



Interim Financial Report
For the Half-year ended 31 December 2016

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DIRECTORS' REPORT

Your Directors submit this financial report of the Credit Union for the half-year ended 31 December 2016.

DIRECTORS

The names of Directors who held office during or since the end of the half-year:

Jeffrey Brian Pattinson	Chairman of Board Chairman Remuneration and Succession Planning Committee Chairman Director Nominations Committee
Allan Greenlees Gordon	Deputy Chairman of Board Chairman Risk Committee
Paul Donald Longworth	
Neville Lyle Parsons	Chief Executive Officer Chairman Asset and Liability Committee Chairman Credit Committee
Ross William Gilshenan	
Susan Elizabeth McGinn OAM	Chairman Audit Committee
Kristal Elizabeth Kinsela	
David Lance Johnson	Appointed 26 th October 2016
Phillip Wayne Bryant	Resigned 26 th October 2016

REVIEW OF OPERATIONS

The Credit Union achieved an annualised growth in total assets of 9.23% with amounts due from financial institutions increasing by 26.94%, loans to members increasing by 4.93%. Deposits from members have increased by 11.08%.

Total Equity grew at an annualised rate of 3.37%.

The profit for the half-year ended 31 December 2016 amounted to \$754,000 compared to a profit of \$806,000 for the half-year ended 31 December 2015. This is a decrease of \$52,000 or 6.45%.

We have continued to focus on the delivery of competitive Savings, Loans and Investment products and services for our members.

The Credit Union will continue to pursue a level of profitability, reserves and capital adequacy consistent with prudential requirements and to provide the foundation for future business viability, growth and development.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Credit Union that occurred during the half-year period ending 31 December 2016.

DIRECTORS' REPORT

ROUNDING OF AMOUNTS

The Credit Union has applied the relief available to it under ASIC Legislative Instrument 2016/191. Accordingly, amounts in the financial statements and the Directors' Report have been rounded off to the nearest \$1,000, unless otherwise indicated.

AUDITOR'S DECLARATION

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 3 of this Financial Report for the half-year ended 31 December 2016.

This report is signed in accordance with a resolution of the Board of Directors.



J B Pattinson
Chairman of the Board of Directors



S E McGinn
Chairman - Audit Committee

Dated at Wauchope this 22nd day of February 2017



NorthCorp
accountants

PARTNERS
Robert Magnussen B Bus FCA
Paul Fahey B Bus CA
Rodney Smith B Fin Admin FCA
Tony Faulder B Com CPA Affiliate ICAA
Bart Lawler B Com CA
Patrick Brennan B Com CA
CONSULTANT
Mark Hatherly B Com FCA

AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF HOLIDAY COAST CREDIT UNION LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2016 there have been no contraventions of:

- a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

NorthCorp Accountants

Jodie Thomas
Lead Auditor

Suites 1-3 Bourne House
10 -12 Short Street
Port Macquarie NSW 2444

Dated: 22nd day of February 2017



Chartered Accountants
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Liability Limited by a scheme approved under Professional Standards Legislation

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Half-Year Ended 31 Dec 16 \$'000	Half-Year Ended 31 Dec 15 \$'000
Interest revenue	12,160	12,581
Interest expense	(4,941)	(5,360)
Net interest income	7,219	7,221
Other income	1,758	1,740
Net operating income	8,977	8,961
Non-Interest Expenses		
Impairment losses on loans and advances	(129)	(75)
Employee benefits expense	(3,795)	(3,827)
Depreciation and amortisation expense	(443)	(447)
Other expenses	(3,540)	(3,468)
Total non-interest expenses	(7,907)	(7,817)
Profit before income tax	1,070	1,144
Income tax expense	(316)	(338)
Profit for the period	754	806
Other comprehensive income	-	-
Other comprehensive income for the period	-	-
Total comprehensive income for the period	754	806
Profit attributable to members of the Credit Union	754	806
Total comprehensive income attributable to members of the Credit Union	754	806

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	As at 31 Dec 16 \$'000	As at 30 Jun 16 \$'000
ASSETS		
Cash and cash equivalents	12,556	12,181
Due from other financial institutions	127,336	112,218
Receivables	1,325	1,836
Other financial assets	50	25
Loans and advances to members	430,544	420,179
Property, plant and equipment	4,087	3,964
Taxation assets	968	968
Intangible assets	708	720
TOTAL ASSETS	577,574	552,091
LIABILITIES		
Deposits from members	530,795	502,941
Payables, accruals and settlement accounts	3,899	6,972
Taxation liabilities	544	536
Provisions	1,441	1,424
TOTAL LIABILITIES	536,679	511,873
NET ASSETS	40,895	40,218
EQUITY		
Permanent share capital	3,279	3,279
Redeemed share capital account	359	349
Reserves	2,272	2,246
Retained profits	34,985	34,344
TOTAL EQUITY	40,895	40,218

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Contributed equity	Redeemed share capital account	Asset revaluation reserve	General reserve for credit losses	Other reserve for credit losses	Retained profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2016	3,279	349	1,208	900	138	34,344	40,218
Profit for the period	-	-	-	-	-	754	754
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	754	754
Transfers to and from reserves	-	-	-	-	26	(26)	-
Redeemed withdrawable shares movement	-	10	-	-	-	(10)	-
Dividends recognised for the period	-	-	-	-	-	(77)	(77)
Balance at 31 December 2016	3,279	359	1,208	900	164	34,985	40,895
Balance as at 1 July 2015	3,279	324	1,208	900	136	32,677	38,524
Profit for the period	-	-	-	-	-	806	806
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	806	806
Transfers to and from reserves	-	-	-	-	65	(65)	-
Redeemed withdrawable shares movement	-	15	-	-	-	(15)	-
Dividends recognised for the period	-	-	-	-	-	(80)	(80)
Balance at 31 December 2015	3,279	339	1,208	900	201	33,323	39,250

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Half-Year Ended 31 Dec 16 \$'000	Half-Year Ended 31 Dec 15 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	12,145	12,478
Other non-interest income received	2,287	1,730
Finance costs	(4,889)	(5,634)
Payments to suppliers and employees	(10,547)	(9,136)
Income tax paid	(308)	(357)
<i>Changes in operating assets and liabilities:</i>		
Net (increase) / decrease in member loans	(10,416)	(1,979)
Net (increase) / decrease in deposits with other financial institutions	(15,118)	(13,517)
Net increase / (decrease) in member deposits	27,854	17,479
Net cash provided by / (used in) operating activities	1,008	1,064
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets	(25)	-
Purchase of property, plant and equipment	(507)	(134)
Proceeds from sale of property, plant and equipment	86	57
Purchase of intangible assets	(107)	(40)
Net cash provided by / (used in) investing activities	(553)	(117)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(80)	(80)
Net cash provided by / (used in) financing activities	(80)	(80)
Net increase / (decrease) in cash held	375	867
Cash and cash equivalents at the beginning of the period	12,181	9,288
Cash and cash equivalents at the end of the period	12,556	10,155

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Credit Union is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Holiday Coast Credit Union Ltd (the Credit Union). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Credit Union for the year ended 30 June 2016, together with any public announcements made during the following half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Credit Union has considered the implications of new or amended Accounting Standards, but determined their application to the financial statements is either not relevant or not material.

NOTE 2: CONTINGENT LIABILITIES

As at 31 Dec 16 \$'000	As at 30 Jun 16 \$'000
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The following contingent liabilities have changed since the last annual reporting date:

Guarantees

In the normal course of business the Credit Union provides financial guarantees which are conditional commitments issued by the Credit Union to guarantee the performance of a member to a third party. The Credit Union holds collateral supporting these commitments where it is deemed necessary. The Credit Union monitors the supporting security values associated with these guarantees and classifies them into the following categories:

Fully secured	485	488
Partially secured	-	-
Unsecured	34	34
Total Guarantees	519	522

NOTE 3: FINANCIAL COMMITMENTS

Future capital commitments

The Credit Union has entered into capital expenditure contracts for:

Plant and equipment	-	66
Intangible assets	147	202
	147	268
Payable not later than one year	147	268

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 4: DIVIDENDS – MEMBER INVESTMENT SECURITIES

	Half-Year Ended 31 Dec 16 \$'000	Half-Year Ended 31 Dec 15 \$'000
Dividends paid or provided for:		
Interim fully franked irredeemable non-cumulative preference dividend of 2.1014 (2015: 2.1381) cents per share franked at the tax rate of 30% (2015: 30%)	77	80

NOTE 5: FAIR VALUE MEASUREMENTS

The Credit Union measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- freehold land and buildings.

(a) Fair Value Hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised as follows.

Level 1: Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union can access at the measurement date.

Level 2: Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Credit Union selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Credit Union are consistent with one or more of the following valuation approaches:

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Credit Union gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 5: FAIR VALUE MEASUREMENTS – continued

available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the Credit Union's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within their fair value hierarchy.

As at 31 Dec 16	Level 1	Level 2	Level 3	Total
Recurring fair value measurements	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>				
Total financial assets recognised at fair value on a recurring basis	-	-	-	-
<i>Non-financial assets</i>				
Freehold land	-	316	-	316
Freehold buildings	-	1,978	-	1,978
Total non-financial assets recognised at fair value on a recurring basis	-	2,294	-	2,294
Total non-financial assets recognised at fair value on a non-recurring basis	-	-	-	-
Total non-financial assets recognised at fair value	-	2,294	-	2,294
Total liabilities recognised at fair value	-	-	-	-

As at 30 Jun 16	Level 1	Level 2	Level 3	Total
Recurring fair value measurements	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>				
Total financial assets recognised at fair value on a recurring basis	-	-	-	-
<i>Non-financial assets</i>				
Freehold land	-	316	-	316
Freehold buildings	-	2,037	-	2,037
Total non-financial assets recognised at fair value on a recurring basis	-	2,353	-	2,353
Total non-financial assets recognised at fair value on a non-recurring basis	-	-	-	-
Total non-financial assets recognised at fair value	-	2,353	-	2,353
Total liabilities recognised at fair value	-	-	-	-

There were no transfers between Level 1, Level 2 or Level 3 for assets or liabilities measured at fair value on a recurring basis during the reporting period (2015: no transfers).

(b) Valuation of Land and Buildings

The land and buildings were valued on 9 September 2014 at \$2,559,250 (after allowing for notional sale costs) by certified Practising Valuer Paul Stevens, Registered Valuer No 16138 of PM Valuations Pty Ltd, on the basis of fair current value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 5: FAIR VALUE MEASUREMENTS – continued

(c) Valuation Techniques and Inputs Used to Measure Level 2 Fair Values

Description	Fair Value at		Valuation Techniques	Inputs Used
	31 Dec 16 \$'000	30 Jun 16 \$'000		
Non-financial assets				
Freehold land	316	316	(i)	(ii)
Freehold buildings	1,978	2,037	(i)	(ii)
	2,294	2,353		

(i) Market approach using recent observable market data for similar properties.

(ii) Price per square metre.

The fair value of freehold land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the Directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

(d) Disclosed Fair Value Measurements

The following assets and liabilities are not measured at fair value in the Statement of Financial Position, but their fair values are disclosed in note 5(e).

Description	Fair Value Hierarchy Level	Valuation Techniques	Inputs Used
Assets			
Cash and cash equivalents	2	(i)	(ii)
Due from other financial institutions	2	(i)	(ii)
Receivables	2	(i)	(ii)
Other financial assets	2	(i)	(ii)
Loans and advances to members	2	(i)	(ii)
Liabilities			
Deposits from members	2	(i)	(ii)
Payables	2	(i)	(ii)

(i) Income approach using discounted cash flow methodology.

(ii) Market interest rates for similar assets and liabilities.

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the notes to the financial statements.

(e) Net Fair Values

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 5: FAIR VALUE MEASUREMENTS – continued

	As at 31 Dec 16		As at 30 Jun 16	
	Fair Value \$'000	Book Value \$'000	Fair Value \$'000	Book Value \$'000
Assets				
Cash and cash equivalents	12,556	12,556	12,181	12,181
Due from other financial institutions	127,498	127,336	112,351	112,218
Receivables	1,325	1,325	1,836	1,836
Other financial assets	50	50	25	25
Loans and advances to members	427,352	430,544	417,508	420,179
Total financial assets	568,781	571,811	543,901	546,439
Liabilities				
Deposits from members	528,276	530,795	501,299	502,941
Payables	3,899	3,899	6,972	6,972
Total financial liabilities	532,175	534,694	508,271	509,913

Net fair value estimates were determined by the following methodologies and assumptions.

Cash and cash equivalents and receivables: The carrying values of cash and cash equivalents and receivables approximate their net fair value as they are short term in nature or are receivable on demand.

Due from other financial institutions: The carrying values of amounts due from other financial institutions redeemable within twelve months approximate their net fair value as they are short term in nature or are receivable on demand.

Other Financial Assets: For investments where there is no quoted market value, a reasonable estimate of fair value is determined by reference to the current market value of another instrument that is substantially the same.

Loans and advances to members: The carrying value of loans and advances is net of unearned income and specific provision for impairment. Variable rate loans (excluding impaired loans) are as reported in the Statement of Financial Position and are considered to be a reasonable estimate of net fair value. The net fair value for fixed rate loans is estimated through discounted cash flow modelling (i.e. the net present value of the portfolio's future principal and interest cash flows), based on the maturity of the loans and market rates of interest at the end of the reporting period and inherent credit risk associated with the portfolio.

Payables, accruals and settlement accounts: The carrying value of payables, accruals and settlement accounts approximates their net fair value as they are short term in nature and re-price frequently.

Deposits from members: Call deposits are as reported in the Statement of Financial Position and are considered to be a reasonable estimate of net fair value. The net fair value for term deposits is estimated through discounted cash flow modelling (i.e. the net present value of the portfolio's future principal and interest cash flows), based on the maturity of the term deposits and market rates of interest at the end of the reporting period.

NOTE 6: EVENTS AFTER THE END OF THE INTERIM PERIOD

In the opinion of the Directors, there were no matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union in future financial years.

DIRECTORS' DECLARATION

The Directors of Holiday Coast Credit Union Ltd declare that:

1. The financial statements comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to and forming part of the financial statements, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the Credit Union's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that Holiday Coast Credit Union Ltd will be able to pay its debts as and when they become due and payable.

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



J B Pattinson
Chairman of the Board of Directors



S E McGinn
Chairman - Audit Committee

Dated at Wauchope this 22nd day of February 2017



PARTNERS
Robert Magnussen B Bus FCA
Paul Fahey B Bus CA
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Bart Lawler B Com CA
Patrick Brennan B Com CA

CONSULTANT
Mark Hatherly B Com FCA

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Holiday Coast Credit Union Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Holiday Coast Credit Union Ltd, which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of profit or loss and other comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the Credit Union are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Credit Union's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Holiday Coast Credit Union Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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CONSULTANT
Mark Hatherly B Com FCA

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Holiday Coast Credit Union Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Holiday Coast Credit Union Ltd's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

NorthCorp Accountants

A handwritten signature in black ink that reads "J Thomas".

Jodie Thomas
Lead Auditor

Suites 1-3 Bourne House
10-12 Short Street
Port Macquarie NSW 2444

Dated: 22nd day of February 2017



Chartered Accountants
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