FAMILY FIRST CREDIT UNION LIMITED

A.B.N. 39 087 650 057

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2018

FAMILY FIRST CREDIT UNION LIMITED
A.B.N. 39 087 650 057

Registered Office:
1 Ordnance Avenue
Lithgow NSW 2790
Phone: 1300 369 900
Facsimile: (02) 6351 3148

Postal Address:
PO Box 386
Lithgow NSW 2790

Website: www.familyfirst.com.au

Company Secretary:
Mr Darryl Macauley JP MAMI CPA BComm

Management:

Chief Executive Officer:	Mr Darryl Macauley JP MAMI CPA BComm
Head of Risk and Culture:	Ms Catherine Cannon MApplFin (Banking) and ASSOC DIP BUS (Accounting)
Head of Sales and Operations:	Mr James McKid BEc BComm
Head of Lending:	Mrs Dara Rushworth DIP FINANCIAL SERVICES (Mortgage Broking)

Auditor:
Intentus Chartered Accountants

Internal Auditor:
Mr Glenn Pannam, DBP Consulting Pty Ltd

Solicitors:
Le Fevre & Co, Lithgow

Bankers:
Credit Union Services Corporation (Australia) Limited
Centralised Banking Scheme with the National Australia Bank

Australian Financial Services & Credit Licence Number: 241068

FAMILY FIRST CREDIT UNION LIMITED
A.B.N. 39 087 650 057

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FAMILY FIRST CREDIT UNION LIMITED

A.B.N. 39 087 650 057

DIRECTORS' REPORT

Your directors submit the financial statements of the Credit Union for the year ended 30 June 2018.

Directors
The names of the directors in office at any time during the year or since the end of the financial year are:

Colin Ray Lenton	(Chair)
Kathryn Henrietta Grace Dickson	(Deputy Chair)
Antony Benetatos	
Jeffery Harry Carter	
James Edward Couper	(Audit Committee Chair)
Peter James Cafe	(Risk Committee Chair)
Lynette Safranek	(Board Appointed Director)
Stephen Paul Flynn	(Associate Director)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Business Activities
The principal business activities of the Credit Union during the year were the provision of financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the constitution.

There were no significant changes in the nature of the Credit Union's activities during the year.

Operating Results
The profit of the Credit Union after income tax was $618,389 (2017 - $438,866).

Review of Operations
The Board of Directors of your Credit Union are very pleased to announce to its member owners the list of achievements accomplished in the Credit Union's 51st year of operation. And what a year it was recording record profitability in its history after celebrating the significant milestone of turning 50 within the past 12 months. Making the record profit result even more commendable was the challenging economic conditions that prevail upon the financial services industry at present. Continued record low interest rates, ever increasing regulatory burden, skyrocketing IT costs in order to drive efficiency and stay ahead of the game along with a decline in confidence and integrity of the banking system arising from the outcomes of the Royal Commission into Financial Services, are just an indication of some of the challenges that the Credit Union has faced in recent times. Despite this, here are some of the performance measures relating to the Credit Union's operation recorded over the past 12 months:-

- After tax profit increased by $179,523 or 40.9% to $618,389
- Total membership decreased by 766 members to 8,038 members, a decline of 8.7%
- Member deposits increased by $6,848,682 or 6.1% to $119,682,735
- Loans increased by $8,157,869 or 8.4% to $105,505,013
- Total assets increased by $7,921,545 or 6.3% to $134,209,024
- Capital adequacy increased to 16.8% (2017 – 16.2%)
- Minimum Liquidity Holdings (MLH) decreased to 16.6% (2017 – 18.5%)
- Total liquidity decreased to 19.6% (2017 – 21.0%)
- Capital increased by $563,640 or 5.5% to $10,846,143
- Total Risk Weighted Assets increased by $1,224,627 or 1.9% to $64,556,933
- Operating expenses increased by $58,816 or 1.5% to $3,924,119
- Impairment expenses decreased by $33,996 or 47.6% to $37,487
- Interest margin increased by $219,259 or 5.9% to $3,938,828

DIRECTORS' REPORT
(Continued)

Review of Operations (Continued)

A couple of key achievements were also surpassed in the area of lending operations throughout the year as follows:

(a) Record annual loan funding amount of $37,096,048
(b) Breaking through the $100 million level of total loan balances outstanding
(c) Surpassing 500 mortgages maintained

In a time where the battle for the home loan has never been more competitive, these achievements are testament to the high level of professional service provided by our skilful lenders in that they are trusted and highly regarded by our members to assist them in the biggest financial transaction they generally will ever perform.

Our key prudential requirements as regulated by both the Australian Prudential Regulatory Authority (APRA) and the Australian Securities & Investment Corporation (ASIC) are also sound. The Board is glad to report that the two key measures of organisational strength and stability, capital adequacy and liquidity ratios are well above the prescribed minimum we are required to hold. As at balance date, whilst the liquidity ratio has decreased over the past 12 months, the measure was still regarded as being maintained at a reasonable level at 19.6%. On a very pleasing front, the capital ratio increased from 16.2% to 16.8% largely on the back of our strong profit result and reduced asset growth recorded this year as compared to recent years. Both of these key ratios strongly support Family First Credit Union's sound financial position in providing high levels of protection to its depositor base.

This year has also seen some significant progress in the continuation of its IT upgrade program. The enhancements have resulted in increased functionality which have flowed through to greater convenience, more secure and affordable payment facilities released throughout the year. By far the biggest achievement this last year was the implementation of the New Payments Platform (NPP) which was implemented in February 2018. This upgrade facilitated real time payments in and out of Family First Credit Union accounts with an SLA of 6 seconds through the replacement of traditional indicators such as BSB and account numbers with PayIDs like mobile phone numbers, email addresses and ABN's. This incident free implementation of NPP is even more commendable given that 2 of the 4 major banks could not achieve what your Credit Union has achieved even with their significant resourcing. Online redraw facilities were also released throughout the year. At the time of the writing of this report, both our iOS and Android apps have been recently released as well as the now giving members the option to receive their statements electronically. These changes are all largely as a result of the upgrade to our core banking system that have occurred in recent years.

As can be seen from the financial statements, we continue to reduce the financial burden on our members resulting from the impost of transaction fees and charges. Whilst we concede that fees and charges are necessary to some extent, we have strategically positioned these fees to reflect our costs and adopt a very much user pay methodology for fee recoupment. Just looking at the reduction over this year as compared to last year, a total reduction in transaction fees of $14,971 (2017: $71,634) or 4.3% (2017: 16.9%) occurred. The level of rebated fees continued throughout the 2018 financial year amounting to $324,186 (2017: $339,489).

Our involvement in socially responsible programs have also strengthened throughout the year. Since announcement of our Mental Health Initiative in October last year, your Credit Union has raised $14,696 to the end of June 2018. In addition to this, we have donated $29,714 (2017: $25,986) to many worthwhile community based organisations and sporting groups through the community support grant program.

Environmental Issues
The Credit Union's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or State.

Significant Changes in State of Affairs
There were no significant changes in the state of affairs of the Credit Union during the financial year.

After Balance Date Events
No matters or circumstances have arisen since the end of the financial year 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.

Likely Developments and Results
There are currently no significant developments expected in the Credit Union's operations.

Information on Directors

Mr Colin Ray Lenton FAMI FAICD

- Director
- Chair of the Board
- Chair of Corporate Governance Committee
- Chair of Board Renewal & Remuneration Committee
- Bachelor of Business
- Diploma of Financial Services
- Graduate Diploma AICD 2007
- Member, Australian Institute of Management
- Affiliate, Institute of Internal Auditors
- Associate Director 2004 to 2006

Experience: Appointed 26 June 2006
Occupation: Company Director / Management Consultant

Mrs Kathryn Henrietta Grace Dickson MAMI

- Deputy Chair of the Board
- Member of Corporate Governance Committee
- Member of Risk Committee
- Member of the Board Renewal & Remuneration Committee
- Associate Director 2009 to 2010
- Diploma in Financial Services
- Diploma in Management

Experience: Appointed 16 November 2010
Occupation: Management

Mr Peter James Cafe MAMI, GAICD

- Director
- Chair of Risk Committee
- Member of Corporate Governance Committee
- Member of the Board Renewal & Remuneration Committee
- Member of the 50th anniversary committee
- Graduate Diploma AICD 2011
- Chair of the Board 2007 - 2015

Experience: Appointed 6 March 2000
Occupation: Manager HECS P/L

Mr Jeffery Harry Carter AFAMI JP

- Director
- Member of Audit Committee
- Board representative of the Directors Nomination Committee
- Board representative of the Community Grants Committee

Experience: Board Member since 1974
Occupation: Retired Quality Control Officer EDI Rail Bathurst

Information on Directors (continued)

Mr Antony Benetatos MAMI

- Board Appointed Director
- Member of Risk Committee
- Bachelor of Economics
- Bachelor of Laws
- Master of Applied Law (Family Law)
- Associate Director 2014 - 2015

Experience: Board Appointed 27 April 2015
Occupation: Solicitor

Mr James Edward Couper MAMI

- Board Appointed Director
- Chair of Audit Committee
- Member of Risk Committee
- Member of the Board Renewal & Remuneration Committee
- Graduate Diploma in Marketing
- Associate Director 2015 - 2016

Experience: Appointed 17 July 2015
Occupation: Marketing Research Consultant

Mrs Lynette Safranek

- Board Appointed Director
- Member of Audit Committee
- Diploma Frontline Management
- Graduate Diploma Local Government Management
- Member Local Government Professionals
- Associate Director 2016-2017

Experience: Appointed 27 June 2016
Occupation: Local Council Financial Management

Mr Stephen Paul Flynn

- Board Appointed Associate Director
- Member of Audit Committee
- Bachelor of Commerce
- Bachelor of Laws

Experience: Appointed October 2017
Occupation: Solicitor

All Directors are required to actively participate in professional development activities promoted by Instil, CUSCAL, AICD, Institute of Strategic Management and COBA as required under the Board Charter as specified in the Corporate Governance Policy.

Corporate Governance Disclosures

Board
The Credit Union Board has responsibility for the overall management and strategic direction of the Credit Union. All Board members are independent of management and are either 'member elected directors' or 'board appointed directors' serving a 3 year term. If eligible, they are able to offer themselves for re-election. The Credit Union also has an associate director program which is a mentoring and training program for future directors.

Each director must be eligible to act under the constitution as a member of the Credit Union and Corporations Act 2001 criteria. Directors need to also satisfy the fit and proper criteria set down by APRA.

The Board has established policies to govern conduct of the board meetings, director conflicts of interest and training so as to maintain director awareness of emerging issues and to satisfy all governance requirements.

The Board:

- sets the strategic direction of the credit union and monitors its implementation via the progress of the strategic plan
- monitors the matters of operational risk management and APRA reporting obligations;
- monitors the compliance with applicable laws;
- approves senior management's remuneration / benefits;
- sets staff remuneration policies;
- approves financial budgets and performance criteria;
- approves the Chief Executive Officer's expenses;
- ratifies large loans or commercial loans; and
- ratifies interest rate changes.

Board Remuneration
The member elected directors receive remuneration from the Credit Union in the form of Directors fees and allowances agreed to each year at the annual general meeting as well as the reimbursement of out of pocket expenses. There are no other benefits received from the credit union. Board appointed Directors also receive remuneration from the Credit Union in the form of director fees and allowances as do associate directors after a qualifying period has passed.

Audit Committee
An Audit Committee has been formed to assist the Board in relevant matters of financial prudence. The directors form the majority of this committee with Chief Executive Officer participation on an invitation basis only.

The Audit Committee is established to oversee the financial reporting and audit process. Its role includes:

- monitoring audit reports received from internal and external auditors, and management's responses thereto;
- liaising with the auditors (internal and external) on the scope of their work, and experience in conducting an effective audit;
- ensuring the external auditors remain independent in the areas of work conducted;
- monitoring the matters of operational risk management and APRA reporting obligations; and
- monitoring the compliance with applicable laws.

All management are remunerated by salary packages along with a system of bonus incentives linked to key performance indicators relevant to the annual Strategic Plan. All key performance indicators and any incentive payments applicable to senior management of the Credit Union are approved by the Board annually.

Policies
The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union's ethical guidelines to staff, and to reinforce the practice of providing efficient service to members with courtesy and recognition of members as owners. These risk management policies are encompassed in an overarching Enterprise Risk Management Framework and Risk Strategy which stipulates the methodology on how risks will be assessed within the organisation. The ethical principles adopted by the Credit Union are in accordance with the Customer Owned Banking Code of Practice.

Key Risk Management Policies include:-

- Capital adequacy management including ICAAP
- Liquidity management
- Credit risk management
- Data risk management
- Operations risk management
- Market risk
- Business continuity
- Outsourcing risk
- Fit & Proper
- Recovery Planning

Compliance
The Head of Risk & Culture is largely responsible for ensuring compliance with external rules, regulations and legislation as well as internal policies and procedures. Her functions include managing the day to day compliance requirements of the Credit Union and to maintain the awareness of staff for all changes in compliance legislation and responding to staff inquiries on compliance matters. The Head of Risk & Culture also monitors the FSR and Australian Credit License obligations and ensures that all member complaints and disputes are promptly actioned and resolved. To assist the Head of Risk & Culture in her responsibilities of maintaining an effective compliance framework, the credit union utilises the compliance and risk management software, GRC Tri-line.

External Audit
The audit is performed by Intentus Chartered Accountants based out of Bathurst. The firm of Intentus Chartered Accountants have been auditing Credit Unions for a number of years and as such are very familiar with the finance industry and the operation and regulation of mutual organisations. The work performed by the external auditors is examined by the Audit Committee to ensure that it is consistent with the current external audit reporting role and does not impair their independence.

Internal Audit
The Credit Union engages the services of internal auditor on a contract basis to carry out the internal audit functions and to deal with the areas of internal compliance with policies and procedures. The Internal Audit Plan is prepared on an annual basis taking into consideration the risks associated with the various operations that exist within the credit union. The Internal Audit Plan is adopted by the Board on recommendation from the Audit Committee. The internal auditor reports directly to the Audit Committee. A decision was made earlier in the year on the recommendation of the Audit Committee to extend the current contract of the incumbent Internal Auditor, Mr Glenn Pannam from DBP Consulting Pty Ltd for a further year until 30 June 2019.

Regulation
The Credit Union is regulated by:

- Australian Prudential Regulation Authority (APRA) for the prudential risk management of the Credit Union.
- Australian Securities and Investments Commission (ASIC) for adherence to Corporations Act, Accounting Standards disclosures in the financial report and Financial Services Reform (FSR) and Australian Credit Licensing (ACL) requirements. The FSR legislation requires the Credit Union disclose details of products and services, maintains training for all staff that deal with the members, and provide an effective and independent complaints handling process. ASIC are also responsible for the regulation and compliance of credit under the national credit code.

Regulation (Continued)
Under the FSR licensing arrangements all staff which deal with the public are required to be trained and certified to a level of skill commensurate with the services provided. After being successful in obtaining an Australian Credit Licence from ASIC in January 2011, all staff responsible for credit assessment and credit control are required to be trained and to maintain their competence in line with responsible lending guidelines under the National Credit Code.

Both ASIC and APRA conduct periodic inspections to ensure compliance with legislative requirements and prudential standards. The external auditor also reports to both ASIC in relation to certain aspects of the credit union's financial services licence whilst APRA in relation to prudential requirements.

Workplace, Health & Safety (WHS)
The nature of the finance industry is such that the risk of injury to staff and the public are less apparent than in other high risk industries. Nevertheless our two most valuable assets are our staff and our members and steps need to be taken to maintain the security and safety when circumstances warrant. WHS policies have been established for the protection of both members and staff and are reviewed annually for relevance and effectiveness.

Staff are trained in robbery procedures and offices are designed to detract from such acts by:

- little or no cash being held in accessible areas;
- cash secured in time delay cash dispensers; and
- cameras and monitoring equipment visible throughout the office.

Office premises are examined regularly to ensure that the electrical safety and physical safety measures are appropriate to the needs to the public and staff. Independent security consultants report regularly on the areas of improvement which may be considered.

The Credit Union has established a WHS committee which is responsible for reporting to Executive Management on its compliance with all applicable workplace health & safety legislation and regulations. The committee includes a member of staff from each office for a term of 12 months. Included in their role is the requirement to perform regular workplace hazard and risk assessments. Any issues raised are actioned by the WHS Committee on a prompt manner. Secure cash handling policies are in place, and injury from lifting heavy weights and RSI are managed by proper techniques to minimise the risk of damage.

All staff have access to trauma counsellors where required following an incident which may impair their feeling of safety in the work place.

DIRECTORS' REPORT
(Continued)

General Board, Risk and Audit Committee Attendance
The numbers of meeting of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Board	Corporate Governance Committee	Audit Committee	Risk Committee	Board Nomination Committee
Number of meetings held:	**10**	**11**	**5**	**4**	**1**
Number of meetings attended:					
Peter Cafe	10	10	-	4	-
Jeffery Carter	8	-	5	-	1
James Couper	9	-	4	2 (5)	-
Colin Lenton	10	9	-	-	-
Kathy Dickson	7	9	-	3	-
Sharon Holt	2 (1)	-	1 (3)	1 (6)	-
Antony Benetatos	9	-	-	4	-
Lynette Safranek	6	-	3	-	-
Stephen Flynn	5 (2)	-	2 (4)	-	

It should also be noted that a number of directors attended meetings in an observing role to meetings that they were not officially members of the relevant committee and as such are not reflected in the table shown above. In addition to the meetings highlighted above, Board members also attended a Strategic Planning Workshop held on 10 March 2018. Director only meetings were also held prior to the commencement of some of the ordinary board meetings held. Several Remuneration and Renewal meetings were also attended by various Directors throughout the year.

(1) Sharon Holt attended 2 out of a possible 5 Board Meetings.
(2) Stephen Flynn attended 5 out of a possible 6 Board Meetings.
(3) Sharon Holt attended 1 out of a possible 1 Audit Committee Meetings.
(4) Stephen Flynn attended 2 out of a possible 2 Audit Committee Meetings.
(5) James Couper attended 2 out of a possible 2 Risk Committee Meetings.
(6) Sharon Holt attended 1 out of a possible 2 Risk Committee Meetings.

Company Secretary
The Chief Executive Officer Mr Darryl Macauley is the current Company Secretary.

Directors' Benefits
During or since the end of the financial year no Director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments) by reason of a contract made by the Credit Union or a related corporation with a Director or with a firm of which he or she is a member or with an entity in which he or she has a substantial financial interest.

Indemnifying Officers and Auditor
The Credit Union has a Directors' and Officers' liability insurance policy covering all Directors, Executive Officers and Employees. In accordance with normal commercial practice disclosure of the total premium payable and nature of the liability covered is prohibited by a confidentiality clause in the contract. No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid during or since the end of the financial year for the auditor of the Credit Union.

Auditor's Independence Declaration
The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 10 of the financial report.

Acknowledgements
In concluding this report the Board expresses its appreciation to both management and staff and acknowledge the achievements of Family First Credit Union throughout 2017/2018 would not have been possible without their dedication and commitment. A special acknowledgement to the work of the 50th anniversary committee in hosting the most unbelievable night of celebrations at Lithgow Workies on the night of 10 November 2017. It was a great night with acknowledgement of some significant contributions of past and present stakeholders that have shaped what Family First Credit Union (formerly Small Arms Factory Employees (SAFE) Credit Union and Lithgow Mutual Credit Union) is today. Great effort to all !!!. And last, but by no means least, the Board would also like to express its gratitude and appreciation for the continued support of its loyal owner members as we not only look forward to continue to serve both you and the communities that you work and live in well into the future but also acknowledge both current and past contributors to the successes of Family First Credit Union.

Signed in accordance with a resolution of the Board of Directors.

Colin Lenton
Director
Chair

Jim Couper
Director
Audit Committee Chair

Dated at Lithgow this 17th day of September 2018

intentus
CHARTERED ACCOUNTANTS

LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF FAMILY FIRST CREDIT UNION LTD

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2018 there have been:

i) no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

intentus

intentus

328 Stewart Street
Bathurst
17th day of September 2018

Leanne Smith

Leanne Smith
Director

Liability limited by a scheme approved under Professional Standards Legislation.

FAMILY FIRST CREDIT UNION LIMITED

A.B.N. 39 087 650 057

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 $	2017 $
ASSETS			
Cash and liquid assets	4	1,201,375	2,497,508
Held to maturity	5.1	15,000,000	15,000,000
Loans and receivables	5.2	116,474,974	107,089,209
Accrued receivables	7	128,359	292,689
Available for sale investments	8	226,676	226,675
Property, plant and equipment	9	603,995	673,324
Intangibles	10	166,712	136,830
Deferred tax assets	11.3	142,983	118,151
Other assets	12	263,950	253,093
Tax assets	11.2	-	-
TOTAL ASSETS		134,209,024	126,287,479
LIABILITIES			
Deposits	13	119,682,735	112,834,053
Payables and other liabilities	14	788,630	1,396,780
Tax liabilities	11.1	172,290	123,057
Provisions	15	187,903	174,512
Borrowings	16	2,000,000	1,000,000
TOTAL LIABILITIES		122,831,558	115,528,402
NET ASSETS		11,377,466	10,759,077
MEMBERS' EQUITY			
Retained profits		10,800,099	10,191,710
General reserve for credit losses		227,803	217,803
Asset revaluation reserve		349,564	349,564
TOTAL MEMBERS' EQUITY		11,377,466	10,759,077

These financial statements are to be read in conjunction with the accompanying notes.

FAMILY FIRST CREDIT UNION LIMITED

A.B.N. 39 087 650 057

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
Interest revenue	2.1	5,516,447	5,202,602
Interest expense	2.1	(1,577,619)	(1,483,033)
Net interest revenue		3,938,828	3,719,569
Other income	2.2	870,930	822,671
Total operating income		4,809,758	4,542,240
Non-interest expenses			
Administration expenses	2.5	(1,179,119)	(1,210,659)
Branch occupancy expenses		(291,906)	(259,773)
Data processing		(594,400)	(524,707)
Depreciation and amortisation	2.4	(168,405)	(165,118)
Employee benefits expense	2.4	(1,476,356)	(1,503,909)
Impairment losses on loans and advances	2.3	(37,487)	(71,483)
Loans administration		(25,164)	(21,407)
Marketing		(177,334)	(172,608)
Supervision levy		(11,435)	(7,122)
Total expenses		(3,961,606)	(3,936,786)
Profit before income tax		848,152	605,454
Income tax expense	3	(229,763)	(166,588)
Profit for the year after income tax		618,389	438,866
Other comprehensive income		-	-
Total comprehensive income for the year		618,389	438,866

The accompanying notes form part of these financial statements

FAMILY FIRST CREDIT UNION LIMITED

A.B.N. 39 087 650 057

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Retained Earnings	General Reserve for Credit Losses	Asset Revaluation Reserve	Total
	$	$	$	$
BALANCE AT 1 JULY 2016	**9,752,844**	**217,803**	**349,564**	**10,320,211**
Total comprehensive income				
Profit for the year after income tax	438,866	-	-	438,866
Other comprehensive income	-	-	-	-
Total comprehensive income	438,866	-	-	438,866
Transfer from retained earnings to general reserve for credit losses	-	-	-	-
Revaluation of property	-	-	-	-
BALANCE AT 30 JUNE 2017	**10,191,710**	**217,803**	**349,564**	**10,759,077**
BALANCE AT 1 JULY 2017	**10,191,710**	**217,803**	**349,564**	**10,759,077**
Total comprehensive income				
Profit for the year after income tax	618,389	-	-	618,389
Other comprehensive income	-	-	-	-
Total comprehensive income	618,389	-	-	618,389
Transfer to retained earnings from general reserve for credit losses	(10,000)	10,000	-	-
Revaluation of property	-	-	-	-
BALANCE AT 30 JUNE 2018	**10,800,099**	**227,803**	**349,564**	**11,377,466**

The accompanying notes form part of these financial statements.

FAMILY FIRST CREDIT UNION LIMITED

A.B.N. 39 087 650 057

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on loans		4,777,205	4,432,908
Interest received on investments		914,884	805,034
Dividends received		21,771	34,954
Other income received		849,159	787,717
Interest paid on members' deposits		(1,461,317)	(1,350,754)
Interest paid on borrowings		(33,987)	(27,706)
Payments to suppliers and employees		(3,810,394)	(3,718,172)
Net income taxes (paid) / refunded		(205,362)	(202,786)
Net cash from revenue activities	**22.2**	**1,051,959**	**761,195**
Cash from (used in)/other operating activities			
Net (increase) in SocietyOne loans		(45,950)	(1,000,599)
Net (increase) in members' loan fundings		(8,157,869)	(13,731,443)
Net (decrease) in member shares		(7,260)	(552)
Net increase in member savings		6,855,942	12,521,756
Net movement in deposits to other financial institutions		(3,499,586)	3,310,723
Net increase/(decrease) in members' clearing		(665,631)	173,045
Net cash from (used in) operating activities	**22.2**	**(5,520,354)**	**1,272,930**
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**(4,468,395)**	**2,034,125**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		(1)	-
Proceeds on sale of property, plant and equipment		-	-
Purchase of property, plant and equipment		(38,299)	(63,462)
Purchase of intangible assets		(90,659)	(134,683)
Net cash (used in)/from investing activities		**(128,959)**	**(198,145)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in borrowings		1,000,000	-
Net cash from financing activities		**1,000,000**	**-**
NET (DECREASE)/INCREASE IN CASH HELD		**(3,597,354)**	**1,835,980**
Cash at beginning of year		6,399,164	4,563,184
CASH AT END OF YEAR	**22.1**	**2,801,810**	**6,399,164**

These financial statements are to be read in conjunction with the accompanying notes.

FAMILY FIRST CREDIT UNION LIMITED

A.B.N. 39 087 650 057

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Family First Credit Union Limited (the "Credit Union") is a company limited by shares, incorporated and domiciled in Australia. The credit union is a for profit entity and the nature of its operations, and its principal activities are the provision of deposit taking and loan facilities to the members of the Credit Union. The financial statements were authorised for issue on 17 September 2018 in accordance with a resolution of the board of directors.

Statement of Compliance

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

Basis of Preparation

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets and financial assets. The financial statements are presented in Australian dollars. The accounting policies are consistent with the prior year unless otherwise stated.

1.1 Loans to members

(i) Basis of recognition

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the statement of comprehensive income over the period of the loans using the effective interest method.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Credit Union at balance date, less any allowance or provision against impairment for debts considered doubtful. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by senior management endorsed by the Board of Directors. The Australian Prudential Regulation Authority (APRA) has mandated that interest is not recognised as revenue after the irregularity exceeds 90 days for a loan facility.

(ii) Interest earned

Term Loans - The loan interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

Overdraft – The overdraft interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a member's account on the last of each month.

Non-Accrual Loan Interest – while still legally recoverable, interest is not brought where a loan is impaired.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.1 Loans to members (Continued)

(iii) Loan origination fees and discounts

Material loan establishment fees and discounts are initially deferred as part of the loan balance, and are brought to account as income over the expected life of the loan. The amounts brought to account are included as part of interest revenue.

(iv) Transaction costs

Transaction costs are expenses that are direct and incidental to the establishment of the loan. Material costs are initially deferred as part of the loan balance, and are brought to account as a reduction to the income over the expected life of the loan. The amounts brought to account are included as part of interest revenue.

(v) Fees on loans

The fees charged on loans after origination of the loan are recognised as income when the service is provided or costs are incurred.

1.2 Loan impairment

(i) Provision for impairment

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. Estimated impairment losses are calculated on either a portfolio basis for loans of similar characteristics, or on an individual basis. The amount provided is determined by management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement.

The Credit Union's provision for impairment will comprise:

i. Individually Assessed Provisions (IAP) in accordance with AIFRS
ii. Collection provisions deemed ineligible for inclusion in the General Reserve for Credit Losses
iii. The prescribed provision calculated using the methodology in Australian Prudential Standard 220 Credit Quality less provision held under (i) and (ii).

All facilities are considered for impairment and losses over the total life of the facilities at which time any IAPs deemed necessary are raised. A loan is classified as impaired where Senior Management believe there is doubt over the timely collection of the full amount of cash flows contracted to be received Impairment is calculated as the difference between future cash flows estimated to be collectable on a facility and the carrying amount of the facility. The security held against the facility is also considered and the shortfall of the loan less consideration received for the security if held as an individual provision.

The critical assumptions used in the calculation are as set out in Note 6. Note 23 details the credit risk management approach for loans.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.2 Loan impairment (Continued)

(i) Provision for impairment (continued)

An assessment is made at each balance date to determine whether there is objective evidence that a specific financial asset or a group of financial assets is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower.

Australian Prudential Standard 220 Credit Quality requires a minimum provision to be maintained, based on specific percentages on the loan balance which are contingent upon the length of time the repayments are in arrears.

(ii) Reserve for credit losses

The Board recognises that in addition to the specific provision, the Credit Union will need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties in the future. The reserve is calculated on a portfolio basis, based upon the relative risk levels for different asset classes, with a base level of provisioning for the lowest risk asset class. Historical bad debt write-offs and underlying security are also considered as part of the portfolio assessment.

(iii) Renegotiated loans

Loans which are subject to renegotiated terms which would have otherwise been impaired do not have the repayment arrears diminished and interest continues to accrue to income. Each renegotiated loan is retained at the full arrears position until the normal repayments are reinstated and brought up to date and maintained for a period of 6 months.

1.3 Bad debts written off

Bad debts are written off from time to time as determined by management and the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provision for impairment previously recognised. If no provision had been recognised, the write offs are recognised as expenses in the statement of comprehensive income.

1.4 Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.4 Property, plant and equipment (Continued)

(i) Determination of carrying values

The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

(ii) Depreciation

Property, plant and equipment are depreciated on a straight line basis so as to write off the net cost of each asset over its expected useful life using the following rates:

Buildings	4%
Computer equipment	20% to 33%
Motor Vehicles	20%
Office Equipment	20%
Office Furniture and Fittings	20%
Leasehold Improvements	20% to 50%

Land is not depreciated. Assets with a cost less than $500 are not capitalised and are immediately expensed in profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.5 Intangible assets

Items of computer software which are not integral to the computer hardware owned by the Credit Union are classified as intangible assets.

Intangible assets are carried at cost less, where applicable, any accumulated amortisation and impairment losses. The amortization rates used for intangibles are 25% to 50% unless it is determined that the intangible has an indefinite life.

The carrying amount of software is reviewed annually by the directors to ensure it is not in excess of the recoverable amount of these assets.

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

1.6 Financial instruments

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Credit Union becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Credit Union commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted by transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

(ii) Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.6 Financial instruments (Continued)

(ii) Classification and subsequent measurement (continued)

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including arm's length transactions, reference to similar instruments and option pricing models.

a. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

b. Held-to maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Credit Union's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Term deposits and floating rate notes (FRNs) with other financial institutions are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity. All deposits are in Australian currency. The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the statement of financial position.

c. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with change in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

d. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.6 Financial instruments (Continued)

(iii) Impairment

At the end of each reporting period, the Credit Union assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are immediately recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

(iv) De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

1.7 Members' deposits

(i) Basis for measurement

Member savings and term investments are initially measured at fair value plus transaction costs, and subsequently measured at amortised cost.

(ii) Interest payable

Interest on savings is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each savings and term deposit account as varied from time to time. The amount of the accrual is shown as part of payables in the Statement of Financial Position.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.8 Employee benefits

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Credit Union expects to pay as a result of the unused entitlement. Annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability as the Credit Union does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period. Annual leave liability is still presented as current liability for presentation purposes under AASB 101 Presentation of Financial Statements.

Provision is made for the Credit Union's liability for employee benefits arising from services rendered by employees to the reporting date. Employee benefits expected to be settled within one year, have been measured at their nominal amount.

Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits discounted using national government bond rates. Provision for long service leave is on a pro-rata basis from commencement of employment with the Credit Union based on the present value of its estimated future cash flows.

Annual leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at the reporting date. Contributions are made by the Credit Union to an employee's superannuation fund and are charged to the income statement on an accruals basis.

1.9 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, and bank overdrafts.

1.10 Income tax

The income tax expense shown in the Statement of Comprehensive Income is based on the operating profit before income tax adjusted for any non-tax deductible or non-assessable items between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 27.5%.

Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation; and the anticipation that the Credit Union will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a future income tax benefit to be obtained.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.11 Goods and services tax

As a financial institution, the Credit Union is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to goods and services tax (GST) collection, and the GST on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable. Throughout the year the Credit Union chose to take advantage of the ATO concession of applying the safe harbour GST rate of 18% for claiming GST on acquisitions partly relating to both taxable and financial supplies.

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of the GST incurred is not recoverable from the Australian Tax Office (ATO). 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 are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to the ATO, is included as a current asset or current liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

1.12 Accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Credit Union.

Management have made critical accounting estimates when applying the Credit Union's accounting policies with respect to the impairment provisions for loans - refer Note 6.

1.13 New standards applicable for the current year

There were no new or revised accounting standards applicable for financial years commencing from 1 July 2017 that had any significant impact on the financial statements of the Credit Union.

1.14 New Accounting Standards for Application in Future Periods

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting period. The Credit Union's assessment of the impact of these new standards and interpretations is set out below. Changes that are not likely to impact the financial report of the Credit Union have not been reported.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.14 New Accounting Standards for Application in Future Periods

AASB Reference	Nature of Change	Application date	Impact on Initial Application
AASB 9 Financial Instruments	Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cashflow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.	30 June 2019	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2019 year-end. The Credit Union has not yet made a detailed assessment of the impact of these amendments. However, based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted.
AASB 15 Revenue from Contracts with Customers	AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods and services.	30 June 2019	Based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted.
AASB 16 *Leases*	AASB 16 will cause the majority of leases of an entity to be brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low value assets which may remain off-balance sheet. The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments. A corresponding right to use the asset will be recognised which will be amortised over the term of the lease. Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges.	Periods beginning on or after 1 January 2019	Whilst the impact of adopting AASB 16 has not been quantified, the Credit Union is disclosing $207,246 of operating lease commitments at 30 June 2018 which will need to be recognised in the statement of financial position. Note that the disclosure above relates to the Mudgee branch only as other branch leases are due to expire prior to the application of the AASB 16 Leases standard.

2. PROFIT FOR THE YEAR

2.1 Interest revenue and expense

	2018	2017
	$	$
Interest revenue		
Deposits with other financial institutions	739,242	769,694
Loans to members	4,777,205	4,432,908
	5,516,447	5,202,602
Interest expense		
Member deposits	1,544,160	1,455,081
Short-term borrowings	33,459	27,952
	1,577,619	1,483,033
Net interest income	3,938,828	3,719,569

2.2 Other income:

Dividends	21,771	34,954
Fees and commissions		
- Loan fee income	72,525	68,675
- Other fee income	336,386	351,357
Insurance commissions	125,826	107,918
Other commissions	113,732	122,715
Gain on disposal of assets	-	-
Bad debts recovered	31,160	33,562
Other revenue	169,530	103,490
Total other income	870,930	822,671

2. PROFIT FOR THE YEAR (Continued)

2.3 Impairment losses on loans and advances

	2018	2017
	$	$
Bad debts written off directly against profit	2,563	11,274
Adjustment to provision for impairment	32,601	51,222
Provision for impairment of SocietyOne (P2P Loans)	2,323	8,987
	37,487	71,483

2.4 Other prescribed expense disclosures

The following items of expense are considered to be significant to the understanding of the financial performance of the Credit Union:-

Depreciation and amortisation		
Depreciation	107,629	109,148
Amortisation of intangible assets	60,776	55,970
Total depreciation and amortisation	168,405	165,118
Employee benefits expense		
Salaries	1,243,326	1,235,046
Superannuation contributions (defined contribution funds)	118,984	122,797
Other	114,046	146,066
Total employee benefits	1,476,356	1,503,909

2. PROFIT FOR THE YEAR (Continued)

	2018	2017
	$	$
2.5 Administration expenses		
Administration and head office occupancy	41,063	55,656
Board and committee expenses	213,389	213,231
Member chequing	8,692	5,953
Member protection	158,982	155,807
Electronic Payments costs	355,551	351,731
Visacard expenses	159,461	164,737
Other general administration expenses	241,981	263,544
Total administration	1,179,119	1,210,659

2.6 Auditor's remuneration

Amounts received or due and receivable by the auditors of the Credit Union:		
Intentus Chartered Accountants		
- Audit of the financial statements	37,873	37,026
- Other regulatory audit services	15,851	10,659
- Taxation	-	-
	53,724	47,685

3. INCOME TAX

3.1 The prima facie tax on operating profit is reconciled to income tax expense as follows:

	2018 $	2017 $
Prima facie tax on operating profit before income tax @ 27.5% (2017 – 27.5%)	233,242	166,500
Tax effect of non-allowable items:		
- Legal Fees	908	-
- Entertainment	2,378	2,436
	236,528	168,936
Tax Effect of:-		
- Franking credits on dividends received	(6,765)	(10,486)
Impact on changing tax rate from 30% to 27.5%	-	8,138
Income tax expense attributable to operating profit	229,763	166,588

3.2 Reconciliation of income tax

The income tax expense comprises amounts set aside (utilised) as:		
Provision for income tax attributable to current year		
- Income tax payable	255,371	183,476
- Change in tax rate on franking credits	(776)	(1,251)
Income tax attributable to future years		
- Deferred tax asset	(24,832)	(15,637)
	229,763	166,588

4. CASH AND LIQUID ASSETS

	2018	2017
	$	$
Cash on hand	418,470	402,857
Cash at bank and on deposit	782,905	2,094,651
	1,201,375	2,497,508

5. FINANCIAL ASSETS

5.1 Held to maturity			
Deposits with other financial institutions		15,000,000	15,000,000
5.2 Loans and receivables			
Deposits with other financial institutions		10,044,136	8,845,771
Loans to members			
Overdrafts		296,764	298,308
Term loans		105,208,249	97,048,836
Gross loans and advances		105,505,013	97,347,144
Provision for impaired loans	6.1	(109,414)	(95,318)
Net loans and advances		105,395,599	97,251,826
SocietyOne P2P Loans		1,046,549	1,000,599
Less: Provision for doubtful debts		(11,310)	(8,987)
Net investment in SocietyOne		1,035,239	991,612
		116,474,974	107,089,209

Maturity analysis of loans to members		
Overdrafts	296,764	298,308
Not longer than 3 months	1,325,704	1,225,331
Longer than 3 and not longer than 12 months	3,734,200	3,503,632
Longer than 1 year and not longer than 5 years	17,976,930	16,121,535
Longer than 5 years	82,062,001	76,103,020
	105,395,599	97,251,826

5. FINANCIAL ASSETS (continued)	2018	2017
	$	$
5.2 Loans and receivables		
Maturity analysis of deposits with financial institutions		
At call	1,600,435	3,901,656
Not longer than 3 months	6,503,701	2,504,115
Longer than 3 months and not longer than 12 months	5,500,000	4,440,000
Longer than 1 and not longer than 5 years	11,440,000	13,000,000
	25,044,136	23,845,771

5.3 Concentration of Risk

i) There are 2 members (2017: 1) who individually has loans which represent 10% or more of member's equity. The total exposure as at 30 June 2018 amounts to $2,519,187 (2017: $1,488,642). The credit union holds $3,580,000 (2017: $1,865,000) in security against these loans.

ii) Details of loans which represent, in aggregate, 10% or more of member's equity are set out below. This information was derived from records of residential postcodes.

	2018		2017	
	$	%	$	%
Geographical Area				
Lithgow	50,441,415	47.81	49,795,780	51.15
Mudgee	34,153,638	32.37	26,650,044	27.38
Bathurst	12,989,633	12.31	12,293,443	12.63
Blackheath	7,920,327	7.51	8,600,126	8.83

	2018	2017
	$	$
Credit quality – security held against loans		
Secured by mortgage over real estate	98,150,952	90,188,487
Secured by goods mortgage	4,005,226	3,669,399
Wholly unsecured	3,348,835	3,489,258
	105,505,013	97,347,144

5. FINANCIAL ASSETS (continued)

It is not practicable to value all collateral as at the balance date due to the variety of assets and their condition. A breakdown of the quality of the residential mortgage security on a portfolio basis is as follows:

	2018 $	2017 $
Security held as mortgages against real estate		
- loan to valuation ratio of less than 80%	90,949,349	80,872,040
- loan to valuation ratio of more than 80% but mortgage insured	6,429,252	4,638,227
- loan to valuation ratio of more than 80% but not mortgage insured	772,351	4,678,220
	98,150,952	90,188,487

6. IMPAIRMENT OF LOANS TO MEMBERS

	2018 $	2017 $
6.1 Provision for impaired loans		
Total provision comprises		
Collective provision	56,882	43,075
Specific provision	52,532	52,243
Total Provision	109,414	95,318
Movement in the provision for impairment		
Balance at the beginning of year	95,318	102,556
Add (deduct):		
Doubtful debt expense	32,601	51,222
Bad debts written off against provision	(18,505)	(58,460)
Balance at end of year	109,414	95,318
Provision for Impairment of SocietyOne P2P Loans		
Balance at the beginning of year	8,987	-
Add (deduct) movement in provision:	2,323	8,987
Balance at end of year	11,310	8,987

6. IMPAIRMENT OF LOANS TO MEMBERS (CONTINUED)

6.2 Analysis of loans that are specifically impaired, past due but not impaired and neither past due nor impaired

	2018 $	2017 $
Carrying amount		
Individually impaired		
Gross amount	101,356	73,706
Provision for impairment	(56,882)	(43,075)
Carrying amount	44,474	30,631
Past due but not impaired		
Day in arrears:		
Less than one month	2,820,238	1,078,938
Greater than one month and less than two months	91,176	799,638
Greater than two months and less than three months	-	-
Greater than three months	150,816	290,821
Carrying amount	3,062,230	2,169,397
Neither past due nor impaired		
Secured by mortgage	95,344,479	88,019,090
Personal	6,720,916	6,796,790
Overdrafts/revolving credit	276,032	288,161
Carrying amount	102,341,427	95,104,041
Collective impairment provision	(52,532)	(52,243)
Total carrying amount	**105,395,599**	**97,251,826**

The impaired loans are generally not secured against residential property. Some impaired loans are secured by bill of sale over motor vehicles or other assets of varying value. It is not practicable to determine the fair value of collateral as at the balance date due to the variety of assets and their condition.

6. IMPAIRMENT OF LOANS TO MEMBERS (Continued)

6.3 Assets acquired via enforcement of security

There were nil assets acquired via enforcement through the 2018 year (2017 – nil).

6.4 Loans renegotiated

During the year, the Credit Union renegotiated some loans which were previously past due or impaired. The total value of these loans at 30 June 2018 was $233,825 (2017 – $192,413).

7. ACCRUED RECEIVABLES

	2018 $	2017 $
Accrued interest on receivables due from other financial institutions	108,171	269,166
Other accrued income	20,188	23,523
	128,359	292,689

8. AVAILABLE FOR SALE INVESTMENTS

	2018 $	2017 $
Shares held with special service providers		
- Cuscal Commercial Shares	221,593	221,593
	221,593	221,593
Other shares		
- Transaction Solutions Pty Ltd	5,081	5,081
- Australian Settlements Limited	1	-
- Shared Service Partners Pty Ltd	5,000	5,000
- Less provision for diminution	(4,999)	(4,999)
- Net value	1	1
	5,083	5,082
Total Other Investments	226,676	226,675

8. AVAILABLE FOR SALE INVESTMENTS (Continued)

The shareholding in CUSCAL Limited is measured at cost as its fair value could not be measured reliably. This company was created to supply services to its member Credit Unions as well as other organisations. These shares are held to enable the Credit Union to receive essential banking services (refer to Note 20).

The financial statements of CUSCAL record that the net tangible asset backing of these shares exceeds their cost value. Based on the net assets of CUSCAL, any fair value determination on these shares is likely to be greater than their cost value, but due to the nature of services supplied a market value is not able to be determined readily.

Dividends have historically been paid on the shares held with CUSCAL Limited. The Credit Union is not intending to dispose of these shares as the services supplied by the company relate to the day to day activities of the Credit Union.

As at 30 June 2018, the Credit Union holds a total of 5,081 "A" Class Shares in Transaction Solutions Pty Ltd. These shares are measured at cost as fair value as they could not be measured reliably.

Dividends are currently received on the shares held with Transaction Solutions Pty Ltd.

Throughout the 2016 year, the Credit Union purchased 5,000 ordinary shares in Shared Service Partners Pty Ltd, a company set up by the industry association as part of an industry initiative to drive and improve performance of the sector. The shares in this company are not listed on the stock exchange and not tradeable and have been included in the financial statements at a written down value of $1. This was performed throughout the 2017 financial year as it was thought to be a prudent action given their non listing on the stock exchange, the fact that they do not produce dividend payments and also due to the fact that the shareholding was in substance a contribution in order to participate and funds costs of this initiative. This position also applied throughout the 2018 financial year and as such they remain in the balance sheet at the written down value of $1.

Throughout the 2018 financial year, the Credit Union purchased a membership participation share in Australian Settlements Limited (ASL). The holding of this share allowed the Credit Union to appoint ASL as a New Payments Platform (NPP) sponsor and as such facilitate payments and settlements made by Credit Union members through the NPP channel.

	2018 $	2017 $
9. PROPERTY, PLANT AND EQUIPMENT		
Land at valuation	100,000	100,000
Buildings, at valuation	372,172	364,568
Provision for depreciation	(38,736)	(22,830)
	333,436	341,738
Leasehold improvements, at cost	330,117	330,117
Provision for depreciation	(295,920)	(257,904)
	34,197	72,213
Equipment and furniture, at cost	959,629	928,934
Provision for depreciation	(823,267)	(769,561)
	136,362	159,373
Motor vehicles, at cost	27,499	27,499
Provision for depreciation	(27,499)	(27,499)
	-	-
Net book value of property, plant and equipment	603,995	673,324

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Movements in carrying amounts

Movement in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

2018 Reconciliation	Land	Buildings	Leasehold Improvements	Equipment and Furniture	Motor Vehicles
Opening balance	100,000	341,738	72,213	159,373	-
Revaluation	-	-	-	-	-
Additions	-	7,604	-	30,696	-
Disposals	-	-	-	-	-
Depreciation expense	-	(15,906)	(38,016)	(53,707)	-
Closing balance	100,000	333,436	34,197	136,362	-

2017 Reconciliation	Land	Buildings	Leasehold Improvements	Equipment and Furniture	Motor Vehicles
Opening balance	100,000	356,321	109,675	149,806	3,208
Revaluation	-	-	-	-	-
Additions	-	-	6,835	56,626	-
Disposals	-	-	-	-	-
Depreciation expense	-	(14,583)	(44,297)	(47,059)	(3,208)
Closing balance	100,000	341,738	72,213	159,373	-

As at 14th August 2015, the land and buildings situated at 1 Ordnance Avenue, Lithgow were valued by Ashcrofts & Associates Pty Ltd, a member of the Australian Property Institute. The amount that the land and buildings were valued at was $450,000. As a result of that, as at 31st December 2015, the Board of Family First Credit Union approved to record the revalued land and buildings at 1 Ordnance Avenue, Lithgow in the accounting records and as a result, an asset revaluation reserve to the value of $349,564 was created. No subsequent valuation of the property has taken place.

	2018	2017
	$	$
10. INTANGIBLES		
Member transaction system	901,221	810,563
Accumulated amortisation	(734,509)	(673,733)
	166,712	136,830

Movement in carrying amounts of each class of intangibles between the beginning and end of the current financial year

	2018	2017
	$	$
Movement in Intangibles Reconciliation		
Opening carrying amount	136,830	58,117
Additions	90,658	134,683
Disposals	-	-
Amortisation	(60,776)	(55,970)
Closing carrying amount	166,712	136,830

11. TAXATION

	2018	2017
	$	$
11.1 Taxation liabilities		
Income tax	172,290	123,057
11.2 Taxation Assets		
Income tax	-	-
11.3 Deferred Tax assets		
Deferred tax asset comprising:		
Tax allowances relating to property, plant & equipment	41,573	27,347
Provision for impairment	34,574	30,059
Employee leave entitlements	51,674	47,991
Other – accruals	15,162	12,754
	142,983	118,151

	2018	2017
	$	$

11. TAXATION (Continued)

11.4 Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Capital losses	23,469	23,469

Deferred tax assets have not been recognised in respect of this item because it is not probable that future capital gains will be available against which the Credit Union can utilise the capital losses.

12. OTHER ASSETS

	2018	2017
	$	$
Members' clearing accounts	159,130	158,238
Sundry Debtors	18,938	18,938
Prepayments	74,554	53,277
Premium paid on FRN investments	11,328	22,640
	263,950	253,093

13. DEPOSITS

	2018	2017
	$	$
Call deposits	75,749,378	75,914,416
Term deposits	43,858,225	36,837,245
Withdrawable shares	75,132	82,392
	119,682,735	112,834,053
Maturity analysis		
At call	75,824,510	75,996,808
Not longer than 3 months	15,274,323	14,117,032
Longer than 3 and not longer than 12 months	26,582,575	20,876,562
Longer than 1 year and not longer than 5 years	2,001,327	1,843,651
	119,682,735	112,834,053

13. DEPOSITS (Continued)

There were no defaults on interest or capital payments on these liabilities in the current or prior year. Members withdrawable shares are classified as a liability as they are repayable on the closure of a member's account.

13.1 Concentration of deposits

i) There are no members who individually have deposits which represent 10% or more of the Credit Union's liabilities (2017: $Nil).

ii) Details of deposits which represent 10% or more of total liabilities are set out below. This information is derived from records of residential postcodes.

	2018		2017	
	$	%	$	%
Geographical Area				
Lithgow	58,845,466	49.17	56,278,641	49.88
Mudgee	27,522,037	23.00	26,546,802	23.53
Bathurst	10,326,486	8.63	8,706,253	7.72
Blackheath	13,272,542	11.09	11,007,540	9.76

The Directors do not consider that the Credit Union has a concentration of deposits from members who are associated with a particular business segment or industry.

	2018	2017
	$	$
14. PAYABLES AND OTHER LIABILITIES		
Creditors and accruals	185,426	211,406
Members' clearing accounts	173,849	838,588
Accrued interest on members' deposits	425,450	343,135
GST payable	3,905	3,651
	788,630	1,396,780
15. PROVISIONS		
Employee entitlements - current	148,183	131,449
Employee entitlements – non current	39,720	43,063
	187,903	174,512

	2018	2017
	$	$
16. BORROWINGS		
Short term borrowings – ADI's	-	-
Short term borrowings - other	2,000,000	1,000,000
	2,000,000	1,000,000

17. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES

17.1 Key management personnel compensation

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any director (whether executive or otherwise) of that entity.

KMP has been taken to comprise the Directors and the four members of the executive management team during the financial year who are responsible for the day-to-day financial and operational management of the Credit Union.

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

	Short-term employee benefits	Post-employment benefits	Other long-term Benefits	Termination benefits
Year ended 30 June 2018				
Directors	138,811	13,688	-	-
Other KMP	557,686	52,942	9,535	-
Year ended 30 June 2017				
Directors	131,541	12,496	-	-
Other KMP	548,236	54,385	7,934	-

17. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES (Continued)

17.1 Key management personnel compensation (Continued)

Compensation includes all employee benefits (as defined in AASB 119 *Employee Benefits*). Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity.

Compensation includes:

(i) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits such as cars.;

(ii) post-employment benefits such as superannuation and other retirement benefits;

(iii) other long-term employee benefits, including long-service leave and, if they are not payable wholly within twelve months after the end of the period, bonuses; and

(iv) termination benefits.

17.2 Loans to Key Management Personnel

	Balance as at 1 July	Interest charged	New loans funded	Write-off	Balance as at 30 June	Number in group	Amount of impairment loss expense recognised
Year ended 30 June 2018							
Directors	154,959	7,463	-	-	151,446	2	-
Other KMP	2,115,731	75,869	21,609	-	1,916,582	4	-
Year ended 30 June 2017							
Directors	160,033	8,003	-	-	154,959	2	-
Other KMP	2,292,776	85,328	271,759	-	2,115,731	5	-

Credit Union staff are eligible for a concessional rate of interest on loans provided they comply with the probationary employment period and salary commitment levels. Security is obtained for these loans in accordance with the Credit Union's lending policy. Directors are not eligible to receive a concessional rate of interest on loans.

There is no provision for impairment in relation to any loan extended to key management personnel. No loan impairment expense in relation to these loans has been recognised during the period.

17. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES (Continued)

17.3 Deposits

Directors and related parties have received interest on deposits with the Credit Union during the financial year. Interest has been paid on terms and conditions no more favourable to those available on similar transactions to members of the Credit Union.

17.4 Other transactions

There were no other transactions during the financial year between the Credit Union and members of the Board or key management personnel.

18. COMMITMENTS AND CONTINGENCIES

18.1 Future capital commitments

At 30 June 2018 the Credit Union has entered into an agreement to upgrade its core banking platform and invest in a number of software modules that will increase functionality and improve the member banking experience. The capital cost of this upgrade amounts to $386,405 with the amount expended to date totalling $253,675 - 2017 ($196,359).

18.2 Future lease rental commitments

Operating leases

Operating lease payments under existing lease arrangements are payable over the following periods:

	2018	2017
	$	$
Within 1 year	115,829	121,754
1 to 2 years	48,290	76,630
2 to 5 years	110,666	28,921
	274,785	227,305

18. COMMITMENTS AND CONTINGENCIES (Continued)

18.3 Outstanding loan commitments

The loans approved and contracted by the credit union but not funded as at 30 June 2018 amount to $2,140,170 (2017 - $1,575,102). For loans approved but not yet contracted, the withdrawal of these funds is at the discretion of the board subject to available liquid funds. It is anticipated all of the commitment will be paid within 12 months.

18.4 Unfunded loan facilities

Loan facilities to members for overdrafts and line of credit loans are as follows:

	2018 $	2017 $
Total value of facilities approved	3,791,210	3,735,710
Less: amount advanced	(1,361,584)	(1,119,316)
Net undrawn value	2,429,626	2,616,394

These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.

18.5 Amounts available for redraw

Total loan redraw facilities available at year end were $6,996,835 (2017 - $5,741,797).

18.6 Other

In the normal course of business the Credit Union enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of the members. The Credit Union applies the same credit policies and assessment criteria in making commitments and conditional obligations for off-statement of financial position risks as it does for on-statement of financial position loan assets. The Credit Union holds collateral supporting these commitments where it is deemed necessary.

19. CONTINGENT LIABILITIES

19.1 Credit Union Financial Support System

The Credit Union is a participant in the Credit Union Financial Support System (CUFSS). The purpose of the CUFSS is to protect the interest of Credit Union members, increase stability in the industry and provide liquidity in excess of current borrowing limits in times of need.

As a member, the Credit Union is committed to keep 3% (2017 – 3%) of total liabilities as a deposit with CUSCAL Limited which may be used by CUFSS for providing financial support to other members of CUFSS should they require. No funds have been so provided as at 30 June 2018 (2017 - $Nil).

An Industry Support Contract made on the 4 March 1999 between Credit Union Services Corporation (Australia) Limited, (CUSCAL), Credit Union Financial Support System Limited and participating Credit Unions required the Credit Union to execute an equitable charge in favour of CUSCAL. The Industry Support Contract was amended effective from 14 January 2017 reducing the minimum deposit requirement for permanent loans from 0.1% to 0.0% whereas the minimum deposit requirement for non-permanent loans remained unchanged at 3.0% subject to a maximum cap of $100m.

The CUFSS facility was successfully tested on 14th to 16th May 2018 to both demonstrate the co-operation and commitment of CUFSS members to the scheme and APRA as well as test the ability of CUSCAL (CUFSS's bankers) to efficiently process funds and to enable CUFSS and CUFSS members to certify the successful testing of the emergency loan facility under the Industry Support Contract.

The balance of the debt at 30 June 2018 was $Nil (2017 - Nil). There are no other contingent liabilities at balance date or the date of this report.

20. ECONOMIC DEPENDENCY

The Credit Union has an economic dependency on the following suppliers:

Credit Union Services Corporation (Australia) Limited - (CUSCAL)

This entity supplies financial banking services to the Credit Union and is an approved Special Service Provider for the provision of financial intermediation services. The Credit Union has invested part of its operating liquid assets with the entity.

20. ECONOMIC DEPENDENCY (Continued)

This entity supplies the Credit Union rights to members' cheques and Visa Cards in Australia and provides services in the form of settlement with banks for members' cheques, ATM, Direct Entry and Visa Card transactions performed by its members. This entity also provides treasury management services to enable the credit union to satisfy its ongoing liquidity requirements as well as operating the payment switching mechanism used to link Visa Cards operated through rediATMs, other approved EFT suppliers, Visa acquirers and merchants to the Credit Union's IT system.

The credit union implemented the contract with CUSCAL for the provision of EFT and ATM switching facilities in November 2012. This contract is still in force at balance sheet date.

Ultradata Pty Ltd
This entity provides and maintains the core banking application software utilised by the Credit Union.

Transaction Solutions Pty Ltd (TAS)
This entity provides computing services to the Credit Union. The Credit Union has a management contract with the organisation to supply computer support staff and services to meet the day to day needs of the Credit Union and compliance with relevant prudential standards.

Credit Union Financial Support System (CUFSS)
This entity provides emergency liquidity support to the Credit Union.

Australian Settlements Limited (ASL)
This entity is the sponsor of payments conducted under the new payments platform (NPP) which was implemented in February of the 2018 financial year.

21. SEGMENT REPORTING

The Credit Union operates predominantly in the finance industry within New South Wales. The operations comprise the acceptance of deposits and the making of loans to members. Specific segments of related deposits and loans are set out in Notes 5 and 13 respectively.

22. STATEMENT OF CASH FLOWS

Cash arising from the following activities are presented on a net basis in the statement of cash flows:

(i) member deposits to and withdrawals from savings, money market and other deposit accounts;
(ii) sales and purchases of maturing certificates of deposit;
(iii) provision of member loans and the repayment of such loans.

22.1 Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cashflows is reconciled to the related items in the statement of financial position as follows:

	Note	2018 $	2017 $
Cash on hand and at bank	4	1,201,375	2,497,508
Deposits at call	5.2	1,600,435	3,901,656
Cash per statement of cash flows		2,801,810	6,399,164

22.2 Reconciliation of net cash provided by operating activities to operating profit after tax

Profit for the year after Income Tax	618,389	438,866
Non-cash items		
Provision for employee entitlements	13,391	21,947
Provision for taxation	49,233	(20,559)
Depreciation and amortisation	168,405	165,118
Amortisation of premiums paid on FRN's	11,312	15,135

22. STATEMENT OF CASH FLOWS (Continued)

	2018 $	2017 $
22.2 Reconciliation of net cash provided by operating activities to operating profit after tax (Continued)		
Movements in assets and liabilities		
Movement in accrued interest receivable	164,330	20,205
Movement on diminution of shares	-	4,999
Movement in SocietyOne provision	2,323	8,987
Movement in sundry debtors	-	-
Movement in prepayments	(21,277)	59,627
Movement in creditors	(25,980)	(35,895)
Movement in GST payable	254	1,067
Movement in accrued interest payable	82,315	104,573
Movement in provision for doubtful debts	14,096	(7,238)
Decrease in deferred tax asset	(24,832)	(15,637)
Net cash provided from revenue activities	**1,051,959**	**761,195**
Add/(deduct) non revenue operations		
Net increase in SocietyOne loans	(45,950)	(1,000,599)
Net Members' loan fundings	(8,157,869)	(13,731,443)
Net (decrease) in member shares	(7,260)	(552)
Net increase in member savings	6,855,942	12,521,756
Net movement in deposits to other financial institutions	(3,499,586)	3,310,723
Net (decrease) in members' clearing	(665,631)	173,045
Net cash from operating activities	**(5,520,354)**	**1,272,930**
Cash flows from (used in) operating activities	**(4,468,395)**	**2,034,125**

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

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

The Credit Union's risk management focuses on the major areas of market risk, credit risk, liquidity risk and operational risk. Authority flows from the board of directors to the Risk Committee whose charter is integral to the management of risk.

Board: This is the primary governing body. It approves the level of risk which the Credit Union is willing to accept and the framework for reporting and mitigating those risks.

Risk Committee: Its key role in risk management is the formulation and monitoring of the Credit Union's Risk Strategy. The Enterprise Risk Management Committee reports to the Risk Committee as well as the Chair of the Risk Committee participating in the Operational Risk Management Committee. The Enterprise Risk Management Committee's responsibility is to identify, assess, monitor and measure the risk exposures evident in the credit union's operations. The Enterprise Risk Management Committee, along with the Risk Committee, are constantly looking at ways in which risks can be reduced and operate within risk appetite and tolerance levels set by the Board.

Audit Committee: Its key role in risk management is the assessment of the controls that are in place to mitigate risks. The Audit Committee considers and confirms that the significant risks and controls are to be assessed within the internal audit plan. The Audit Committee receives the internal audit reports on assessment and compliance with the controls, and provides feedback to the Risk Committee for their consideration.

The Audit Committee carries out a regular review of all operational areas to ensure that operational risks are being properly controlled and reported. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

The Audit Committee monitors compliance with the framework laid out in the policy on a quarterly basis and reports in turn to the board, where actual exposures to risks are measured against prescribed limits.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

- Interest rate risk;
- Liquidity management;
- Credit risk management; and
- Operations risk management including data risk management.

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

23.1 Market Risk Policy

The objective of the Credit Union's market risk management is to manage and control market risk exposures in order to optimise returns within a desired risk appetite.

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities which will have an adverse effect on the Credit Union's financial condition or results. The Credit Union is not exposed to currency risk, and other significant price risk. The Credit Union does not trade in the financial instruments it holds on its books. The Credit Union is exposed only to interest rate risk arising from changes in market interest rates.

Interest Rate Risk

Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to changes in interest rates.

Most banks are exposed to interest rate risk within its Treasury operations. This Credit Union does not have a treasury operation and does not trade in financial instruments.

Interest rate risk in the banking book

The Credit Union is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities.

The Credit Union's exposure to interest rate risk is measured and monitored using interest rate sensitivity models as prepared for the Assets & Liabilities Committee (ALCO) and is reported to the board monthly.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest Rate Risk (Continued)

The level of mismatch on the banking book is set out in Note 26. The table set out at Note 26 displays the period that each asset and liability will reprice as at the balance date. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

Monitoring and managing interest rate risk

The Credit Union manages its interest rate risk by the use of interest rate sensitivity analysis, the detail and assumptions used are set out below.

The policy of the Credit Union to manage the risk is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The gap is measured monthly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposit liabilities to rectify the imbalance to within acceptable levels. The policy of the Credit Union is not to undertake derivatives to match the interest rate risks. The Credit Union's exposure to interest rate risk is set out in Note 26 which details the contractual interest rate change profile.

An independent review of the interest rate risk profile has been conducted by Visual Risk, an independent risk management consultancy organisation, throughout the year. The Risk Committee and board monitors these risks through the reports from Visual Risk and other management reports.

Based on the Value at Risk (VaR) calculations as at 30 June 2018, with a confidence level of 99% over a 10 day period, the credit union is likely to sustain an interest rate loss on the portfolio would be no greater than $108,963 (2017 - $112,229).

The Credit Union performs a sensitivity analysis to measure market risk exposures.

The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing on the banking book of the Credit Union for the next 12 months. In doing the calculation the assumptions applied were that:

- the interest rate change would be applied equally to the loan products and term deposits;

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest Rate Risk (Continued)

- the rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period;
- the term deposits would all reprice to the new interest rate at the term maturity, or be replaced by a deposit with similar terms and rates applicable;
- savings deposits would not reprice in the event of a rate change ;
- the value and mix of call savings to term deposits will be unchanged; and
- the value and mix of personal loans to mortgage loans will be unchanged.

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

23.2 Liquidity Risk

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

The Credit Union manages liquidity risk by:

- continuously monitoring actual daily cash flows;
- monitoring the maturity profiles of financial assets and liabilities;
- maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- monitoring the prudential liquidity ratio daily.

The Credit Union has a longstanding arrangement with the industry liquidity support organisation Credit Union Financial Support System (CUFSS) which can access industry funds to provide support to the Credit Union should it be necessary at short notice.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

23.2 Liquidity Risk (continued)

The Credit Union is required to maintain at least 9% of total adjusted liabilities as minimum liquidity holdings (MLH) assets capable of being converted to cash within 48 hours under the APRA Prudential standards. The Credit Union's desired liquidity position is to apply between 14.5% and 17.0% of funds as MLH to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level the management and board are to address the matter and ensure that liquid funds are obtained from new deposits, or borrowing facilities available. Note 28 describes the borrowing facilities, if any, as at balance date. These facilities are in addition to the liquidity support from CUFSS.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in Note 25. The ratio of minimum liquidity holding assets (MLH over the past year is set out below:

APRA minimum 9 %	**2018**	**2017**
MLH as at 30 June	16.56%	18.47%
MLH average for the year	16.60%	19.85%
Lowest MLH during the year	16.07%	17.07%
To total member deposits		
As at 30 June	18.60%	20.53%

23.3 Credit Risk

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to the Credit Union which may result in financial losses. Credit risk arises principally from the Credit Union's loan book and investment assets.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

23.3 Credit Risk (Continued)

Credit Risk - Loans

The analysis of the Credit Union's loans by class is as follows:

	2018	2017
	$	$
Loans to members		
Mortgage	98,150,952	90,188,487
Personal	7,057,297	6,860,349
Overdrafts	296,764	298,308
Total loans	105,505,013	97,347,144
Provision for impairment	(109,414)	(95,318)
	105,395,599	97,251,826
Loans under SocietyOne P2P lending		
Balance of investment	1,046,549	1,000,599
Provision for impairment	(11,310)	(8,987)
Net balance of investment	1,035,239	991,612

The credit union's maximum exposure to credit risk is the carrying value on the statement of financial position plus the undrawn facilities (Loans approved not advanced, redraw facilities; line of credit facilities; overdraft facilities) being $117,997,469 (2017: $108,176,731). Further details are shown in Note 5, Note 18 and Note 25.

All loans and facilities are within Australia. Concentrations are described in Note 5.

The method of managing credit risk is by way of strict adherence to the Credit Union's credit assessment policies before the loan is approved and close monitoring of defaults in the repayment of loans thereafter on a weekly basis. The credit policy has been endorsed by the Board to ensure that loans are only made to members that are creditworthy (capable of meeting loan repayments).

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

23.3 Credit Risk (Continued)

Credit Risk - Loans (Continued)

The Credit Union has established policies over the:

- credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- limits of acceptable exposure over the value to individual borrowers, non-mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- reassessing and review of the credit exposures on loans and facilities;
- establishing appropriate provisions to recognise the impairment of loans and facilities;
- debt recovery procedures; and
- review of compliance with the above policies.

A regular review of compliance is conducted as part of the internal audit scope.

Past due and impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a member enters into a lending agreement with the Credit Union that requires interest and a portion of the principle to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past due.

Past due does not mean that a counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Once the past due period exceeds 90 days the loan is regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loan is over 90 days in arrears. The exposure to losses arises predominantly in personal loans and facilities not secured by registered mortgages over real estate.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

23.3 Credit Risk (Continued)

Credit Risk - Loans (Continued)

If evidence of impairment exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the profit or loss. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral.

In addition to specific provisions against individually significant financial assets, the Credit Union makes collective assessments for each financial asset portfolio segmented by similar risk characteristics. Statement of Financial Position provisions are maintained at a level that management deems sufficient to absorb probable incurred losses in the Credit Union's loan portfolio from homogenous portfolios of assets and individually identified loans.

A provision for incurred losses is established on all past due loans after a specified period of repayment default where it is probable that some of the principal will not be repaid or recovered. The provisions for impaired and past due exposures relate to loans to members.

Bad debts

Amounts are written off when collection of the loan or advance is considered to be remote. All write offs are on a case by case basis, taking account of the exposure at the date of the write off.

On secured loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lenders mortgage insurance.

A reconciliation of the movement in the provision for impairment is provided in Note 5.2.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

23.3 Credit Risk (Continued)

Credit Risk - Loans (Continued)

Collateral securing loans

A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the Credit Union is exposed to risks in the reduction of the Loan to Value (LVR) cover should the property market be subject to a decline.

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

Concentration risk – individuals

Concentration risk is a measurement of the Credit Union's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the Credit Union's regulatory capital (10%) a large exposure is considered to exist. No capital is required to be held against these but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark to be higher than acceptable.

The aggregate value of large exposure loans are set out in Note 5. Concentration exposures to counterparties are closely monitored with a review being undertaken on a quarterly basis by the Assets & Liabilities Committee (ALCO) for all exposures over 5% of the capital base.

Concentration risk – industry

There is no concentration of credit risk with respect to loans and receivables as the Credit Union has a large number of customers dispersed in areas of employment.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

23.3 Credit Risk (Continued)

Credit Risk – Liquid Investments

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

Investments held by the credit union are diversely held at a number of counterparties varying from A-1 short term and AA- long term rating through to unrated institutions. The policy surrounding the investment of excess funds limits the amount that can be invested in institutions dependent upon their external credit rating. At balance date, the credit union has funds placed with 20 (2017 – 16) counterparties.

Credit Risk - Guarantees

The Credit Union does not have any third party guarantees in place.

23.4 Capital Management

The minimum capital levels are prescribed by the Australian Prudential Regulation Authority (APRA). Under the APRA prudential standards capital is determined in three components:

- Credit risk;
- Market risk (trading book); and
- Operations risk.

The market risk component is not required as the Credit Union is not engaged in a trading book for financial instruments.

Capital Resources

Tier 1 Capital

The vast majority of Tier 1 capital comprises retained earnings and realised reserves.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

23.4 Capital Management (Continued)

Capital Resources (Continued)

Tier 2 Capital

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by APRA.

Tier 2 capital generally comprises:

- Available for sale reserve which arises from the revaluation of financial instruments categorised as available for sale and reflects the net gains in the fair value of those assets in the year. This is included within upper Tier 2 capital.
- A general reserve for credit losses.

Capital in the Credit Union is made up as follows:

	2018 $	2017 $
Tier 1		
Retained earnings	10,800,099	10,191,710
Less Tier 1 deductions	(420,492)	(365,778)
Net Tier 1 capital	10,379,607	9,825,932
Tier 2		
General reserve for credit losses	227,803	217,803
Asset revaluation reserve	349,564	349,564
Less Tier 2 deductions	(110,796)	(110,796)
Net Tier 2 capital	466,571	456,571
Total regulatory capital	**10,846,178**	**10,282,503**

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

23.4 Capital Management (Continued)

Capital Resources (Continued)	2018	2017
	$	$
Credit risk	57,528,847	56,986,631
Operation risk	7,028,086	6,345,675
Total risk weighted assets	**64,556,933**	**63,332,306**

Under APRA Prudential Standards, the Credit Union is required to maintain a minimum level of capital level as compared to the risk weighted assets at any given time. The capital ratio maintained as at 30 June 2018 exceeded the minimum ratio to be maintained as required by APRA.

The capital ratio as at the end of the financial year over the past 5 years is as follows

2018	2017	2016	2015	2014
16.8%	16.2%	17.5%	17.9%	20.8%

The level of capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. To manage the Credit Union's capital the Credit Union reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the board and the regulator if the capital ratio falls below 14%. Further a 3 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

24. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes:

	Note	2018	2017
		$	$
Financial assets			
Cash and liquid assets	4	1,201,375	2,497,508
Total cash and liquid assets		1,201,375	2,497,508
Held to maturity	5.1	15,000,000	15,000,000
Loans and receivables	5.2	116,474,974	107,089,209
Accrued receivables	7	128,359	292,689
Total loans and receivables		131,603,333	122,381,898
Available for sale investments - carried at cost	8	226,676	226,675
Total available for sale investments		226,676	226,675
Total financial assets at amortised cost		133,031,384	125,106,081
Financial liabilities			
Payables and other liabilities	14	788,630	1,396,780
Deposits from members	13	119,682,735	112,834,053
Borrowings	16	2,000,000	1,000,000
Total carried at amortised cost		122,471,365	115,230,833
Total financial liabilities		122,471,365	115,230,833

25. MATURITY PROFILE OF FINANCIAL LIABILITIES

The table below reflects the undiscounted contractual settlement terms for financial liabilities. As such the amounts disclosed may not reconcile to the statement of financial position.

2018	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total
	$	$	$	$	$	$	$
LIABILITIES							
Payables and other liabilities	363,180	-	-	-	-	-	363,180
Borrowings	2,000,000	-	-	-	-	-	2,000,000
Deposits from members	78,840,544	12,331,327	26,840,441	2,020,741	-	75,132	120,108,185
Total On Balance Sheet Financial Liabilities	**81,203,724**	**12,331,327**	**26,840,441**	**2,020,741**	**-**	**75,132**	**122,471,365**
Undrawn commitments (Note 18)	11,566,631	-	-	-	-	-	11,566,631
Total Financial Liabilities	**92,770,355**	**12,331,327**	**26,840,441**	**2,020,741**	**-**	**75,132**	**134,037,996**

25. MATURITY PROFILE OF FINANCIAL LIABILITIES (Continued)

2017	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total
	$	$	$	$	$	$	$
LIABILITIES							
Payables and other liabilities	1,053,645	-	-	-	-	-	1,053,645
Borrowings	-	1,000,000	-	-	-	-	1,000,000
Deposits from members	78,610,852	11,552,093	21,071,025	1,860,826	-	82,392	113,177,188
Total On Balance Sheet Financial Liabilities	**79,664,497**	**12,552,093**	**21,071,025**	**1,860,826**	**-**	**82,392**	**115,230,833**
Undrawn commitments (Note 18)	9,933,293	-	-	-	-	-	9,933,293
Total Financial Liabilities	**89,597,790**	**12,552,093**	**21,071,025**	**1,860,826**	**-**	**82,392**	**125,164,126**

26. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities have conditions which allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings). The table below shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date, or maturity date.

2018	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
ASSETS	$	$	$	$	$	$	$
Cash	782,905	-	-	-	-	418,470	1,201,375
Held to maturity	8,500,000	6,500,000	-	-	-	-	15,000,000
Loans and receivables	104,625,910	2,819,717	2,212,138	6,937,931	-	-	116,595,696
Accrued receivables	-	-	-	-	-	128,359	128,359
Investments	-	-	-	-	-	226,675	226,675
Total Financial Assets	**113,908,815**	**9,319,717**	**2,212,138**	**6,937,931**	**-**	**773,504**	**133,152,105**

26. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES (continued)

2018	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
LIABILITIES	$	$	$	$	$	$	$
Payables and other liabilities	788,630	-	-	-	-	-	788,630
Borrowings	2,000,000	-	-	-	-	-	2,000,000
Deposits from members	78,810,846	12,212,855	26,582,575	2,001,327	-	75,132	119,682,735
	81,599,476	12,212,855	26,582,575	2,001,327	-	75,132	122,471,365
Undrawn Commitments (Note 18)	11,566,631	-	-	-	-	-	11,566,631
Total Financial Liabilities	**93,166,107**	**12,212,855**	**26,582,575**	**2,001,327**	**-**	**75,132**	**134,037,996**

26. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES (Continued)

2017	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
ASSETS	$	$	$	$	$	$	$
Cash	2,094,651	-	-	-	-	402,857	2,497,508
Held to maturity	8,500,000	6,500,000	-	-	-	-	15,000,000
Loans and receivables	97,419,547	1,503,236	2,352,812	5,917,918	-	-	107,193,513
Accrued receivables	-	-	-	-	-	292,689	292,689
Investments	-	-	-	-	-	226,675	226,675
Total Financial Assets	**108,014,198**	**8,003,236**	**2,352,812**	**5,917,918**	**-**	**922,221**	**125,210,385**
LIABILITIES	$	$	$	$	$	$	$
Payables and other liabilities	1,396,780	-	-	-	-	-	1,396,780
Borrowings	-	1,000,000	-	-	-	-	1,000,000
Deposits from members	78,585,967	11,445,480	20,876,562	1,843,652	-	82,392	112,834,053
	79,982,747	12,445,480	20,876,562	1,843,652	-	82,392	115,230,833
Undrawn Commitments (Note 18)	9,933,293	-	-	-	-	-	9,933,293
Total Financial Liabilities	**89,916,040**	**12,445,480**	**20,876,562**	**1,843,652**	**-**	**82,392**	**125,164,126**

27. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

- Financial instruments carried at amortised cost
- The fair values of liquid assets and other assets maturing within 12 months approximate their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.
- The fair value of at call deposits with no specific maturity is approximately their carrying amount as they are short term in nature or are payable on demand.
- The fair value of term deposits at amortised cost is estimated by reference to current market rates offered on similar deposits.
- The fair value of variable rate financial instruments, including loan assets and liabilities carried at amortised cost are approximated by their carrying value. In the case of loan assets held at amortised cost, changes in the fair value do not reflect changes in credit quality, as the impact of credit risk is largely recognised separately by deducting the amount of an allowance for credit losses.
- The fair value of fixed rate loans at amortised cost is estimated by reference to current market rates offered on similar loans.

Fair value hierarchy

The following tables show the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The different levels have been defined as follows:

27. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (Continued)

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).
It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

30 June 2018	**Note**	**Carrying amount**	**Level 1 $**	**Level 2 $**	**Level 3 $**
Financial assets not measured at fair value					
Loans to members	5.2	105,395,599	-	105,424,001	-
		105,395,599	**-**	**105,424,001**	**-**
Financial liabilities not measured at fair value					
Deposits	13	119,682,735	-	119,593,589	-
		119,682,735	**-**	**119,593,589**	**-**

30 June 2017	**Note**	**Carrying amount**	**Level 1 $**	**Level 2 $**	**Level 3 $**
Financial assets not measured at fair value					
Loans to members	5.2	97,251,826	-	97,242,555	-
		97,251,826	**-**	**97,242,555**	**-**
Financial liabilities not measured at fair value					
Deposits	13	112,834,053	-	112,929,711	-
		112,834,053	**-**	**112,929,711**	**-**

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on current market rates at the reporting date which incorporate an appropriate credit spread, and were as follows:

	2018	**2017**
Loans to members	4.15% - 4.75%	4.15% - 4.75%
Deposits	0.25% - 3.00%	0.25% - 3.00%

28. STANDBY BORROWING FACILITIES

Overdraft facility

	2018 $	2017 $
Total facility	-	-

29. SECURITISATION

The Credit Union previously had an arrangement with Integris Securitisation Services Pty Limited whereby it acted as an agent to promote and complete loans on their behalf, for on sale to an investment trust. The Credit Union also previously managed the loans portfolio on behalf of the trust and as such the credit union bore no risk exposure in respect of these loans. The Credit Union received a management fee to recover the costs of on-going administration of the processing of the loan repayments and the issue of statements to the members. Throughout the 2014 financial year, the securitisation facility provided by Integris Securitisation Services Pty Limited was cancelled.

The amount of securitised loans under management as at 30 June 2018 is $Nil (2017: $Nil).

30. SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, or state of affairs of the Credit Union in subsequent financial years.

FAMILY FIRST CREDIT UNION LIMITED
A.B.N. 39 087 650 057

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018
(Continued)

DIRECTORS' DECLARATION

In the opinion of the directors of Family First Credit Union Limited ('the Credit Union'):

(a) the financial statements and notes that are set out on pages 11 to 69 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Credit Union's financial position as at 30 June 2018 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

The directors draw attention to Note 1 to the financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Colin Lenton	Jim Couper
Director	Director
Chair	Audit Committee Chair

Dated at Lithgow this 17th day of September 2018

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CHARTERED ACCOUNTANTS

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
FAMILY FIRST CREDIT UNION LTD
ABN 39 087 650 057

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Family First Credit Union Ltd (The Credit Union), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by those charged with governance.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Credit Union as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Credit Union in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the Credit Union's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Credit Union's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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328 Stewart Street
Bathurst
18th September 2018

Leanne Smith
Leanne Smith
Director