

COCOS ISLANDS COOPERATIVE SOCIETY LTD
A.B.N. 30 078 049 966

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2016

COCOS ISLANDS COOPERATIVE SOCIETY LTD
A.B.N. 30 078 049 966

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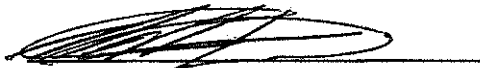
COCOS ISLANDS COOPERATIVE SOCIETY LTD
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MANAGEMENT COMMITTEE MEMBERS' DECLARATION

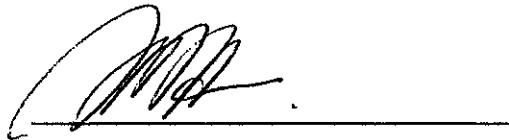
We, the undersigned being two Members of the Management Committee of the Cocos Islands Cooperative Society Ltd do hereby certify, that in our opinion:

- (a) The Statement of Comprehensive Income is drawn up so as to give a true and fair view of the results of the Cocos Islands Cooperative Society Ltd for the financial year ended 30 June 2016;
- (b) The Statement of Financial Position is drawn up to give a true and fair view of the state of affairs of the Cocos Islands Cooperative Society Ltd as at 30 June 2016; and
- (c) At the date of this statement there are reasonable grounds to believe that the Cocos Islands Cooperative Society Ltd will be able to pay its debts as and when they become payable.

This declaration is made in accordance with a resolution of the Management Committee.



Management Committee Member



Management Committee Member

Dated at Perth this: *14th* day of *Sept.* 2016

COCOS ISLANDS COOPERATIVE SOCIETY LTD
A.B.N. 30 078 049 966

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		\$	\$
Revenue	2	8,547,522	7,501,283
Cost of goods sold		(3,057,514)	(3,038,189)
Employee benefits expense		(3,685,224)	(3,356,028)
Depreciation expense		(241,274)	(186,112)
Other expenses	3	(1,207,916)	(887,503)
Other income		10,943	16,770
Profit/(Loss) for the year		366,537	50,221
Income tax benefit/(expense)	4	70,865	-
Profit/(Loss) for the year		437,402	50,221
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Gain/(loss) on available-for-sale financial assets		(37,968)	-
Tax effect		11,390	
Total comprehensive profit/(loss) for the year attributable to members		410,824	50,221

The accompanying notes form part of the financial statements.

COCOS ISLANDS COOPERATIVE SOCIETY LTD
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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016	2015
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	5	385,883	250,407
Trade and other receivables	6	454,591	771,079
Inventories	7	700,001	690,951
Other current assets	8	197,421	222,345
Total Current assets		<u>1,737,896</u>	<u>1,934,782</u>
Non-current assets			
Property, plant and equipment	9	2,274,873	1,965,485
Deferred Tax Asset		118,276	-
Financial assets	10	196,600	234,568
Total non-current assets		<u>2,589,749</u>	<u>2,200,053</u>
TOTAL ASSETS		<u>4,327,645</u>	<u>4,134,835</u>
LIABILITIES			
Current liabilities			
Trade and other payables	11	820,519	1,006,620
Financial liabilities	12	27,568	52,725
Provisions	13	185,178	167,411
Current tax liabilities	14	36,021	974
Total current liabilities		<u>1,069,286</u>	<u>1,227,730</u>
Non-current liabilities			
Financial liabilities	12	13,820	36,543
Provisions	13	104,150	110,288
Total non-current liabilities		<u>117,970</u>	<u>146,831</u>
TOTAL LIABILITIES		<u>1,187,256</u>	<u>1,374,561</u>
NET ASSETS		<u>3,140,389</u>	<u>2,760,274</u>
EQUITY			
Issued capital	15	181,725	181,725
Reserves	16	106,886	133,464
Retained earnings		2,851,778	2,445,085
TOTAL EQUITY		<u>3,140,389</u>	<u>2,760,274</u>

The accompanying notes form part of the financial statements.

COCOS ISLANDS COOPERATIVE SOCIETY LTD
A.B.N. 30 078 049 966

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

2015	Issued Capital \$	Available-for- sale Reserve \$	Retained Earnings \$	Total \$
Balance at 1 July 2014	181,725	133,464	2,394,864	2,710,053
Loss attributable to members	-	-	50,221	50,221
Dividends paid	-	-	-	-
Other comprehensive income	-	-	-	-
Balance at 30 June 2015	181,725	133,464	2,445,085	2,760,274
2016	Issued Capital \$	Available-for- sale Reserve \$	Retained Earnings \$	Total \$
Balance at 1 July 2015	181,725	133,464	2,445,085	2,760,274
Profit attributable to members	-	-	437,402	437,402
Dividends paid	-	-	(30,709)	(30,709)
Other comprehensive income - net of tax	-	(26,578)	-	(26,578)
Balance at 30 June 2016	181,725	106,886	2,851,778	3,140,389

The accompanying notes form part of the financial statements.

COCOS ISLANDS COOPERATIVE SOCIETY LTD
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		8,046,514	7,196,428
Payments to suppliers and employees		(7,290,210)	(7,050,038)
Interest received		1,424	1,970
Borrowing costs		(47,880)	7,418
Income tax paid		(974)	(29,901)
Net cash generated from operating activities	18	708,874	125,877
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(550,662)	(130,972)
Dividends received		7,973	14,580
Net cash used in investing activities		(542,689)	(116,392)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(30,709)	-
Net cash used in financing activities		(30,709)	-
Net increase in cash held		135,476	9,485
Cash at beginning of year		250,407	240,922
Cash at end of year		385,883	250,407

The accompanying notes form part of the financial statements.

COCOS ISLANDS COOPERATIVE SOCIETY LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. Basis of Preparation and Statement of Significant Accounting Policies

(i) General Information

The financial report covers the Cocos Islands Cooperative Society Ltd as an individual for-profit entity. The Cocos Islands Cooperative Society Ltd is a Cooperative incorporated and domiciled in the Cocos (Keeling) Islands, an external territory of Australia.

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards.

The Co-op has elected to adopt the Australian Accounting Standards – Reduced Disclosure Requirements (established by *AASB 1053 Application of Tiers of Australian Accounting Standards* and *AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*).

(ii) Basis of Preparation

The financial report prepared on an accruals basis and are based upon historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

(iii) Accounting policies

(a) Income tax

The charge for current income tax expenses is based on the profit for the period adjusted for any nonassessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Cooperative will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(b) Inventories

Inventories are measured at the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. Basis of Preparation and Statement of Significant Accounting Policies (continued)

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less impairment, if applicable, and accumulated depreciation.

Property

Freehold land and buildings are shown at their historical costs.

Plant and Equipment

Plant and equipment are shown at their historical costs.

Depreciation

The depreciated amount of all fixed assets is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

<u>Class of fixed asset</u>	<u>Depreciation rate</u>
Building and improvements	5 to 20 years
Plant, equipment and vehicles	3 to 10 years

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.

(d) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in which they are incurred.

(e) Financial Assets

Available-for-sale financial assets

The Cooperative has investments in listed shares. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

(f) Employee benefits

Provision is made for the liability arising from services rendered by employees to balance date. Employees' benefits which are expected to be settled within one year have been measured by the amounts expected to be paid when the liability is settled. Employees benefits payable later than one year have been measured at the present value of the estimated future cash outflows for these benefits.

(g) Provisions

Provisions are recognised when the Cooperative has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured. Provisions are measured at the best estimates of the amounts required to settle the obligation at the end of the reporting period.

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. Basis of Preparation and Statement of Significant Accounting Policies (continued)

(i) Revenue and other income

Sale of goods

Revenue is recognised when goods have been sold at the fair value of the consideration received or receivable after taking into account shareholders discounts allowed.

Rendering of services

Revenue from the rendering of marine, stevedoring, ground handling and motel services is recognised after the services have been fully rendered.

Revenue from the rendering of contract services is recognised on a percentage of completion basis.

Other income

Interest income is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Co-op has received the payment.

j) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within twelve months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value.

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. Basis of Preparation and Statement of Significant Accounting Policies (continued)

(m) New Standards and Interpretations

New and revised standards that are effective for these financial statements

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2015. The Co-op has reviewed the standards and amendments to standards and interpretations issued.

It has been determined by the Co-op that there is no impact, material or otherwise, of these standards on its financial report.

New and revised standards issued but not yet effective for these financial statements

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the Co-op are set out below. The Co-op does not plan to adopt these standards early.

(i) AASB 9 Financial Instruments

AASB 9, published in July 2014, replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

(ii) AASB 15 Revenue from Contracts with Customers

AASB 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

(n) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. REVENUE AND OTHER INCOME

	2016	2015
	\$	\$
<i>Revenue</i>		
Retail - Supermarket	1,375,035	1,311,132
Cocos Beach Motel	722,878	709,427
Tropika Restaurant	355,365	413,529
Hardware & Fuel	636,176	696,856
Stevedoring	836,077	447,435
Airport Services	896,480	843,205
Commonwealth Bank Agency	17,266	17,555
Contract Income - Tender & Labour Hire Services	1,639,909	1,340,859
Marine Services	2,068,336	1,893,268
	<u>8,547,522</u>	<u>7,673,266</u>
<i>Other income</i>		
Interest Revenue	1,424	1,970
Dividend Revenue	7,973	14,580
Other Income	1,546	220
	<u>10,943</u>	<u>16,770</u>
Total	<u>8,558,465</u>	<u>7,690,036</u>

3. OTHER EXPENSES

	2016	2015
	\$	\$
Insurance	226,291	251,207
Electricity & Water	95,630	65,585
Repairs & Maintenance	82,072	32,387
Computer expenses	48,062	47,504
Hire costs	226,278	185,724
Other expenses	529,583	477,079
	<u>1,207,916</u>	<u>1,059,486</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

4. INCOME TAX EXPENSE

	2016	2015
	\$	\$
(a) Recognised in the statement of comprehensive income		
The major components of the tax expense/ (income) are:		
Current Tax Expense	36,021	-
Deferred tax income relating to the origination and reversal of temporary differences	(9,642)	-
Recognition of previously unrecognised deferred tax asset	(97,244)	-
Total tax income attributable to continuing operations	(70,865)	-
(b) Amounts charged or credited directly to equity		
Deferred income tax related to items (credited) directly to equity	(11,390)	-
Net gain on revaluation of cash flow hedges	-	-
Income Tax Expense/(Benefit) reported in equity	(11,390)	-
(c) Numerical reconciliation between aggregate income tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
Profit/(Loss) before income tax expense from operations	366,537	50,221
Income tax expense benefit calculated at 30%	109,961	15,066
Non-deductible expenses	2,549	(4,374)
Non-assessable income	-	-
Share based payments	-	-
Recognition of previously unrecognised tax losses	(183,375)	27
Temporary differences not recognised	-	(10,719)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	-	-
Income tax expense	(70,865)	-
The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.		
There has been no change in the corporate tax rate when compared with the previous reporting period.		
(d) Unrecognised temporary differences		
Temporary differences for which deferred tax assets have not been recognised:		
Temporary differences	-	83,392
Unused tax losses	-	86,131
	-	169,523

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

5. CASH AND CASH EQUIVALENTS

	2016	2015
	\$	\$
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows.		
Cash at bank	385,883	250,407
	<u>385,883</u>	<u>250,407</u>

6. TRADE AND OTHER RECEIVABLES

	2016	2015
	\$	\$
Trade debtors	454,591	771,079
	<u>454,591</u>	<u>771,079</u>

7. INVENTORIES

	2016	2015
	\$	\$
Stock on hand - at cost		
Supermarket	313,000	328,889
Duty Free	23,001	27,972
Restaurant	34,000	31,259
Hardware	275,000	248,334
Contract Workshop	55,000	54,497
Provision for obsolete stock	-	-
	<u>700,001</u>	<u>690,951</u>

8. OTHER CURRENT ASSETS

	2016	2015
	\$	\$
Accrued income	62,923	86,965
Prepayments	80,526	79,933
Deposits	53,972	55,447
	<u>197,421</u>	<u>222,345</u>

COCOS ISLANDS COOPERATIVE SOCIETY LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

9. PROPERTY, PLANT, EQUIPMENT AND VEHICLES

	2016	2015
	\$	\$
Building and improvements		
At cost	1,739,418	1,536,416
Less: Accumulated depreciation	<u>(406,995)</u>	<u>(347,507)</u>
	<u>1,332,423</u>	<u>1,188,909</u>
Plant, equipment and vehicles		
At cost	1,681,791	1,387,540
Less: Accumulated depreciation	<u>(739,341)</u>	<u>(610,964)</u>
	<u>942,450</u>	<u>776,576</u>
Total property, plant, equipment and vehicles	<u>2,274,873</u>	<u>1,965,485</u>
	Building and Improvements	Plant, Equipment and Vehicles
	\$	\$
1 July 2015 Carrying Value	1,188,909	776,576
Additions	202,922	347,740
Disposals	-	(53,455)
Depreciation	(59,408)	(181,866)
Depreciation on disposals	-	53,455
30 June 2016 Carrying Value	<u>1,332,423</u>	<u>942,450</u>

Refer to note 12 for the contractual commitments remaining on equipment and vehicles under a finance lease.

10. FINANCIAL ASSETS

	2016	2015
	\$	\$
Listed public companies at market value	<u>196,600</u>	<u>234,568</u>
	<u>196,600</u>	<u>234,568</u>

11. TRADE AND OTHER PAYABLES

	2016	2015
	\$	\$
Trade creditors	424,914	781,428
Sundry creditors and accruals	<u>395,605</u>	<u>225,192</u>
	<u>820,519</u>	<u>1,006,620</u>

COCOS ISLANDS COOPERATIVE SOCIETY LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

12. FINANCIAL LIABILITIES

	2016	2015
	\$	\$
Current		
Hire purchase liabilities	35,600	69,714
Unexpired interest	(8,032)	(16,989)
	27,568	52,725
Other financial liabilities	-	-
	27,568	52,725
Non- Current		
Hire purchase liabilities	13,820	42,562
Unexpired interest	-	(6,019)
	13,820	36,543

These hire purchase liabilities relate to equipment and vehicles. The final payments are due in 2016 and 2017.

13. PROVISIONS

	2016	2015
	\$	\$
Current		
Provision for annual leave	185,178	167,411
Non-Current		
Provision for long service leave	104,150	110,288
	289,328	277,699
	289,328	277,699
	Annual Leave	Long Service Leave
	\$	\$
Movement in provisions		
Balance at 1 July 2015	167,411	110,288
Provisions made during the year	88,096	12,074
Provisions used during the year	(76,206)	(14,111)
Provisions adjusted during the year	5,877	(4,101)
Balance at 30 June 2016	185,178	104,150

14. CURRENT TAX LIABILITIES

	2016	2015
	\$	\$
Opening balance liability	974	30,875
Charge to income statement	36,021	-
Net tax payments	(974)	(29,901)
Closing balance liability	36,021	974

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

15. ISSUED CAPITAL

	2016	2015
	\$	\$
181,725 shares (2015: 181,725) fully paid ordinary shares	181,725	181,725
	181,725	181,725

Ordinary shareholders participate in dividends and the proceeds on winding up of the Co-op in proportion to the number of shares held. The shares have no par value.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

16. RESERVES

	2016	2015
	\$	\$
Available-for-sale Reserve	106,886	133,464
	106,886	133,464

Move

17. AUDITORS' REMUNERATION

	2016	2015
	\$	\$
Remuneration of the auditor of the Co-op for:		
Auditing the financial report	52,020	42,823
Other services	8,400	17,712
	60,420	60,535

18. CASH FLOW INFORMATION

(a) Reconciliation of cash flows from operations with profit after income tax

	2016	2015
	\$	\$
Loss after income tax	437,402	50,221
Adjustments for:		
Depreciation of property, plant and equipment	241,274	186,112
Deferred Tax Asset movement	(106,886)	-
Distributions from listed investments	(7,973)	(14,580)
Operating loss before working capital changes	563,817	221,753
Changes in assets and liabilities		
(Increase)/Decrease in trade debtors	316,488	(272,964)
(Increase)/Decrease in inventories	(9,050)	71,751
(Increase)/Decrease in other assets	24,924	(21,959)
Increase/(Decrease) in income tax payable	35,047	(29,901)
Increase/(Decrease) in payables	(186,101)	98,301
Increase/(Decrease) in provisions	11,629	51,478
Increase/(Decrease) in financial liabilities	(47,880)	7,418
Cash flows from operations	708,874	125,877

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

19. KEY MANAGEMENT PERSONNEL

Details of key management personnel

The Management Committee Members and other members of key management personnel of the Co-op during the financial year were:

Name	Position
Haji Noor Anthony	Chairman
Haji Zaikat Omal	Deputy Chairman
Alan Medous	Management Committee Member
Grace Casey	Management Committee Member
Haji Badlu Feyrel	Management Committee Member
Haji Hajat Sloan	Management Committee Member
Bulka Raptikan	Management Committee Member
Haji Ron Grant	General Manager
Balmut Pirus (terminated 27 August 2015)	Assistant Manager

Key management personnel compensation

	2016	2015
	\$	\$
Short term employee benefits	110,000	198,263
Annual and long service leave expense	-	4,256
	<u>110,000</u>	<u>202,519</u>

20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no material contingent liabilities or assets that exist at the date of this report.

21. CAPITAL AND LEASE COMMITMENTS

Hire purchase commitments are payable as follows:

	2016	2015
	\$	\$
Less than one year	47,064	69,714
Between one and five years	17,641	42,562
More than five years	-	-
	<u>64,705</u>	<u>112,276</u>

22. FINANCIAL INSTRUMENTS

The Co-op's financial instruments consist mainly of deposits with banks, financial assets and accounts payable.

Financial Risk Management Policies

The Management Committee's overall risk management strategy seeks to assist the Co-op in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Management Committee periodically. Future cash flow requirements are reviewed on a monthly basis.

Financial Risk Exposures and Management

The main risks the Co-op is exposed to through its financial instruments are interest rate risk, liquidity risk, and credit risk and equity price risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

22. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Risk

There is a risk that the Co-op will encounter difficulty in meeting obligations associated with financial liabilities. The Co-op manages liquidity risk by monitoring forecast cash flows and ensuring that adequate positive operational cash flows are maintained. The financial liabilities as at 30 June 2016 are expected to be settled within six months.

Credit Risk

Credit risk is the risk of financial loss to the Co-op which arises principally from the Co-op's bank balances and debtors. The Co-op limits its exposure to credit risk by carefully monitoring debtors. The exposure to credit risk through bank accounts is limited due to its bank's high credit rating.

Interest Rate Risk

The Co-op's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as shown in the table below:

	Weighted Average Effective Interest Rate 2016 %	Floating Interest Rate 2016 \$	Non- Interest Bearing 2016 \$	Total 2016 \$
Financial Assets				
Cash and cash equivalents	0.80	385,883	-	385,883
Investments		-	196,600	196,600
Total Financial Assets		385,883	196,600	582,483
Financial Liabilities				
Trade and other payables		-	820,519	820,519
Financial Liabilities	7.51	41,388	-	41,388
Total Financial Liabilities		41,388	820,519	861,907

	Weighted Average Effective Interest Rate 2015 %	Floating Interest Rate 2015 \$	Non- Interest Bearing 2015 \$	Total 2015 \$
Financial Assets				
Cash and cash equivalents	0.80	250,407	-	250,407
Investments		-	234,568	234,568
Total Financial Assets		250,407	234,568	484,975
Financial Liabilities				
Trade and other payables		-	1,006,620	1,006,620
Financial Liabilities	7.51	89,268	-	89,268
Total Financial Liabilities		89,268	1,006,620	1,095,888

COCOS ISLANDS COOPERATIVE SOCIETY LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

22. FINANCIAL INSTRUMENTS (CONTINUED)

Equity Risk

Equity price risk arises from available-for-sale equity securities held as investments. Management of the Cooperative monitors the mix and reviews the performance of these securities.

	Floating Interest Rate	Non- Interest Bearing	Total
	2016 \$	2016 \$	2016 \$
Investments	-	196,600	196,600
Total Financial Assets	-	196,600	196,600

	Floating Interest Rate	Non- Interest Bearing	Total
	2015 \$	2015 \$	2015 \$
Investments	-	234,568	234,568
Total Financial Assets	-	234,568	234,568

Net Fair Values

For assets and liabilities the net fair value approximates their carrying value. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the instruments. The fair value hierarchy consists of the following levels:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

2016	Level 1	Level 2	Level 3	Total
Financial assets	\$	\$	\$	\$
Investments in listed shares	196,600	-	-	196,600
	<u>196,600</u>	<u>-</u>	<u>-</u>	<u>196,600</u>
2015	Level 1	Level 2	Level 3	Total
Financial assets	\$	\$	\$	\$
Investments in listed shares	234,568	-	-	234,568
	<u>234,568</u>	<u>-</u>	<u>-</u>	<u>234,568</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

23. EVENTS AFTER THE BALANCE DATE

The members of the Management Committee are not aware of any significant events that occurred after balance date.

24. CO-OP DETAILS

The registered office and place of business of the Co-op is:

Sydney Highway
West Island
Cocos (Keeling) Islands
INDIAN OCEAN 6799

Independent auditor's report to the members of Cocos Co-operative Society Limited

Report on the financial report

We have audited the accompanying financial report of Cocos Co-operative Society Limited ("the Co-op"), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Management Committee's declaration.

Management Committee's responsibility for the financial report

The Management Committee of the Co-op is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Co-op's preparation and fair presentation of the financial report 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 Co-op's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Committee, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of Cocos Co-operative Society Limited as at 30 June 2016, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

NIPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

**Amar Nathwani B.Eng, CA
Director**

Perth, 14 September 2016