b>	<b>11,829</b>

This statement should be read in conjunction with the accompanying notes.

These financial statements were authorised for issue by the Board of Directors on 21st August 2015 and were signed for on its behalf

  
Claire Matthews  
Chair

  
Peter Taylor  
Deputy Chair

# Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2015

		Group		Association	
	Note	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>Cash Flows from operating activities</b>					
Cash was provided from					
Membership Contributions Received		685	708	685	708
Insurance Premiums Received		10,363	9,939	-	-
Other Receipts from Customers		15,050	13,740	15,111	14,741
Loan Repayments from Customers		69	408	69	408
Investment Interest Received		4,801	4,372	4,700	4,643
Motor Vehicle Claims Recoveries		253	262	-	-
Credit Union Foundation Grants and Donations		2	-	2	0
		<b>31,223</b>	<b>29,429</b>	<b>20,567</b>	<b>20,500</b>
Cash was applied to					
Payments to Suppliers and Employees		18,280	18,306	14,197	15,482
Insurance Claims, Acquisition Costs and Rebates Paid		6,493	5,179	-	-
Interest Paid		3,478	3,426	3,658	3,612
		<b>28,251</b>	<b>26,911</b>	<b>17,855</b>	<b>19,094</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	33	<b>2,972</b>	<b>2,518</b>	<b>2,712</b>	<b>1,406</b>
<b>Cash Flows from investing activities</b>					
Cash was provided from					
Sale of Fixed Assets and Intangibles		11	620	11	616
Proceeds from Sales and Maturities of Investment Securities		606,040	586,787	604,257	586,787
		<b>606,051</b>	<b>587,407</b>	<b>604,268</b>	<b>587,403</b>
Cash was applied to					
Purchase of Property, Plant and Equipment		359	167	331	139
Purchase of Intangible Assets		977	587	610	489
Purchase of Investment Securities		592,111	585,520	592,111	585,520
Loan Repaid		262	-	-	-
		<b>593,709</b>	<b>586,274</b>	<b>593,052</b>	<b>586,148</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>12,342</b>	<b>1,133</b>	<b>11,216</b>	<b>1,255</b>
<b>Cash Flows from financing activities</b>					
Cash was provided from					
Net increase in Deposits		-	-	-	623
		-	-	-	<b>623</b>
Cash was applied to					
Base Capital Note Dividend Paid		948	638	948	638
Net Decrease in Deposits		6,346	367	6,490	-
		<b>7,294</b>	<b>1,005</b>	<b>7,438</b>	<b>638</b>
<b>NET CASH FLOWS TO FINANCING ACTIVITIES</b>		<b>(7,294)</b>	<b>(1,005)</b>	<b>(7,438)</b>	<b>(15)</b>
Net increase in Cash and Cash Equivalents		8,020	2,646	6,490	2,646
Cash and Cash Equivalents at the Beginning of the Year		10,790	8,144	10,790	8,144
<b>Cash and Cash Equivalents at the End of the Year</b>	12	<b>18,810</b>	<b>10,790</b>	<b>17,280</b>	<b>10,790</b>

This statement should be read in conjunction with the accompanying notes.

# Statement of Accounting Policies

FOR THE YEAR ENDED 30 JUNE 2015

## 1 SUMMARY OF ACCOUNTING POLICIES

### REPORTING ENTITY

Co-op Money NZ, the trading name of New Zealand Association of Credit Unions (the "Association"), is an association of Credit Unions registered under the Friendly Societies and Credit Unions Act 1982. It comprises two Trusts ("Divisions"): a Member Services Division and a Business Services Division. The Divisions are established pursuant to the Rules of Association, which were approved by its members on 25 September 1994 and were first registered with the Registrar of Friendly Societies and Credit Unions on 10 November 1994.

The Association's wholly owned subsidiary, Co-op Insurance NZ, is an issuer under the Financial Reporting Act 2013 by the terms of the Insurance licence issued by the Reserve Bank of New Zealand on 1 April 2013 under the Insurance (Prudential Supervision) Act 2010. Co-op Insurance NZ is registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

The Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and comply with the Friendly Societies and Credit Unions Act 1982.

The Association has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Association is a Tier 1 entity. There was no impact on the current or prior year financial statements.

The Group financial statements have been prepared in accordance with NZ GAAP which complies with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards for profit-orientated entities for the benefit of their members. These financial statements also comply with International Financial Reporting Standards.

Co-op Money NZ is domiciled in New Zealand and its principal activities are to provide banking and other services for credit unions.

### GENERAL ACCOUNTING POLICIES

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair value of the consideration given in exchange for the assets.

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 are reported.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in New Zealand Dollars, which is the Group's functional and presentation currency. All values have been rounded off to the nearest 1,000 dollars (\$) unless otherwise stated.

Foreign currency monetary assets and liabilities have been translated into the functional currency at the rate of foreign exchange ruling as at balance sheet date. Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction. Foreign exchange differences relating to monetary items and gains and losses arising from foreign exchange dealings by the Group are recognised in the Statement of Comprehensive Income.

### Significant Judgements, Estimates and Assumptions

In the application of NZ IFRS management is required to make judgements, estimates and assumptions about the carrying values 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 management believe to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are

## Statement of Accounting Policies

recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

### Allowance for Impairment Loss

Where Loans Receivable are outstanding beyond the normal contractual terms, or where uncertainty exists over the recoverability of loans receivable, the likelihood of the recovery of these assets is assessed by management. The specific impairment loss is estimated with reference to the probability of recovery, the cost of possible enforcement through security and related costs and sale proceeds. Any collective provision is estimated using historical and industry trends.

### Estimation of Fair Value of Financial Instruments

The determination of fair values of financial instruments is based on quoted market prices or dealer price quotations for financial instruments traded in active markets, or by using valuation techniques. Valuation techniques include discounted cash flow analysis and comparison to similar financial instruments for which a market observable price exists.

To the extent possible, models use only observable data. Inputs to valuation models such as credit risk, volatilities and correlations require management to make judgements and estimates. Changes in the assumptions used in these models and projections of future cash flows could affect the reported fair value of financial instruments.

### Estimation of Insurance Contract Liabilities

Insurance contract liabilities for insurance contracts are computed using statistical or mathematical methods. The computations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles.

The methodology takes into account the risks and uncertainties of the particular classes of insurance business written.

The key factors that affect the estimation of these liabilities and related assets are:

- discontinuance experience, which affects the Group's ability to recover the cost of acquiring new business over the lives of the contracts
- the cost of providing benefits and administering these insurance contracts
- the discount rate applied to calculate the present value of future benefits.

In addition, factors such as regulation, inflation, interest rates, taxes, investment market conditions and general economic conditions affect the level of these liabilities.

Other judgements made by management in the application of NZ IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

## PARTICULAR ACCOUNTING POLICIES

The particular accounting policies used in the preparation of the financial statements are as follows:

### (a) Revenue and Expense Recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and that revenue can be reliably measured. The principal sources of revenue are interest revenue, insurance premiums, transaction and other fees.

#### Interest Revenue and Expense

For all financial instruments measured at amortised cost, interest revenue or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The application of the method has the effect of recognising revenue and expense evenly in proportion to the amount outstanding over the expected life of the financial asset or liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

Other than for non-accrual items, once the recorded value of the financial asset or group of similar financial assets has been reduced due to an impairment loss, interest revenue continues to be recognised using the original effective interest rate applied to the new carrying amount.

The Group recognises interest revenue and lending fees on an accrual basis when the services are rendered using the effective interest rate method.

#### Lending Fees

The calculation of the life of Loan Receivables has been based on contractual data. The actual life of Loan Receivables is used to apportion loan origination and associated direct costs on a straight line basis.

#### Banking Services Transaction and Other Fees

Commissions or fees which relate to specific transactions or events are recognised in profit or loss on the Statement of Comprehensive Income when the service is provided to

the member or customer. When commissions and fees are charged for services provided over a period, they are taken to income on an accruals basis as the service is provided.

### Insurance Premiums

Premium revenue is recognised from the attachment date as soon as there is a basis on which it can reliably be estimated. Premium revenue is recognised in profit or loss on the Statement of Comprehensive Income over the period of the contract in accordance with the pattern of incidence of risk expected under the insurance contract. Premium revenue excludes fire service and earthquake levies collected on behalf of statutory bodies. The unearned portion of premium is recognised as an unearned premium liability on the Statement of Financial Position.

### Reinsurance Expense

Premium ceded to reinsurers is recognised as an expense that is evenly spread from the date of attachment of the risk to the end of the period of the reinsurance contract over the period of indemnity of the reinsurance contract.

### Expense Recognition

All expenses are recognised in profit or loss on the Statement of Comprehensive Income on an accruals basis.

### Foreign Currency Transactions

When a good or service is purchased in a foreign currency the cost is recognised at the rate of exchange at which the commitment is settled. All outstanding invoices at year end are valued at the ruling rate of exchange or at the rate of any foreign exchange contract held for settlement of that liability.

## (b) Valuation of Assets and Liabilities

### Financial Instruments

Financial Instruments are transacted on a commercial basis to derive an interest yield / cost with the terms and conditions having due regard to the nature of the transaction and the risks involved.

### Financial Assets

Financial Assets are classified in one of the following categories at initial recognition:

- Loans and receivables
- Fair value through profit or loss
- Held to maturity
- Available-for-sale

Certain categories of these require measurement at fair value. Where quoted market prices do not exist, fair values are estimated using discounted cash flow models, using methods and assumptions that are based on market conditions and risks existing at balance date. Financial instruments are recognised and accounted for on a settlement date basis.

### (i) Loans and Receivables

Assets in this category are measured at amortised cost using the effective interest method. Financial assets classified as loans and receivables include:

- Cash and Cash Equivalents
- Accounts Receivable
- Loans Receivable
- Investments

Loans Receivable cover all forms of lending to customers, and include residential lending, commercial lending and vendor finance. They are recognised in the Statement of Financial Position when cash is advanced to the customer.

Loans Receivable are reported net of provisions for impairment to reflect the estimated recoverable amounts.

### (ii) Fair Value through Profit or Loss

Financial assets backing insurance liabilities are measured at fair value with movements recognised in profit or loss on the Statement of Comprehensive Income. Interest is recognised on an amortised cost basis in profit or loss on the Statement of Comprehensive Income. Fair value movements have been calculated taking this into account.

### (iii) Held to Maturity Investments

Financial Assets in this category are measured at amortised cost using the effective interest method. There are currently no financial assets in this category.

### (iv) Available-For-Sale

Available-for-sale financial assets are measured at fair value. The fair value of the assets is based on quoted market prices and fair value movements are recognised directly in equity. Interest is recognised on an amortised cost basis in profit or loss on the Statement of Comprehensive Income.

There are currently no financial assets in this category.

### Financial Liabilities

Debt and equity instruments are classified as either liabilities or Members Funds in accordance with the substance of the contractual arrangement.

Liabilities are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss on the Statement of Comprehensive Income over the period of borrowing using the effective interest rate method. Interest expense is recognised in profit or loss on the Statement of Comprehensive Income using the effective interest method.

### Deposits Received

Deposits received cover all forms of deposits and include transactional and savings accounts, and term deposits.

## Statement of Accounting Policies

### (i) Offsetting Financial Instruments

The Group offsets financial assets and financial liabilities and reports the net balance in the Statement of Financial Position where there is a legally enforceable right to set-off and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### (ii) Derivative Financial Instruments

Derivative financial instruments are contracts whose value is derived from changes in one or more underlying financial instruments or indices. The Group does not engage in trading derivatives for speculative purposes.

- **Interest Rate Swaps:** The Association enters into interest rate swaps to assist Member credit unions with interest rate risk management. The net fair value of interest rate swaps receivable from counterparties is disclosed as Derivative Financial Assets. The net fair value of interest rate swaps payable to counterparties is disclosed as Derivative Financial Liabilities.

Interest rate swaps are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The movement in the fair value of interest rate swaps is recognised in profit or loss on the Statement of Comprehensive Income immediately.

The Group does not undertake any form of hedge accounting.

## (c) Asset Quality

### Impairment of Financial Assets

Financial assets measured at amortised cost are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated and provision is made for the difference between the carrying amount and the recoverable amount.

#### (i) Loans Receivable

Specific provisions are made for loans receivable which are considered doubtful and are presented net of the specific provisions. Specific allowances are made against the carrying amount of loans receivable that are identified as being impaired based on regular reviews of outstanding balances, to reduce these loans receivable to their recoverable amounts.

Collective allowances are maintained to reduce the carrying amount of portfolios of similar loans receivable to their estimated recoverable amounts at balance date. These allowances relate to incurred losses not yet specifically identified in the portfolio. The expected future cash flows for the portfolios of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest and penalties.

Increases in the specific and collective allowances are recognised in the profit or loss on the Statement of Comprehensive Income. When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly to profit or loss on the Statement of Comprehensive Income.

#### (ii) Impaired Loans Receivable

Impaired Loans Receivable consist of non-accrual items, past due assets, assets acquired through enforcement of security and restructured items:

- **Non-accrual items,** which are defined as items in respect of which revenue may no longer be accrued ahead of its receipt because reasonable doubt exists as to the collectability of principal and interest. They include exposures where contractual payments are 90 or more consecutive days in arrears and where security is insufficient to ensure payment.
- **Past-due assets,** which are assets where the counterparty has failed to make a payment when contractually due.
- **90 day past-due assets,** which are any assets that have not been operated by the counterparty within its key terms for at least 90 days and which are not restructured assets, other impaired assets, or financial assets acquired through enforcement of security.
- **Financial assets acquired through enforcement of security,** which are assets acquired through the enforcement of security or where the Group has assumed ownership of an asset in settlement of all or part of a debt.
- **Restructured items,** which are defined as items in which the original contractual terms have been formally modified to provide for concessions of interest or principal for reasons related to the financial difficulties of the member, the revised terms of the facility are not comparable with the terms of new facilities with comparable risks and the yield on the asset following restructure is equal to or greater than the Group's average cost of funds or a loss is not otherwise expected to be incurred.

#### (ii) Impairment of Assets at amortised cost

An assessment is made at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes

observable data that comes to the attention of the directors about the following loss events:

- significant financial difficulty of the issuer or obligor
- a breach of contract, such as a default or delinquency in interest or principal payments
- a concession granted to the borrower that the lender would not otherwise consider for economic or legal reasons relating to the borrower's financial difficulty
- it becoming probable that the borrower will enter Registered Bankruptcy or other financial reorganisation
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group; including adverse changes in the payment status of borrowers in the group.

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

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, impairment may be measured on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation

of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with similar credit characteristics.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in payment status or other factors indicative of changes in probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off to the Statement of Comprehensive Income. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Statement of Comprehensive Income.

#### (iv) Impairment of Assets measured at fair value

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Any impairment of financial assets measured at fair value through profit or loss will be included as part of the fair value movement for those assets, reflected directly in profit or loss on the Statement of Comprehensive Income.

#### (d) De-recognition of financial assets

A financial asset is de-recognised when:

- The Group has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the assets
  - has neither transferred nor retains substantially all the risks and rewards of the asset, but has transferred control of the assets.
- The rights to receive cash flows from the asset have expired.

## Statement of Accounting Policies

- The Group retains the right to receive cash flow from the assets, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

### (e) Investment in Subsidiaries

Investment in subsidiaries is recognised at the lower of cost or recoverable value. Any impairment is recognised in profit or loss on the Statement of Comprehensive Income.

### (f) Consolidation

The Group financial statements consolidate the Association and the following entities:

- Co-op Insurance NZ (wholly owned subsidiary) – an insurance company;
- Co-op Services NZ (wholly owned subsidiary) – a company providing services to non-members of the Association;
- CU Group Trust the investment holding trust of the Association.

#### (i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power, exposure or rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power.

Where subsidiaries have been acquired or sold during the year, their operating results have been included from the date control is passed to the Association, or to the date control ceases.

Acquisition-related costs are expensed as incurred.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are recorded through equity to reflect a transaction amongst shareholders.

The acquisition of any subsidiary is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values.

On consolidation, all significant inter-company transactions, balances and unrealised gains on transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been

changed where necessary to ensure consistency with the policies adopted by the Group.

#### (ii) Joint Ventures

Joint Ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Jointly controlled entities are accounted for by the Group using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Dividends received from jointly controlled entities are recorded in profit or loss on the Statement of Comprehensive Income.

Profits and losses resulting from upstream and downstream transactions between the Group and its Joint Venture are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the Joint Venture.

### (g) Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash on hand and call deposits.

### (h) Accounts Receivables

Accounts Receivables are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest method.

Appropriate allowance is estimated for irrecoverable amounts which are recognised in profit or loss on the Statement of Comprehensive Income when there is objective evidence that the asset is impaired.

### (i) Deferred Commission Costs

Acquisition costs incurred in obtaining insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in subsequent reporting periods. Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

### (j) Inventories

Inventories are stated at the lower of cost, determined on a first in, first out basis, and net realisable value. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

## (k) Property, Plant and Equipment

Property, Plant and Equipment is carried at cost less accumulated depreciation and impairment losses.

All Property, Plant and Equipment is depreciated on a straight line basis at rates which will write off their cost less estimated residual value over their expected useful lives.

Depreciation rates are as follows:

Computer Equipment	40%
Office Furniture & Equipment, Leasehold Improvement Costs and Motor Vehicles	10 - 36%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

The asset's residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each balance date.

Property, Plant and Equipment is reviewed for impairment at least annually and whenever events indicate that the carrying value may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

## (l) Intangible Assets

Intangible Assets comprise Computer Software.

Computer Software is capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected lives on a straight line basis of 40% amortisation.

## (m) Taxation

The Association has not provided for income tax on the basis it is exempt for tax under Section CW44 (a) of the Income Tax Act 2007. However other Group entities are subject to taxation.

Income tax on the net profit for the period comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity.

### (i) Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or

substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset only when the Group has a legally enforceable right to set off the recognised amounts, and intends to settle on a net basis.

### (ii) Deferred Tax

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

### (iii) Goods and Services Tax (GST)

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

- When the GST incurred on a purchase of goods and services is not recoverable from Inland Revenue in which case the GST is recognised as part of the cost of the acquisition of the assets or as part of the expense item as applicable.

## Statement of Accounting Policies

- Accounts Receivables and Accounts Payable, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of accounts receivable or accounts payable in the Statement of Financial Position.

Cash flows, with the exception of deposit cash flows, are included in the Statement of Cash Flows 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 included as an operating activity.

### (n) Insurance Liabilities

The policy liabilities of Credit Union Insurance Limited, a subsidiary of the Group, have been determined in accordance with Professional Standard No. 3 & 4 of the New Zealand Society of Actuaries.

Premium that has not been recognised in profit or loss on the Statement of Comprehensive Income is unearned premium and is recognised in the Statement of Financial Position as an unearned premium liability.

The adequacy of the unearned premium liability is assessed by considering current estimates of the present value of the expected future cash flows and a margin for risk relating to future claims arising from motor vehicle insurance contracts. In the event of a deficit the entire deficit is recognised in profit or loss on the Statement of Comprehensive Income.

Life Insurance Liabilities are recorded as the undiscounted accumulated benefits to policyholders except where the outcome is materially different from the net present value of future payments to policyholders.

Motor Vehicle claims liability is measured as the central estimate of the present value of the expected future payment for claims incurred with an additional risk margin to allow for the inherent uncertainty in the central estimate.

Life Insurance claims liability and Motor Vehicle Insurance claims liability are not discounted due to the short term nature of these claims. Open disability claims are discounted at an assessed risk free rate as the liability may extend for the duration of the underlying loan.

### (o) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of benefits is probable, and the amount of the provision can be measured reliably.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase

in the provisions resulting from the passage of time is recognised as a finance cost.

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 recovery will be received and the amount of the receivable can be measured reliably.

### (p) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease rentals/expenses are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are derived.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining liability. Finance charges are charged directly against income. Finance lease assets are amortised on a straight line basis over the estimated useful life of the asset or the lease term whichever is shorter.

Present obligations arising under onerous leases are recognised and measured as provisions. An onerous lease is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

### (q) Employee Entitlements

Provision is made for entitlements accruing to employees in respect of salaries and wages, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee entitlements expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee entitlements which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

## (r) Other Liabilities

Other liabilities are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

Other liabilities are measured at amortised cost. The amounts are unsecured.

## (s) Statement of Cash Flows

The Statement of Cash Flows is prepared exclusive of GST.

The following are definitions of the terms used in the Statement of Cash Flows:

- Cash and Cash Equivalents are considered to be cash on hand and call deposits;
- Investing activities are those relating to the acquisition, holding and disposal of property, plant and equipment and investments. Investments can include movements in related party balances and securities not falling within the definition of cash and cash equivalents.
- Financing activities are those activities which result in changes in the size, composition and the capital structure of the Group. This includes both equity and debt not falling within the definition of cash and cash equivalents.
- Operating activities include all transactions and other events that are not investing or financing activities.

## (t) Segment Reporting

NZ IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's primary reporting format is business segments. The Group operates solely within New Zealand and does not recognise separate geographical segments.

## (u) Comparative Financial Statements

All accounting policies, except for those affected by the adoption of new standards, have been applied on bases consistent with prior years.

## (v) Accounting Standards Adopted during the Year

**Amendment to NZ IAS 32, 'Financial Instruments: Presentation' on offsetting financial assets and financial liabilities.** This amendment clarifies that the right to offset must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business as well as in the event of default, insolvency or bankruptcy. The amendment also considers

settlement mechanisms. The amendment did not have any effect on the financial statements of the Group.

## (w) New Accounting Standards and Interpretations issued not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting period's beginning on or after 1 July 2015 or later periods, but the Group has not early adopted them.

### NZ IFRS 9 (Financial Instruments) (effective for annual reporting periods beginning on or after 1 January 2018)

NZ IFRS 9, 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance of NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The company intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

### NZ IFRS 15 'Revenue from contracts with Customers' (Effective for annual periods beginning on or after 1 January 2017)

NZ IFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer

## Statement of Accounting Policies

obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The company intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact.

### (x) Comparatives

The comparatives have been amended from the prior year in order to improve or correct an error in presentation in the following instances:

- In the Statement of Comprehensive Income, the Insurance Premium Revenue has been reduced by the Rebates amending the value reflected from \$9,896,000 to \$8,650,000. Correspondingly the Insurance Claims and Commissions has been reduced from \$7,554,000 to \$6,308,000. Rebates are recognised as a refund of premiums. This change is to report the Rebates in the same manner as reported in Co-op Insurance NZ.
- On the Statement of Financial Position, the Accounts Receivable has been adjusted from \$3,596,000 to \$3,743,000 and Prepayments from \$667,000 to \$520,000. This correctly reports that the Rental Deposit is taken from the Prepayments balance.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

	Group		Association	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
<b>2 INTEREST REVENUE</b>				
Other Bond Interest	279	194	-	-
Bank, Money Market Securities, Local Authority and Floating Rate Note Interest	4,045	3,962	4,045	3,962
Other Interest	315	270	315	270
<b>TOTAL INTEREST REVENUE</b>	<b>4,639</b>	<b>4,426</b>	<b>4,360</b>	<b>4,232</b>

## 3 INTEREST EXPENSE

Interest on Deposits	3,438	3,605	3,497	3,677
Bank Fees and Charges	64	60	64	60
Other Interest	7	6	-	-
<b>TOTAL INTEREST EXPENSE</b>	<b>3,509</b>	<b>3,671</b>	<b>3,561</b>	<b>3,737</b>
<b>NET INTEREST REVENUE</b>	<b>1,130</b>	<b>755</b>	<b>799</b>	<b>495</b>

## 4 OTHER REVENUE

Membership Contributions	664	708	664	708
Dividends Received	-	-	125	350
Management Fees Received	-	-	1,106	1,106
Other Revenue	215	343	341	293
<b>TOTAL OTHER REVENUE</b>	<b>879</b>	<b>1,051</b>	<b>2,236</b>	<b>2,457</b>

## 5 EMPLOYEE COSTS

Salaries and Wages	4,310	4,027	3,855	3,558
Other Staff Costs	26	17	19	10
<b>TOTAL EMPLOYEE COSTS</b>	<b>4,336</b>	<b>4,044</b>	<b>3,874</b>	<b>3,568</b>

	Group		Association	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>6 OPERATING EXPENSES</b>				
<b>Auditors' Remuneration:</b>				
- Audit fees to PricewaterhouseCoopers	87	98	47	58
- Other fees to PricewaterhouseCoopers				
Information System Review	32	28	32	28
Taxation	19	27	-	-
Other Statutory Returns	6	6	-	-
Corporate Finance	10	6	10	6
<b>Total Auditors' Remuneration</b>	<b>154</b>	<b>165</b>	<b>89</b>	<b>92</b>
<b>Depreciation:</b>				
- Furniture, Fittings, Office Equipment & Vehicles	61	60	60	59
- Computer Equipment	147	135	134	120
Amortisation of Intangible Assets	475	444	342	293
Directors' Fees	222	225	222	225
Directors' and Governance Expenses	93	125	93	125
Leasing Charges	268	261	268	272
Loss/(Gain) on Disposal of Property, Plant & Equipment	66	(10)	66	(7)
Other Operating Expenses	2,815	2,766	2,358	2,346
<b>TOTAL OPERATING EXPENSES</b>	<b>4,301</b>	<b>4,171</b>	<b>3,632</b>	<b>3,525</b>

## 7 INSURANCE PRODUCTS

Included in the income and expenditure for the Group are the following underwriting results:

	Group		Association	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>LIFE INSURANCE</b>				
Gross Earned Premium	2,044	1,830	-	-
Reinsurance Premiums	-	-	-	-
<b>Net Earned Premium</b>	<b>2,044</b>	<b>1,830</b>	<b>-</b>	<b>-</b>
Gross Claims	865	814	-	-
Reinsurance Received	-	-	-	-
<b>Net Claims</b>	<b>865</b>	<b>814</b>	<b>-</b>	<b>-</b>
Commission	253	224	-	-
<b>Underwriting Result</b>	<b>926</b>	<b>792</b>	<b>-</b>	<b>-</b>
Credit Union Rebates	558	484	-	-
	<b>368</b>	<b>308</b>	<b>-</b>	<b>-</b>
<b>OTHER NON-LIFE INSURANCE</b>				
Gross Earned Premium	4,270	4,200	-	-
Reinsurance Premiums	-	-	-	-
<b>Net Earned Premium</b>	<b>4,270</b>	<b>4,200</b>	<b>-</b>	<b>-</b>
Gross Claims	1,941	1,735	-	-
Reinsurance Received	-	-	-	-
<b>Net Claims</b>	<b>1,941</b>	<b>1,735</b>	<b>-</b>	<b>-</b>
Commission	932	891	-	-
<b>Underwriting Result</b>	<b>1,397</b>	<b>1,574</b>	<b>-</b>	<b>-</b>
Credit Union Rebates	752	762	-	-
	<b>645</b>	<b>812</b>	<b>-</b>	<b>-</b>

	Group		Association	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
<b>MOTOR VEHICLE INSURANCE</b>				
Gross Earned Premium	4,283	4,104	-	-
Reinsurance Premiums	(236)	(238)	-	-
<b>Net Earned Premium</b>	<b>4,047</b>	<b>3,866</b>	-	-
Gross Claims	2,485	2,194	-	-
Reinsurance Received	-	-	-	-
<b>Net Claims</b>	<b>2,485</b>	<b>2,194</b>	-	-
Commission	479	450	-	-
<b>Underwriting Result</b>	<b>1,083</b>	<b>1,222</b>	-	-
Credit Union Rebates	(86)	-	-	-
	<b>1,169</b>	<b>1,222</b>		
<b>TOTAL INSURANCE</b>				
<b>Net Earned Premium prior to Rebates</b>	<b>10,361</b>	<b>9,896</b>	-	-
Net Claims	5,291	4,743	-	-
Commissions	1,664	1,565	-	-
<b>Underwriting Result</b>	<b>3,406</b>	<b>3,588</b>	-	-
Credit Union Rebates	1,224	1,246	-	-
<b>Insurance Claims, Commission and Rebates</b>	<b>8,179</b>	<b>7,554</b>	-	-
<b>Total Underwriting Result after Commission and Rebates</b>	<b>2,182</b>	<b>2,342</b>	-	-

## Claims Estimates and Risk Margin

The policy liabilities have been determined by the Appointed Actuary, Peter Davies B.Bus Sc., FIA, FNZSA.

The Appointed Actuary is satisfied as to the accuracy of the data from which the policy liabilities have been determined. The actuary's report is based on data as at 31 May 2015. The Appointed Actuary's valuation was carried out in accordance with Professional Standards No. 3 and 4 of the New Zealand Society of Actuaries report and had no qualifications.

## Life and Other

Life and Other Non-life Insurance contracts consist of group schemes providing death, disability, redundancy, trauma and bankruptcy benefits on a unit rated basis, and a group scheme providing funeral benefits on the basis of individually rated premiums.

All covers are written on a basis of monthly premiums received at the end of the month. The policy liabilities comprise the following:

- A provision for claims incurred but not reported (IBNR), calculated separately for life insurance and other non-life insurance (disability, redundancy, trauma and bankruptcy cover products) respectively.

- A provision for the remaining payments expected to be made on disability, redundancy, and bankruptcy claims that have been notified and remain open

An additional risk margin is maintained in the claim provisions to ensure a greater than 50% likelihood of the sufficiency of the provisions. The Appointed Actuary has recommended a risk margin of 10% (2014 : 10%), which provides a likelihood of sufficiency of 75% (2014 : 75%) with respect to the Other Non-Life insurance.

The IBNR provisions for death, disability, redundancy, trauma and bankruptcy claims respectively have been calculated using a chain ladder method applied to past claim reporting patterns, and the average size of claims incurred in the past.

The provision for open disability claims has been based on past claim termination patterns, applied to the insured benefit of notified claims. Claims provisions have been discounted using an interest rate of 3.04% per annum (2014 : 3.56%).

All pending trauma and redundancy claims have been provided for at their face value.

## Motor Vehicle Insurance

The claims estimation process commences with the projection of the future payments relating to claims incurred at the reporting date. The expected future payments

## Notes to the Financial Statements

include those in relation to claims reported but not yet paid in full, claims incurred but not yet reported (IBNR) and claims closed that may be reopened.

The estimation of the outstanding claims liability is based on advice from independent professional assessors. These may be supplemented, over the life of the claim, by revisions made by experienced claims staff as the claim develops. The estimates are reduced by actual claims payments made. A percentage factor is added to allow for claims that are closed at balance date but will be reopened. This is calculated by analysing past claims to determine the historical incidence of claims being reopened. An overhead and risk margin is added to arrive at the final liability estimate.

The IBNR provision is based on a conventional chain ladder method applied to the cost of claims reported to date in respect of each month of loss.

An additional risk margin is maintained in the claim provisions to ensure a greater than 50% likelihood of the sufficiency of the provisions. The actuary has recommended a risk margin of 15% (2014 : 15%), which provides a likelihood of sufficiency of 75% (2014 : 75%). The Board has elected to use a risk margin of 15% (2014 : 15%) which gives a 75% (2014 : 75%) likelihood of sufficiency.

Insurance costs are subject to inflationary pressure over time. However the period between the valuation date and the settlement of most claims is relatively short so any increase in costs as a result of inflation is limited. Also, due to the short settlement periods the effect of discounting expected future payments is also limited and with these two elements being small and acting in opposite directions, both have been ignored.

Expected Recoveries Receivable is calculated by discounting the Recoveries ledger by a range of factors and then adding on an allowance to recognise that a portion of the Outstanding Claims Liability will also be recovered. The allowance is based on historical monies recovered against claims paid.

The Recoveries ledger is divided into three categories: debts where liability is acknowledged and covered by other insurance companies, debts where the debtor has acknowledged liability and entered into a payment arrangement, and remaining debts where the liability is either disputed or no payment arrangement is yet entered into. Recoveries Receivable from other insurers are not discounted. Receivables under payment arrangements are discounted by 20% and the balance of receivables are discounted by 50% to 100% depending on age.

	Group		Association	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
<b>OUTSTANDING CLAIMS LIABILITY</b>				
<b>LIFE INSURANCE</b>				
Opening Claims Liability	99	86	-	-
Claims Expense	865	814	-	-
Claims Paid	(847)	(801)	-	-
<b>Closing Claims Liability</b>	<b>117</b>	<b>99</b>	<b>-</b>	<b>-</b>
<b>OTHER NON-LIFE INSURANCE</b>				
Opening Claims Liability	1,598	1,666	-	-
Claims Expense	1,941	1,735	-	-
Claims Paid	(1,891)	(1,803)	-	-
<b>Closing Claims Liability</b>	<b>1,648</b>	<b>1,598</b>	<b>-</b>	<b>-</b>
<b>MOTOR VEHICLE INSURANCE</b>				
Opening Claims Liability	471	505	-	-
Claims Expense	2,713	2,368	-	-
Claims Paid	(2,507)	(2,402)	-	-
<b>Closing Gross Claims Liability</b>	<b>677</b>	<b>471</b>	<b>-</b>	<b>-</b>
<b>TOTAL GROSS OUTSTANDING CLAIMS LIABILITY</b>	<b>2,442</b>	<b>2,168</b>	<b>-</b>	<b>-</b>

	Group		Association	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
<b>MOTOR VEHICLE EXPECTED RECOVERIES RECEIVABLE</b>				
Opening Expected Recoveries	145	234	-	-
Increase In Expected Recoveries	228	184	-	-
Actual Third Party Recoveries Received	(253)	(273)	-	-
<b>Closing Expected Recoveries</b>	<b>120</b>	<b>145</b>	<b>-</b>	<b>-</b>
<b>Motor Vehicle Net Claims Liability</b>	<b>557</b>	<b>326</b>	<b>-</b>	<b>-</b>
<b>TOTAL NET OUTSTANDING CLAIMS LIABILITY</b>	<b>2,322</b>	<b>2,023</b>	<b>-</b>	<b>-</b>

Outstanding claims are reported in the Statement of Financial Position as Outstanding Claims Liability and Expected Recoveries.

	Group		Association	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
<b>Composition of Outstanding Claims Liability</b>				
<b>Life Insurance</b>				
Outstanding Claims	-	1	-	-
IBNR	117	98	-	-
<b>Closing Claims Liability</b>	<b>117</b>	<b>99</b>	<b>-</b>	<b>-</b>
<b>Other Non-life Insurance</b>				
Outstanding Claims	1,241	1,199	-	-
Management Allowance - 8.5%	117	114	-	-
Risk Margin - 10%	150	145	-	-
IBNR	140	140	-	-
<b>Closing Claims Liability</b>	<b>1,648</b>	<b>1,598</b>	<b>-</b>	<b>-</b>
<b>Motor Vehicle Insurance</b>				
Outstanding Claims	437	300	-	-
Risk Margin - 15% (2014 : 15%)	66	45	-	-
Indirect Claims Management - 17.8% (2014 : 17.8%)	89	61	-	-
IBNR	85	65	-	-
Closing Gross Claims Liability	677	471	-	-
Closing Expected Recoveries	(120)	(145)	-	-
<b>Closing Claims Liability</b>	<b>557</b>	<b>326</b>	<b>-</b>	<b>-</b>
<b>Total Outstanding Claims Liability</b>	<b>2,322</b>	<b>2,023</b>	<b>-</b>	<b>-</b>

## Insurance Contract Risk Management

A key risk from operating in the insurance industry is exposure to insurance risk arising from underwriting insurance contracts. The insurance contracts transfer risk to the insurer by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events. The risk is that the actual claims to be paid in relation to contracts will be different to that estimated at the time a product was designed and priced. The Group is exposed to this risk because the price for a contract must be set before the losses relating to the product are known. Hence the insurance business involves inherent uncertainty. This risk is mitigated in the insurance Life and Other Non-Life products of Co-op Insurance NZ as all policies are monthly renewable and there is no effective contractual price risk.

A fundamental part of the overall risk management strategy is the effective governance and management of the risks that impact the amount, timing and uncertainty of cash flows arising from insurance contracts.

## Insurance Solvency Requirements

### (a) Capital Management Policies and Objectives

From the issuance of the Insurance Licence by the Reserve Bank of New Zealand ("RBNZ") on 1 April 2013, the Group is required within its subsidiary, Co-op Insurance NZ, to maintain a Fixed Minimum Solvency Capital of \$5,000,000 as determined under the Solvency Standards for Life and Non-Life Insurance Business (the solvency standard) issued by the RBNZ. RBNZ defines Actual Solvency Capital as: Co-op Insurance NZ's Capital less Intangible Assets less dividends payable on Ordinary and Perpetual Preference Shares in the period leading up to the filing of the RBNZ Solvency Return.

Co-op Insurance NZ has defined in its Capital Risk Management Policy that it will maintain a Target Minimum Solvency Capital at the higher of:

- 105% of the Fixed Minimum Solvency Capital set by the RBNZ which is \$5,250,000 (2014 : \$5,250,000);
- 125% of the Calculated Minimum Solvency Capital which at 30 June 2015 was \$3,467,222 (2014 : \$4,858,114).

The Directors believe that this standard has been achieved.

The Group has embedded in its capital management framework the necessary tests to ensure continuous and full compliance with the solvency standard.

### (b) Capital Composition

Co-op Insurance NZ manages its capital by considering both regulatory and economic capital. The primary source of capital used by Co-op Insurance NZ is total equity attributable to the Group. Total equity attributable to the Group equates to "capital" as defined in the solvency standard.

The Solvency Margin is calculated as actual solvency capital less minimum solvency capital and is as follows:

30 June	Group	
	2015	2014
	\$	\$
Actual Solvency Capital	5,497,978	5,663,524
Fixed Minimum Solvency Capital	5,000,000	5,000,000
<b>Solvency Margin</b>	<b>497,978</b>	<b>663,524</b>

## Risk Management Objectives and Policies for Mitigating Insurance Risk

Risk management activities can be broadly separated into underwriting, claims management, reserving and investment management.

The objective of these risk management functions is to enhance the longer term financial performance of the overall insurance operations.

The key policies in place to mitigate risks arising from underwriting insurance contracts include the following:

**Acceptance of Risk** - the Group restricts its lines of business primarily to group unit rated consumer credit insurance (Life and Other Non-Life), funeral plan and motor vehicle insurance. The consumer credit business is sold exclusively to the Association's Member credit unions. Records of results and trends achieved for each seller of insurance for all lines of business are analysed carefully and sellers whose portfolios are returning unacceptable levels of risk either have their price adjusted accordingly or lose their right to sell policies for the Group.

**Pricing** - the primary lines of business are backed by historical underwriting results. This enables the Group's underwriters to calculate acceptable pricing and terms of cover.

**Reinsurance** - the Group's subsidiary, Co-op Insurance NZ (the Company) does not maintain reinsurance cover on the Life and Other Non-life Insurance business as its historical underwriting surpluses are such that in the Directors' view there are sufficient underwriting surpluses being generated to be able to meet the obligations that would otherwise have been met by a catastrophe reinsurer. Reinsurance cover is held that is structured to adequately protect Co-op Insurance NZ from risk on the Motor Vehicle insurance policies on solvency and capital position. It covers third party property damage and own damage catastrophe single event protection. Through reinsurance Co-op Insurance NZ has been able to cap its maximum liability in the event of an accident to \$100,000. This amount is well within the Company's reserves. The Company's reinsurer is Munich Re which has a credit rating of "AA-".

**Claims Management** - claims are handled in-house by the Group's own claims department. Staff are allocated settling limits and authorities commensurate with their levels of experience. These authority limits are reviewed regularly. Overall authority and claims management is provided by experienced managers. Claims files are regularly audited on a random basis by independent staff members.

**Investment Management** - all premium income is held in bank accounts and short term deposits with the Association and Registered Banks.

**Geographical Spread** - the Group regularly analyses and reviews its geographical spread of risk to ensure its insurance operations are not overexposed in any one region.

### Terms and Conditions of Insurance Contracts

The Group's insurance contracts written are entered into on a standard form and on a monthly or annual payment basis. There are no special terms and conditions in any non standard contracts that would have a material impact on the financial report.

### Credit Risk

Financial assets or liabilities arising from insurance contracts are presented on the Statement of Financial Position. These amounts best represent the maximum credit risk exposure at reporting date. The Group's credit risk exposure on Life and Other Non-life Insurance contracts relates exclusively to credit unions. The credit risk relating to Motor Vehicle insurance contracts relates primarily to premium receivable which is due from credit union intermediaries.

### Interest Rate Risk

The underwriting of the disability component of the Other Non-Life product creates an exposure to interest rate risk because the termination dates of the outstanding claims liability vary according to the term of the underlying loan or savings account. However this exposure has historically been low as approximately 90% of claims terminate within 12 months. The underwriting of Life and Motor Vehicle insurance contracts create no exposure to the risk that interest rate movements may impact the value of the outstanding claims liability. The outstanding claims liability is not discounted due to the very short term nature of the claims.

### Operational Risk

Operational risk is the risk of financial loss (including lost opportunities) resulting from external events and/or inadequate or failed internal processes, people and systems. Operational risk is identified and assessed on an ongoing basis and the capital management strategy includes consideration of operational risk. Management and staff are responsible for identifying, assessing and managing operational risks in accordance with their roles and responsibilities.

### Sensitivity Analysis

Sensitivity of risks relates primarily to the risk margin assessments which are set out above. These are reviewed annually and change in accordance with current best estimates using advice of the Appointed Actuary. The financial impact of these sensitivity changes are:

	Group		Association	
	2015		2014	
	\$000	\$000	\$000	\$000
SENSITIVITY CALCULATIONS	Balance	Sensitivity	Balance	Sensitivity
Outstanding Claims Liability	2,100		1,865	
Reopening allowance 10% higher		3		3
Reopening allowance 10% lower		(3)		(3)
Claim estimates 10% higher		210		186
Claim estimates 10% lower		(210)		(186)
Administration costs 10% higher		20		20
Administration costs 10% lower		(20)		(20)
IBNR	342		303	
Claim reporting 10% longer		120		106
Claim reporting 10% quicker		(109)		(97)
	<b>2,442</b>		<b>2,168</b>	

### Insurance Rating

The Company has a Financial Strength rating of 'BBB-' issued by Fitch Ratings on 31 July 2015 ('BB+' issued on 17 December 2013, and affirmed on 18 February 2015).

## 8 IMPAIRMENT

	Group		Association	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
<b>Movement in Provisions in respect of:</b>				
- Loans Receivable	-	-	-	-
- Investments	-	-	-	-
	-	-	-	-
Bad Debts Recovered	28	-	28	-
<b>IMPAIRMENT CREDIT</b>	<b>28</b>	<b>-</b>	<b>28</b>	<b>-</b>

Refer to notes 15 and 16 for further information.

## 9 TAXATION

	Group		Association	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
<b>Profit before Taxation</b>	<b>1,811</b>	<b>1,508</b>	<b>1,684</b>	<b>1,408</b>
Income Tax at current rate of 28%	507	422	472	394
Exempt Income	(472)	(331)	(472)	(394)
Non Deductible Expenses	(19)	(5)	-	-
Utilisation of Tax Losses (previously not recognised)	(16)	(86)	-	-
<b>TAXATION EXPENSE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Association through its registration under the Friendly Societies and Credit Union Act 1982 is a non-tax paying entity.

Taxation losses have been recognised to the extent of the deferred tax liability on temporary differences. The additional tax losses have not been recognised because there is not sufficient probability of taxable profits in future years to offset such losses. Tax losses are subject to Inland Revenue assessment in the next tax return and shareholder continuity requirements. Tax losses not recognised are \$4,226,217 (\$1,183,341 at the tax rate of 28%) (2014: \$4,064,000 (\$1,138,000 at the tax rate of 28%)).

Deferred tax assets/(liabilities) recognised are comprised as follows:

2015	Group		
	Opening Balance	Charged to Income	Closing Balance
	\$000	\$000	\$000
<b>Deferred Tax Assets:</b>			
Tax Losses Recognised	57	32	89
Provisions	9	(5)	4
	<b>66</b>	<b>27</b>	<b>93</b>
<b>Deferred Tax Liabilities:</b>			
Intangible Assets	-	(13)	(13)
Deferred Acquisition Costs	(66)	(14)	(80)
	<b>(66)</b>	<b>(27)</b>	<b>(93)</b>
	-	-	-
<b>2014</b>			
2014	Group		
	Opening Balance	Charged to Income	Closing Balance
	\$000	\$000	\$000
<b>Deferred Tax Assets:</b>			
Tax Losses Recognised	59	(2)	57
Property, Plant and Equipment	2	(2)	-
Provisions	3	6	9
Impairment Losses	-	-	-
	<b>64</b>	<b>2</b>	<b>66</b>
<b>Deferred Tax Liabilities:</b>			
Deferred Acquisition Costs	(64)	(2)	(66)
	<b>(64)</b>	<b>(2)</b>	<b>(66)</b>
	-	-	-

## 10 BASE CAPITAL NOTES

	Group and Association		Group and Association	
	2015	2014	2015	2014
	'000 Units	'000 Units	\$000	\$000
Issue I	13	17	130	170
Issue II	13,565	13,525	13,565	13,525
	<b>13,578</b>	<b>13,542</b>	<b>13,695</b>	<b>13,695</b>

The Rules of the Association provide for the creation of the Association Business Services Division Trust (the "Business Services Division"). Base Capital Notes are those unsecured subordinated Capital Notes forming the capital of the Business Services Division. All notes qualify for Dividends as determined by the Directors.

	Group and Association		Group and Association	
	2015	2014	2015	2014
	'000 Units	'000 Units	\$000	\$000
<b>Issue I</b>				
Balance at 1 July	17	18	170	180
Notes redeemed by transfer to Base Capital Notes II	(4)	(1)	(40)	(10)
<b>Balance at 30 June</b>	<b>13</b>	<b>17</b>	<b>130</b>	<b>170</b>

Base Capital Notes Issue I have a face value of \$10,000 and are the qualifying Base Capital Notes for membership of the Business Services Division. All Member Services Division members are entitled to apply for one only Base Capital Note Issue I.

	Group and Association		Group and Association	
	2015	2014	2015	2014
	'000 Units	'000 Units	\$000	\$000
<b>Issue II</b>				
Balance at 1 July	13,525	13,515	13,525	13,515
Notes Issued:				
By transfer from Base Capital Notes I	40	10	40	10
<b>Balance at 30 June</b>	<b>13,565</b>	<b>13,525</b>	<b>13,565</b>	<b>13,525</b>

Base Capital Notes Issue II have a face value of \$1.

Base Capital Notes Issues constitute unsecured subordinated obligations of the Business Services Division and rank pari passu and without priority or preference among themselves.

The obligations of the Business Services Division to the Base Capital Noteholders are contained in the Regulations of the Business Services Division.

## 11 ACCUMULATED LOSSES

	Group		Association	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
Balance at 1 July	(1,717)	(2,587)	(1,866)	(2,636)
Operating Profit	1,811	1,508	1,684	1,408
	94	(1,079)	(182)	(1,228)
Base Capital Note Dividends	(948)	(638)	(948)	(638)
Balance at 30 June	(854)	(1,717)	(1,130)	(1,866)
<b>TOTAL ACCUMULATED LOSSES</b>	<b>(854)</b>	<b>(1,717)</b>	<b>(1,130)</b>	<b>(1,866)</b>

The net profit for the years ended 30 June 2015 and 30 June 2014 have been transferred to Accumulated Losses.

	Group		Association	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
Member Services Division	1,057	1,238	1,057	1,238
Business Services Division	(1,911)	(2,955)	(2,187)	(3,104)
	<b>(854)</b>	<b>(1,717)</b>	<b>(1,130)</b>	<b>(1,866)</b>

Member Services Division Retained Earnings at 30 June 2015 includes the Retained Earnings of the New Zealand Credit Union Foundation of \$107,000 (30 June 2014 : \$104,000). Refer note 34.

## 12 CASH AND CASH EQUIVALENTS

	Group		Association	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
Cash at Bank	3,194	2,886	1,664	2,886
Bank Call Deposits	15,616	7,904	15,616	7,904
	<b>18,810</b>	<b>10,790</b>	<b>17,280</b>	<b>10,790</b>

## 13 DERIVATIVE FINANCIAL ASSETS

The Group uses the following financial derivative asset for economic or risk management purposes:

**Interest Rate Swaps:** Interest rate swaps are a commitment to exchange one set of cash flows for another, but no exchange of principal takes place. The Group provides a facility for credit unions to cover their risk of adverse movements in interest rates, but immediately, and with full coverage, matches that risk by taking up the equivalent risk in the financial market. At 30 June 2015 there were no interest rate swaps held (30 June 2014 : \$Nil).

## 14 ACCOUNTS RECEIVABLE

	Group		Association	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
Trade Receivables	1,455	1,600	1,532	1,521
Receivable from Subsidiaries	-	-	-	150
Future Funded Premiums	2,093	1,699	-	-
	<b>3,548</b>	<b>3,299</b>	<b>1,532</b>	<b>1,671</b>
Insurance Premiums Due	457	444	-	-
Provision for Cancellation	(1)	-	-	-
	<b>456</b>	<b>444</b>	<b>-</b>	<b>-</b>
<b>Total Carrying Amount</b>	<b>4,004</b>	<b>3,743</b>	<b>1,532</b>	<b>1,671</b>
<b>Provision for Cancellation</b>				
<b>Collective Provision Against Insurance Premiums Due</b>				
Balance at Beginning of the Year	-	-	-	-
Movement in Provision	1	-	-	-
<b>Balance at End of the Year</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Past Due Receivables Not Impaired</b>				
Trade Receivables	79	86	24	62
<b>Total Past Due Receivables Not Impaired</b>	<b>79</b>	<b>86</b>	<b>24</b>	<b>62</b>
<b>Aging of Past Due Receivables Not Impaired</b>				
Past Due 1-30 days	35	40	14	26
Past Due 31-90 days	16	17	-	14
Past Due over 90 days	28	29	10	22
<b>Balance at End of the Year</b>	<b>79</b>	<b>86</b>	<b>24</b>	<b>62</b>

In respect of the Association, Trade Receivables are mainly due from Member credit unions. There is no Provision for Bad Debts (2014 : \$Nil) and there has been no write off (2014 : \$Nil) in respect of bad and doubtful debts.

The average credit period is 30 days. Apart from the above, none of the past due receivables have been provided for because past experience indicates that such amounts are generally recoverable.

Future Funded Premiums are the outstanding premiums owed under policies of insurance paid monthly.

In respect of the Group, there is a provision for cancellation of \$1121 for outstanding insurance premiums relating to policies issued by Co-op Insurance NZ (2014 : \$Nil).

Refer also to note 30 for Related Party Disclosures.

## 15 INVESTMENTS

	Group		Association	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
Bank Deposits	73,864	81,744	67,882	75,387
Advances to Subsidiaries	-	-	22	113
Money Market Securities	16,419	15,931	16,419	15,931
Floating Rate Notes	-	5,028	-	5,028
	<b>90,283</b>	<b>102,703</b>	<b>84,323</b>	<b>96,459</b>
Investment Bonds	-	-	12,110	12,337
Investment in Joint Venture accounted for under the equity method	-	248	-	-
Provision for Impairment	-	-	(6,500)	(6,500)
	<b>-</b>	<b>248</b>	<b>5,610</b>	<b>5,837</b>
<b>Total Carrying Amount</b>	<b>90,283</b>	<b>102,951</b>	<b>89,933</b>	<b>102,296</b>

Testing for impairment on the investment bonds held in the CU Group Trust was undertaken on the value in use basis applied to the individual cash generating units in which the CU Group Trust invests. A provision for impairment of \$6,500,000 (2014 : \$6,500,000) is held.

The provision in respect of Co-op Insurance NZ of \$6,500,000 (2014 : \$6,500,000) was reviewed based on detailed cash flow forecasts for the five years to 30 June 2020. Key assumptions in this forecast were a low sales growth, loss ratios based on experience and a range of discount rates up to 15%. The valuation indicated that the asset was fairly valued and the Directors decided to write back \$Nil (2014 : \$Nil) of the previous impairment to fairly value the investments.

All investments are measured at amortised cost less impairment, with the exception of Government Stock which is measured at fair value through profit or loss. Investment in Government Stock was \$Nil (2014: \$Nil).

Refer also to note 29 for Unconsolidated Joint Venture and note 30 for Related Party Disclosures.

## 16 LOANS RECEIVABLE

	Group		Association	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
Gross Loans Receivable	206	399	206	399
Provision for Credit Impairment	(206)	(330)	(206)	(330)
<b>Total Carrying Amount</b>	<b>-</b>	<b>69</b>	<b>-</b>	<b>69</b>
<b>PROVISION FOR CREDIT IMPAIRMENT</b>				
Individually Impaired Loans				
Balance at Beginning of the Year	-	-	-	-
Amounts Released/Written Off	-	-	-	-
<b>Balance at End of the Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>COLLECTIVE PROVISION AGAINST LOANS</b>				
Balance at Beginning of the Year	330	330	330	330
Amounts Released/Written Off	(124)	-	(124)	-
<b>Balance at End of the Year</b>	<b>206</b>	<b>330</b>	<b>206</b>	<b>330</b>
<b>Total Provision for Credit Impairment</b>	<b>206</b>	<b>330</b>	<b>206</b>	<b>330</b>
<b>AGING OF INDIVIDUALLY IMPAIRED LOANS</b>				
Past Due 0-30 days	-	-	-	-
Past Due 31-90 days	-	-	-	-
Past Due over 90 days	-	-	-	-
<b>Balance at End of the Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>AGING OF PAST DUE BUT NOT INDIVIDUALLY IMPAIRED LOANS</b>				
Past Due 0-30 days	-	-	-	-
Past Due 31-90 days	-	-	-	-
Past Due over 90 days	-	69	-	69
<b>Balance at End of the Year</b>	<b>-</b>	<b>69</b>	<b>-</b>	<b>69</b>

During 2013, the Loan held by the Association at 30 June 2012 amounting to \$1,199,000 was, after collections during the year, restructured into a new agreement with the debtor. As a result of the restructuring, it was recognised that \$139,000 was unrecoverable and this was written off. \$600,000 of loans were taken back from the debtor in part settlement of the debt at estimated recoverable value and a new loan of \$355,000 advanced for the balance owing. Of the \$955,000 refinanced, \$654,000 was collected by 30 June 2015 (2014 : \$556,000). Loans of \$28,000 above the provision for impairment were recovered during 2015 (2014: Nil) and were reported in the Statements of Comprehensive Income.

At 30 June 2015, the Directors were satisfied that no adjustment in the provisions held were required.

There were no assets acquired through enforcement of security.

## 17 PREPAYMENTS

	Group		Association	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
<b>Deferred Commission</b>				
Deferred Commission Costs	235	228	-	-
Commission Costs Paid	1,690	1,582	-	-
Commission Costs Released	(1,641)	(1,575)	-	-
<b>Closing Deferred Commission Costs</b>	<b>284</b>	<b>235</b>	<b>-</b>	<b>-</b>
Other Prepayments	362	285	352	255
	<b>646</b>	<b>520</b>	<b>352</b>	<b>255</b>

Commission costs represent seller and agency commissions paid to third parties to acquire insurance policies. Commissions are paid upon receipt of premium and expensed over the life of the policy.

## 18 INVENTORY

	Group		Association	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
ATM Machines and Parts	61	92	61	92
Promotional and Other Items	22	34	22	34
	<b>83</b>	<b>126</b>	<b>83</b>	<b>126</b>

The cost of inventories recognised as an expense during the year was \$477,000 (2014 : \$425,000).

## 19 PROPERTY, PLANT AND EQUIPMENT

	Group		Association	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>Furniture and Fittings, Office Equipment and Vehicles</b>				
Opening Cost at 1 July	660	682	613	635
Additions	66	22	66	22
Disposals	(38)	(44)	(38)	(44)
<b>Closing Cost at 30 June</b>	<b>688</b>	<b>660</b>	<b>641</b>	<b>613</b>
Opening Accumulated Depreciation at 1 July	379	355	342	319
Depreciation Expense	61	60	60	59
Disposals	(28)	(36)	(28)	(36)
<b>Closing Accumulated Depreciation at 30 June</b>	<b>412</b>	<b>379</b>	<b>374</b>	<b>342</b>
<b>Net Book Value at 30 June</b>	<b>276</b>	<b>281</b>	<b>267</b>	<b>271</b>
<b>Computer Equipment</b>				
Opening Cost at 1 July	912	1,362	846	1,323
Additions	293	145	265	117
Disposals	(228)	(595)	(199)	(594)
<b>Closing Cost at 30 June</b>	<b>977</b>	<b>912</b>	<b>912</b>	<b>846</b>
Opening Accumulated Depreciation at 1 July	693	853	651	826
Depreciation Expense	147	135	134	120
Disposals	(162)	(295)	(134)	(295)
<b>Closing Accumulated Depreciation at 30 June</b>	<b>678</b>	<b>693</b>	<b>651</b>	<b>651</b>
<b>Net Book Value at 30 June</b>	<b>299</b>	<b>219</b>	<b>261</b>	<b>195</b>
<b>Carrying Amount at 30 June</b>	<b>575</b>	<b>500</b>	<b>528</b>	<b>466</b>

There were no material impairment losses in respect of property, plant and equipment.

**20 OTHER INTANGIBLE ASSETS**

	Group		Association	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>Computer Software</b>				
Opening Cost at 1 July	4,608	4,629	3,777	3,896
Additions	977	587	610	489
Disposals	(687)	(608)	(449)	(608)
<b>Closing Cost at 30 June</b>	<b>4,898</b>	<b>4,608</b>	<b>3,938</b>	<b>3,777</b>
Opening Accumulated Amortisation at 1 July	3,819	3,681	3,173	3,186
Amortisation Expense	475	444	342	293
Disposals	(687)	(306)	(449)	(306)
<b>Closing Accumulated Amortisation at 30 June</b>	<b>3,607</b>	<b>3,819</b>	<b>3,066</b>	<b>3,173</b>
<b>Net Book Value at 30 June</b>	<b>1,291</b>	<b>789</b>	<b>872</b>	<b>604</b>

There were no material impairment losses in respect of computer software.

**21 DEPOSITS RECEIVED**

	Group		Association	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Deposits from Credit Unions	92,238	98,565	92,238	98,565
Deposits from Subsidiaries	-	-	1,158	2,477
Deposits from Other Parties	2,174	1,115	2,174	1,115
	<b>94,412</b>	<b>99,680</b>	<b>95,570</b>	<b>102,157</b>

Deposits are accepted on an unsecured basis. Average interest rates, repricing terms and duration are as shown in note 27.

**22 ACCOUNTS PAYABLE**

	Group		Association	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Trade Payables	1,392	1,298	1,302	1,224
Credit Union Rebates	1,224	1,246	-	-
Accrued Expenses	977	933	870	801
Reinsurance Accruals	19	9	-	-
GST Payable	91	124	62	96
	<b>3,703</b>	<b>3,610</b>	<b>2,234</b>	<b>2,121</b>

## 23 UNEARNED PREMIUM LIABILITY

	Group		Association	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
Opening Balance	1,957	1,928	-	-
Gross Written Premium	10,453	9,606	-	-
Premium Cancelled	(664)	(689)	-	-
Earnings Released	(9,594)	(8,888)	-	-
<b>Closing Unearned Premium Liability</b>	<b>2,152</b>	<b>1,957</b>	<b>-</b>	<b>-</b>

The Appointed Actuary has assessed the unexpired risk reserve in respect of in-force policies, comprising the expected claim cost for the period up to the next renewal date, and the cost of managing those claims and providing other administration services required to manage the policies over that time. The actuary's view is that the unexpired risk reserve in respect of in-force policies is approximately 7.0% (2014: 8.0%) lower than the unearned premium provision. The conduct of the liability adequacy test identified a surplus at the level of 75% likelihood of sufficiency (2014: 75%). Accordingly there is no need to recognise any deficiency in the unearned premium provision.

## 24 PROVISIONS

	Group		Association	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
Employee Entitlements	409	387	358	317
	<b>409</b>	<b>387</b>	<b>358</b>	<b>317</b>

## 25 LEASES

	Group		Association	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
<b>Non Cancellable Operating Lease Payments</b>				
Lease liabilities are payable:				
Not later than 1 year	395	319	395	319
Later than 1 year and not later than 2 years	321	395	321	395
Later than 2 years and not later than 5 years	2,142	2,463	2,142	2,463
	<b>2,858</b>	<b>3,177</b>	<b>2,858</b>	<b>3,177</b>

### Non Cancellable Operating Lease Receivables

Leases receivable:				
Not later than 1 year	-	38	-	38
Later than 1 year and not later than 2 years	-	38	-	38
Later than 2 years and not later than 5 years	-	267	-	267
	<b>-</b>	<b>343</b>	<b>-</b>	<b>343</b>

Operating leases relate to the leasing of office space.

## 26 SEGMENTAL ANALYSIS

### Business Segment Analysis

For management purposes, the Group is organised into 4 (2014 : 4) business units:

#### Business Services Division

The Business Services Division provides a full range of financial and bureau services to its Member credit unions.

#### Member Services Division

The Member Services Division provides trade association services to its Member credit unions.

### Co-op Insurance NZ

Co-op Insurance NZ is a subsidiary company which provides insurance underwriting services to Credit Unions and other customers.

### Other Entities

Other Entities incorporate the subsidiary entities CU Group Trust and Co-op Services NZ. NZCU Finance Limited is a subsidiary company which has ceased operations and has been made dormant.

Group	Business Services Division	Members Services Division	Co-op Insurance NZ	Other Entities	Inter Entity Adjustments	Total
At 30 June 2015	\$000	\$000	\$000	\$000	\$000	\$000
Revenue from sales with other Segments, excluding interest	1,820	-	-	-	(1,820)	-
Revenue from external customers	14,857	962	9,709	160	(1,820)	23,868
Total Interest Income	4,312	48	338	125	(184)	4,639
<b>Total Revenue before Interest Expense</b>	<b>20,989</b>	<b>1,010</b>	<b>10,047</b>	<b>285</b>	<b>(3,824)</b>	<b>28,507</b>
Total Interest Expense	3,560	1	125	132	(309)	3,509
Net Profit/(Loss) before Tax	1,865	(181)	193	59	(125)	1,811
Total Assets	110,563	164	12,153	12,035	(18,956)	115,959
Total Liabilities	98,088	74	6,236	12,138	(13,418)	103,118
<b>Other Segment Items:</b>						
Acquisition of Property, Plant and Equipment	331	-	1	27	-	359
Acquisition of Intangible Assets	610	-	367	-	-	977
Depreciation Expense - Property, Plant and Equipment	193	1	5	9	-	208
Amortisation Expense - Software	342	-	133	-	-	475
Bad Debts Recovered	(28)	-	-	-	-	(28)
<b>At 30 June 2014</b>						
Revenue from sales with other Segments, excluding interest	1,466	-	4	-	(1,470)	-
Revenue from external customers	14,468	989	10,256	62	(1,470)	24,305
Total Interest Income	4,534	48	265	125	(546)	4,426
<b>Total Revenue before Interest Expense</b>	<b>20,468</b>	<b>1,037</b>	<b>10,525</b>	<b>187</b>	<b>(3,486)</b>	<b>28,731</b>
Total Interest Expense	3,736	1	125	131	(322)	3,671
Net Profit/(Loss) before Tax	1,530	(122)	466	(16)	(350)	1,508
Total Assets	116,225	199	11,631	12,188	(20,608)	119,635
Total Liabilities	104,535	60	5,783	12,350	(15,071)	107,657
<b>Other Segment Items:</b>						
Acquisition of Property, Plant and Equipment	139	-	2	26	-	167
Acquisition of Intangible Assets	489	-	98	-	-	587
Depreciation Expense - Property, Plant and Equipment	178	1	10	6	-	195
Amortisation Expense - Software	293	-	151	-	-	444
Bad Debts Recovered	-	-	-	-	-	-

### Geographical Segment Analysis

The Group operates solely in New Zealand and therefore no geographical segment information is provided.

## 27 FINANCIAL INSTRUMENTS

### Financial Risk Management Objectives

Co-op Money NZ's Finance and Central Banking departments provide services to the Group entities, including co-ordinating access to funding, providing banking facilities, and managing external banking relationships. Services also include advice, assistance and reports to the Boards of the Group companies and to the Co-op Money NZ Board in relation to financial risks relating to the operations of the Group. These risks include market risk (including interest rate risk and price risk), credit risk and liquidity risk. These services are augmented by specialist advice to the appropriate Boards from within the entity or its external advisors, for example in relation to underwriting risk. Co-op Money NZ reviews the activity of its Central Banking department by an Asset and Liability Management Committee which meets bi-monthly. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments for speculative purposes.

### Capital Risk Management

The Group manages its capital resources to ensure that entities in the Group will be able to withstand the assessed business and financial risks appropriate to their operation. In the case of group subsidiaries with an external market focus, the level of capital investment is determined by reference to market norms and the requirements of external agencies such as rating agencies or regulators. In the case of Co-op Money NZ the required level of capital investment is determined by means of a departmental analysis applying a range of methodologies appropriate to the risk profile of the key operations. These include but are not limited to the minimum capital adequacy measures for New Zealand non-bank deposit takers. In the case of Co-op Insurance NZ, the required level of capital investment is determined by adding a margin to the minimum solvency capital amount as measured by the Reserve Bank of New Zealand's life and non-life solvency standards. The Group meets its objectives for managing capital by formally reviewing its available capital in relation to its risks at least once per annum or more frequently if required.

### Foreign Exchange Risk Management

During the year the Group may commit to foreign exchange contracts to reduce risk involved in the purchasing of goods or services in foreign currencies. At 30 June 2015, the Group had foreign exchange contracts to cover purchase orders and invoices due of \$575,000 (2014 : \$Nil). The fair value at 30 June 2015 was immaterial.

### Interest Rate Risk Management

Interest rate risk is the risk of loss to Co-op Money NZ arising from adverse changes in interest rates. This exposure in respect of on-Balance Sheet Assets and Liabilities depends on the degree of mismatch between the value of interest sensitive assets and liabilities that are repricing; where repricing refers to the event when the interest rate attached to an asset or liability is reset. Co-op Money NZ controls its exposure to interest rate risk by actively managing this mismatch within Board approved policy.

### Interest Rate Sensitivity Analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non derivative instruments at balance date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance date was outstanding for the whole year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit after tax and equity for the year ended 30 June 2015 would increase/decrease by \$102,109 (2014 : increase/decrease by \$122,370).

If interest rates had been 100 basis points higher/lower and all other variables were held constant, Co-op Money NZ's profit after tax and equity for the year ended 30 June 2015 would increase/decrease by \$75,526 (2014 : increase/decrease by \$97,130)

### Interest Rate Repricing

The following tables detail the Group's and Association's interest rate repricing profile:

# Notes to the Financial Statements

Group	Average Interest Rate	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Non Interest Sensitive	Group Total
At 30 June 2015		\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Assets</b>								
Cash and Cash Equivalents	3.41%	18,810	-	-	-	-	-	18,810
Accounts Receivable	-	-	-	-	-	-	4,004	4,004
Investments	4.01%	76,486	13,797	-	-	-	-	90,283
Loans Receivable	-	-	-	-	-	-	-	-
Non-current Deposit	-	-	-	-	-	-	147	147
		95,296	13,797	-	-	-	4,151	113,244
<b>Liabilities</b>								
Deposits Received	3.50%	85,885	8,527	-	-	-	-	94,412
Accounts Payable	-	-	-	-	-	-	3,703	3,703
		85,885	8,527	-	-	-	3,703	98,115
<b>On Balance Sheet Interest Sensitivity Gap - 30 June 2015</b>		<b>9,411</b>	<b>5,270</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>448</b>	<b>15,129</b>
<b>Association</b>								
<b>Assets</b>								
Cash and Cash Equivalents	3.36%	17,280	-	-	-	-	-	17,280
Accounts Receivable	-	-	-	-	-	-	1,532	1,532
Investments	3.76%	71,786	13,787	-	-	-	4,360	89,933
Loans Receivable	-	-	-	-	-	-	-	-
Non-current Deposit	-	-	-	-	-	-	147	147
		89,066	13,787	-	-	-	6,039	108,892
<b>LIABILITIES</b>								
Deposits Received	3.48%	87,043	8,527	-	-	-	-	95,570
Accounts Payable	-	-	-	-	-	-	2,234	2,234
		87,043	8,527	-	-	-	2,234	97,804
<b>On Balance Sheet Interest Sensitivity Gap - 30 June 2015</b>		<b>2,023</b>	<b>5,260</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,805</b>	<b>11,088</b>

Group	Average Interest Rate	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Non Interest Sensitive	Group Total
At 30 June 2014		\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Assets</b>								
Cash and Cash Equivalents	3.50%	10,790	-	-	-	-	-	10,790
Accounts Receivable	-	-	-	-	-	-	3,743	3,743
Investments	4.18%	96,096	6,607	-	-	-	248	102,951
Loans Receivable	0.00%	-	-	-	-	-	69	69
Non-current Deposit	-	-	-	-	-	-	147	147
		106,886	6,607	-	-	-	4,207	117,700
<b>Liabilities</b>								
Deposits Received	3.69%	92,772	6,908	-	-	-	-	99,680
Accounts Payable	-	-	-	-	-	-	3,610	3,610
		92,772	6,908	-	-	-	3,610	103,290
<b>On Balance Sheet Interest Sensitivity Gap - 30 June 2014</b>		<b>14,114</b>	<b>(301)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>597</b>	<b>14,410</b>
<b>Association</b>								
<b>Assets</b>								
Cash and Cash Equivalents	3.50%	10,790	-	-	-	-	-	10,790
Accounts Receivable	-	-	-	-	-	-	1,524	1,524
Investments	3.94%	91,329	6,607	-	-	-	4,360	102,296
Loans Receivable	0.00%	-	-	-	-	-	69	69
Non-current Deposit	-	-	-	-	-	-	147	147
		102,119	6,607	-	-	-	6,100	114,826
<b>LIABILITIES</b>								
Deposits Received	3.67%	95,249	6,908	-	-	-	-	102,157
Accounts Payable	-	-	-	-	-	-	2,121	2,121
		95,249	6,908	-	-	-	2,121	104,278
<b>On Balance Sheet Interest Sensitivity Gap - 30 June 2014</b>		<b>6,870</b>	<b>(301)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,979</b>	<b>10,548</b>

Co-op Money NZ offers an interest rate swap facility to Credit Unions. It is Co-op Money NZ's policy to economically hedge this risk as it arises by entering into back to back matching transactions with Bank counterparties. There were no transactions outstanding (2014 : Nil)

## Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Risk is minimised by the maintenance of a well diversified investment portfolio with controls over maturity, counterparty and concentration of investments. All investments in the CU Group Trust are authorised by the Co-op Money NZ Board. Investments undertaken directly by Central Banking, with the exception of those with non rated counterparties and rated for a smaller sublimit of \$5 million for A3 rated New Zealand Banks, must be with counterparties holding a minimum credit rating of A2 (short term) or BBB (long term) from Standard & Poors' or an equivalent rating agency unless otherwise specifically approved by the Board of the Association. A maximum of 15% of the Central Banking controlled investment portfolio may be invested at any time with non rated counterparties.

Accounts receivable are concentrated amongst Credit Unions.

The carrying amounts of financial assets recorded in the financial statements, which are net of impairment losses, represent the Group's maximum exposure to credit risk.

## Liquidity Risk Management

Liquidity Risk is the risk that the Group will have difficulty in meeting commitments associated with its financial liabilities and future commitments. The Group manages its exposure

to liquidity risk by maintaining sufficient liquid funds to meet its commitments based on historical and forecast cash flow needs. Subsidiary companies, with the exception of Co-op Insurance NZ, are required to maintain their bank accounts and place all surplus liquidity with Co-op Money NZ's Central Banking department. Co-op Insurance NZ places its surplus liquidity with a range of counterparties including the Association in accordance with its own policy. The Central Banking department is responsible for all external banking and funding relationships. Through this level of centralised control, the Group monitors its overall liquidity position on a daily basis and forecasts cash flows from operating activities taking account of the cash flow characteristics and expected volatility in the balances of the various classes of recognised assets and liabilities, budgeted and forecast cash flows and seasonal cash cycles. The activity and risk exposure limits of the Central Banking department is detailed in a policy manual which is reviewed annually by the Co-op Money NZ Board. Amongst other matters, the policy manual addresses areas with a specific bearing on liquidity such as Investment Constraints and Lending Constraints. The policy manual requires that at least 30% (2014 : 30%) of investments must be capable of being liquidated within five days.

The following tables detail the Group's and Association's remaining contractual maturity for their financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Group	Note	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Group Total
2015		\$000	\$000	\$000	\$000	\$000	\$000
<b>Assets</b>							
Cash and Cash Equivalents		18,810	-	-	-	-	18,810
Accounts Receivable		4,004	-	-	-	-	4,004
Investments		76,486	13,797	-	-	-	90,283
Loans Receivable		-	-	-	-	-	-
Non-current Deposit		-	74	-	-	73	147
Future Interest Receivable		433	263	-	-	-	696
Total Financial Assets		99,733	14,134	-	-	73	113,940
<b>Liabilities</b>							
Deposits Received		85,885	8,527	-	-	-	94,412
Accounts Payable		3,703	-	-	-	-	3,703
Future Interest Payable		303	139	-	-	-	442
Unearned Premium Liability		587	1,565	-	-	-	2,152
Outstanding Claims Liability		2,442	-	-	-	-	2,442
Total Financial Liabilities		92,920	10,231	-	-	-	103,151
<b>Net Financial Assets</b>		6,813	3,903	-	-	73	10,789
Unrecognised Commitments	31	(6,235)	-	-	-	-	(6,235)
<b>Net Liquidity Gap at 30 June 2015</b>		<b>578</b>	<b>3,903</b>	<b>-</b>	<b>-</b>	<b>73</b>	<b>4,554</b>
<b>2014</b>							
<b>Assets</b>							
Cash and Cash Equivalents		10,790	-	-	-	-	10,790
Accounts Receivable		3,743	-	-	-	-	3,743
Investments		91,316	11,635	-	-	-	102,951
Loans Receivable		-	69	-	-	-	69
Non-current Deposit		-	-	147	-	-	147
Future Interest Receivable		547	311	-	-	-	858
Total Financial Assets		106,396	12,015	147	-	-	118,558
<b>Liabilities</b>							
Deposits Received		92,772	6,908	-	-	-	99,680
Accounts Payable		3,610	-	-	-	-	3,610
Future Interest Payable		355	89	-	-	-	444
Unearned Premium Liability		534	1,423	-	-	-	1,957
Outstanding Claims Liability		2,167	-	-	-	-	2,167
Total Financial Liabilities		99,438	8,420	-	-	-	107,858
<b>Net Financial Assets</b>		6,958	3,595	147	-	-	10,700
Unrecognised Commitments	31	(6,324)	-	-	-	-	(6,324)
<b>Net Liquidity Gap at 30 June 2014</b>		<b>634</b>	<b>3,595</b>	<b>147</b>	<b>-</b>	<b>-</b>	<b>4,376</b>

# Notes to the Financial Statements

Association	Note	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Group Total
2015		\$000	\$000	\$000	\$000	\$000	\$000
<b>Assets</b>							
Cash and Cash Equivalents		17,280	-	-	-	-	17,280
Accounts Receivable		1,532	-	-	-	-	1,532
Investments		76,136	13,797	-	-	-	89,933
Loans Receivable		-	-	-	-	-	-
Non-current Deposit		-	74	-	-	73	147
Future Interest Receivable		392	263	-	-	-	655
Total Financial Assets		95,340	14,134	-	-	73	109,547
<b>Liabilities</b>							
Deposits Received		87,043	8,527	-	-	-	95,570
Accounts Payable		2,234	-	-	-	-	2,234
Future Interest Payable		303	139	-	-	-	442
Total Financial Liabilities		89,580	8,666	-	-	-	98,246
<b>Net Financial Assets</b>		5,760	5,468	-	-	73	11,301
Unrecognised Commitments	31	(6,051)	-	-	-	-	(6,051)
<b>Net Liquidity Gap at 30 June 2015</b>		<b>(291)</b>	<b>5,468</b>	<b>-</b>	<b>-</b>	<b>73</b>	<b>5,250</b>
<b>2014</b>							
<b>Assets</b>							
Cash and Cash Equivalents		10,790	-	-	-	-	10,790
Accounts Receivable		1,671	-	-	-	-	1,671
Investments		90,662	11,634	-	-	-	102,296
Loans Receivable		-	69	-	-	-	69
Non-current Deposit		-	-	147	-	-	147
Future Interest Receivable		499	311	-	-	-	810
Total Financial Assets		103,622	12,014	147	-	-	115,783
<b>Liabilities</b>							
Deposits Received		95,249	6,908	-	-	-	102,157
Accounts Payable		2,121	-	-	-	-	2,121
Future Interest Payable		355	89	-	-	-	444
Total Financial Liabilities		97,725	6,997	-	-	-	104,722
<b>Net Financial Assets</b>		5,897	5,017	147	-	-	11,061
Unrecognised Commitments	31	(6,216)	-	-	-	-	(6,216)
<b>Net Liquidity Gap at 30 June 2014</b>		<b>(319)</b>	<b>5,017</b>	<b>147</b>	<b>-</b>	<b>-</b>	<b>4,845</b>

The Group and Association has access to financing facilities of \$7,600,000 (2014 : \$7,600,000). The facilities are secured by charges over interest bearing Investments. Utilisation of credit facilities for unsettled transactions at 30 June 2015 was \$144,000 (2014 : \$77,000). The Group expects to meet its obligations from operating cash flows and proceeds of maturing financial assets.

## Fair Value Measurements recognised in the Statement of Financial Position

In accordance with NZ IFRS 13, the Group provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

**Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Cash and Cash Equivalents are balances held with financial institutions at current interest rates on overnight or short term investments and approximate fair value.

Investments with Banks consist of term deposits invested at market rates applicable at the time of investment. The investments bear interest between 2.75% and 4.65%. (2014: 3.20% to 4.45%)

Investment Bonds represent Investment in Subsidiaries is the amortised cost (less Provision for Impairment) of those investments as detailed in note 15.

Deposits Received are the short term liabilities of funds placed with the Association by Member credit unions and Co-op Insurance NZ on which the Association pays interest and approximate their fair values.

Financial Instruments by Category	Group		Association	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Financial Assets at Fair Value through the profit or loss				
Investments	-	-	-	-
Derivative Financial Assets	-	-	-	-
Total Assets at Fair Value through the profit or loss	-	-	-	-
Loans and Receivables				
Cash and Cash equivalents	18,810	10,790	17,280	10,790
Accounts Receivable	1,912	1,897	1,532	1,671
Loans Receivable	-	69	-	69
Investments	90,283	102,951	89,933	102,296
Total Loans and Receivables	111,005	115,707	108,745	114,826
<b>Total Financial Assets</b>	<b>111,005</b>	<b>115,707</b>	<b>108,745</b>	<b>114,826</b>
Other Financial Liabilities at Amortised Cost				
Deposits Received	94,412	99,680	95,570	102,157
Accounts Payable	3,203	3,099	1,814	1,708
Total Other Financial Liabilities at Amortised Cost	97,615	102,779	97,384	103,865
Financial Liabilities at Fair Value through the profit or loss				
Derivative Financial Liabilities	-	-	-	-
Total Liabilities at Fair Value through the profit or loss	-	-	-	-
<b>Total Financial Liabilities</b>	<b>97,615</b>	<b>102,779</b>	<b>97,384</b>	<b>103,865</b>

## 28 INVESTMENTS IN SUBSIDIARIES

Subsidiaries controlled at 30 June

Name	Group and Association Percentage Holding at Balance Date		Principal Activities	Balance Date
	2015	2014		
Parent Entity				
Business Services Division Trust of Co-op Money NZ				
CU Securities Limited as Trustee of the CU Group Trust	100%	100%	Corporate Trustee	30 June
Subsidiaries of CU Securities Limited				
FACTS Limited (now trading as Co-op Services NZ)	100%	100%	Provision of services to non Members	30 June
Credit Union Insurance Limited (now trading as Co-op Insurance NZ)	100%	100%	Insurance Underwriter	30 June
NZCU Finance Limited	100%	100%	Non Trading	30 June
Credit Union Services Limited	100%	100%	Non Trading	30 June
CUI Limited	100%	100%	Non Trading	30 June
Kiwi Credit Limited	100%	100%	Non Trading	30 June
Credit Union New Zealand Limited	100%	100%	Non Trading	30 June

All subsidiaries of the Parent and Group are incorporated in New Zealand and their place of business is Level 3 25 Teed Street, Newmarket, Auckland. There are no significant restrictions on any of the subsidiaries.

## 29 UNCONSOLIDATED JOINT VENTURE

Name	Group and Association Percentage Holding at Balance Date		Principal Activities	Balance Date
	2015	2014		
Joint Venture				
NZ Bureau Limited	0%	50%	Computer Bureau	31 March

NZ Bureau was dissolved by the shareholders with effect from 30 November 2014 and was struck off from the Registrar of Company on 28 July 2015. It was incorporated in New Zealand and operated from Level 3 25 Teed Street, Newmarket, Auckland.

The Group had 50% non-controlling interest in a joint venture, NZ Bureau Limited. The company operated as a computer bureau supplying the hardware and infrastructure that the Group was reliant on for all its operations. The operational risk was minimised by through the use of the server warehouse providers and full disaster recovery facilities.

The joint venture was adequately capitalised and was self funding from the services provided to the joint venture partners. The Group had no obligations or commitments to assume any financial risks independent of the joint venture partner.

The shareholders of NZ Bureau Limited agreed to the dissolution of the Joint Venture and it ceased trading on 30 November 2014. The Group received \$329,528 in cash on dissolution of the joint venture, which included a dividend on dissolution of \$62,242.

## 30 RELATED PARTY DISCLOSURES

### Parent Entity

The parent entity in the consolidated entity is the New Zealand Association of Credit Unions (Co-op Money NZ).

### Equity Interests in Related Parties

Details of the equity interests held in subsidiaries and the joint venture are disclosed in notes 27 and 28. Co-op Money NZ does not hold any other equity interests.

### Transactions with Related Parties

Co-op Money NZ provides funding to subsidiaries and the joint venture by way of purchasing investment bonds in CU Group Trust which in turn purchases the securities issued by them. The bonds are unsecured but if the issuer is unable to repay the full amount owing at repayment date then Co-op Money NZ is granted a charge over all present and after acquired assets of the issuer. At 30 June 2015 Co-op Money NZ held investment bonds which are valued at \$5,610,000 (2014: \$5,837,000).

At 30 June 2015 interest of \$Nil (2014 : \$Nil) was payable to Co-op Money NZ in respect of these bonds.

Co-op Money NZ provides unsecured overdraft facilities to subsidiaries and the joint venture. At 30 June 2015 overdraft facilities available to subsidiaries of \$120,000 (2014: subsidiaries \$120,000 and joint venture \$60,000). The total drawn down under these facilities at 30 June 2015 was \$22,000 to subsidiaries (2014: subsidiaries \$113,000 and joint venture \$Nil). Interest was charged monthly on the outstanding balances during the year at rates of between 5.65% and 8.75% (2014 : between 5.65% and 8.75%).

Co-op Money NZ maintains bank accounts and short term deposit facilities for subsidiaries. All deposits are unsecured. At 30 June 2015 funds placed with Co-op Money NZ by subsidiaries \$1,158,000 (2014: \$2,477,000). Interest is credited monthly on the outstanding balances at commercial interest rates.

### During the year:

Co-op Money NZ charged interest and facility fees on the investment bonds and overdraft facilities of \$132,000 (2014: \$132,000) to the subsidiaries.

Co-op Money NZ paid interest of \$55,000 to the subsidiaries (2014 : \$71,000).

Co-op Money NZ charged fees to the subsidiaries of \$1,695,000 and the joint venture of \$38,000 (2014: subsidiaries \$1,470,000 and joint venture \$92,000).

Co-op Money NZ was charged fees by the subsidiaries of \$5,000 and the joint venture of \$413,000 (2014: subsidiaries \$4,000 and joint venture \$935,000).

Fixed Assets valued were purchased by Co-op Money NZ from the subsidiaries at \$Nil (2014 : \$Nil) and the joint venture at \$155,000 (2014: \$264,000).

Fixed Assets valued were sold to subsidiaries of \$29,000 (2014: \$Nil) and joint venture at \$Nil (2014: \$13,000).

Co-op Money NZ received \$215,767 in settlement of its investment bonds from CU Securities Limited. The settlement was in respect of the dissolution of NZ Bureau Limited. CU Securities Limited received \$ 329,528 from the dissolution of NZ Bureau Limited, which included a dividend on dissolution of \$62,242 and share of profits accrued using the equity method of \$19,260.

### At the year end:

Co-op Money NZ was owed \$4,000 (2014: \$Nil) by the subsidiaries and by the joint venture \$Nil (2014: \$93,000).

Co-op Money NZ owed \$170,000 (2014: \$150,000) to the subsidiaries and to the joint venture \$Nil (2014 : \$17,000).

The Directors and staff of the Group may insure with Co-op Insurance NZ.

## Key Management Personnel Compensation

The compensation of the Directors and executives, being the key management personnel of the entity, is set out below:

Financial Instruments by Category	Group		Association	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Short Term Employee Benefits	1,292	1,276	1,292	1,276

There were no other payments made to Key Management Personnel.

### 31 COMMITMENTS

	Group		Association	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Undrawn advances under credit facilities	5,106	6,166	5,204	6,173
Capital expenditure	1,129	158	847	43
	<b>6,235</b>	<b>6,324</b>	<b>6,051</b>	<b>6,216</b>

### 32 CONTINGENT LIABILITIES

There are no material contingent liabilities for year ended 30 June 2015 (2014 : Nil).

### 33 NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Net Profit After Tax to Net Operating Cash Flows				
	Group		Association	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>Profit after Tax</b>	<b>1,811</b>	<b>1,508</b>	<b>1,684</b>	<b>1,408</b>
Adjustments to reconcile operating profit to net cash flow from operating activities				
Add/(less) non cash items:				
Depreciation	208	195	194	179
Amortisation	475	444	342	293
Loss/(Gain) on Disposal of Property, Plant & Equipment	66	(10)	66	(7)
	<b>749</b>	<b>629</b>	<b>602</b>	<b>465</b>
Add/(less) movement in Working Capital:				
Decrease/(Increase) in Inventory	43	(24)	43	(24)
(Increase)/Decrease in Accounts Receivable	(261)	(242)	139	(16)
Decrease in Loans Receivable	69	408	69	408
Increase in Prepayments	(126)	(22)	(97)	(8)
Increase/(Decrease) in Accounts Payable	93	42	113	(1,012)
(Decrease)/Increase in Unearned Premium Liability	195	29	-	-
(Decrease)/Increase in Provisions	22	30	41	8
Increase in Outstanding Claims Liability	274	-	-	-
	<b>309</b>	<b>221</b>	<b>308</b>	<b>(644)</b>
<b>Add/(less) items classified as Investing Activities</b>				
Non Cash movement in Investments	200	35	215	52
<b>Add items included within Financing Activities:</b>				
Non Cash movement in Deposits Received	(97)	125	(97)	125
<b>Net Cash Flow from Operating Activities</b>	<b>2,972</b>	<b>2,518</b>	<b>2,712</b>	<b>1,406</b>

### Treatment of Deposits Received

Cash receipts and payments from Deposits Received have been netted in the Statement of Cash Flows as the cash flows reflect the activities of the Group's and Co-op Money NZ's customer, rather than those of the Group and Co-op Money NZ.

### 34 NEW ZEALAND CREDIT UNION FOUNDATION

Included in the financial statements are the following assets of the New Zealand Credit Union Foundation. The Foundation is a self-administered fund within the Member Services Division of the Association, established pursuant to the Rules of the Association with the objective of promoting and assisting in the development of Credit Unions both in New Zealand and overseas. It is administered by a Board of up to five Foundation Managers appointed by the Board of Co-op Money NZ.

	Group		Association	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
<b>Current Assets</b>				
Cash	107	104	107	104
<b>NET ASSETS</b>	<b>107</b>	<b>104</b>	<b>107</b>	<b>104</b>

Included in the financial statements are the following income and expenses relating to the New Zealand Credit Union Foundation:

Donations, Interest and Grants received	7	43	7	43
Grants paid	(5)	(43)	(5)	(43)
<b>OPERATING SURPLUS/(LOSS)</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>-</b>

### 35 MEMBER SERVICES DIVISION OPERATING LOSS

	2015 \$000	2014 \$000
New Zealand Credit Union Foundation	(2)	-
MSD Operations	(179)	(123)
<b>TOTAL</b>	<b>(181)</b>	<b>(123)</b>

### 36 EVENTS AFTER THE BALANCE SHEET DATE

The Directors on 21 August 2015 declared a final dividend on Base Capital Notes of \$449,870 payable on 30 September 2015.

# Board of Directors



**Claire Matthews – Chair**  
(from August 2015)  
Deputy Chair (from September 2014)  
Elected to the Board in September 2013  
Director, Co-op Insurance NZ

*Other responsibilities:*  
Member, Audit & Risk Committee  
Trustee, Co-op Money NZ



**Bruce Bleakley – Director**  
Elected to the Board in September 2014  
Director, Co-op Insurance NZ

*Other responsibilities:*  
Trustee, Co-op Money NZ



**Peter Taylor – Deputy Chair**  
(from August 2015)  
Elected to the Board in September 2014  
Director, Co-op Insurance NZ



**Graham Clouston – Director**  
Elected to the Board in September 2009  
Director, Co-op Insurance NZ

*Other responsibilities:*  
Trustee, Co-op Money NZ  
Member, Audit & Risk Committee



**Simon Scott – Director**  
Chair (September 2011 – August 2015)  
Elected to the Board in September 2009  
Director, Co-op Insurance NZ

*Other responsibilities:*  
Director, CU Securities Limited



**Rob Nicholls – Independent Director**  
Director, Credit Union Insurance Limited

*Other responsibilities:*  
Chair, Audit & Risk Committee  
Director, CU Securities Limited

## Directors Fees – For Year Ending 2015

	Role	As at 30 June 2015	Director Fees
S Scott	Director Chair	Current	\$54,921
C Matthews	Director Deputy Chair	Current	\$32,670
M Blair	Director Deputy Chair	Until September 2014	\$8,438
R Nicholls	Director Audit & Risk Chair	Current	\$34,358
B Bleakley	Director A & R Comm	Current	\$20,736
P Taylor	Director	Current	\$20,736
G Clouston	Director A & R Comm	Current	\$27,486
C Andersen	Director	Until February 2015	\$15,966
R Anderson	Director	Until September 2014	\$6,750
<b>TOTAL</b>			<b>\$222,060</b>

## Co-op Money NZ & Co-op Insurance NZ Board Meetings and Audit & Risk Committee Meetings

	S Scott	C Matthews	C Andersen	R Anderson	M Blair	B Bleakley	G Clouston	R Nicholls	P Taylor	H Lynch
Co-op Money NZ Board Meetings	11/11	11/11	6/6	2/3	3/3	8/8	11/11	11/11	8/8	N/A
Co-op Insurance NZ Board Meetings	11/11	11/11	6/6	2/3	3/3	8/8	11/11	11/11	8/8	10/11
Audit & Risk Committee Meetings	-	6/6	-	-	-	-	6/6	6/6	-	N/A



The three stylised people signify that through our Members, their members, and the community working together co-operatively, we all grow.

[www.coopmoneynz.org.nz](http://www.coopmoneynz.org.nz)  
[www.coopinsurancenz.co.nz](http://www.coopinsurancenz.co.nz)

in  