FAMILY FIRST CREDIT UNION LIMITED

A.B.N. 39 087 650 057

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2016

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 Dale Grounds MBA GRAD DIP FIN ADMIN GRAD DIP BUS BA (Econ) MAMI AIMM
Mr Darryl Macauley JP MAMI CPA BComm

Management:

General Manager:	Mr Dale Grounds MBA GRAD DIP FIN ADMIN GRAD DIP BUS BA (Econ) MAMI AIMM
Assistant General Manager:	Mr Darryl Macauley JP MAMI CPA BComm
Senior Manager – Sales & Distribution:	Mr James McKid BEc BComm
Risk & Compliance Manager:	Ms Catherine Cannon MApplFin (Banking) and ASSOC DIP BUS (Accounting)

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 2016.

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)
Peter James Cafe	(Deputy Chair)
Antony Benetatos	(Board Appointed Director)
Jeffery Harry Carter	
James Edward Couper	(Associate Director – appointed 17 July 2015)
Kathryn Henrietta Grace Dickson	
Richard Stuart Mara	
Sharon Gaile Holt	
Lynette Safranek	(Associate Director – appointed 27 June 2016)

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 $418,137 (2015 - $263,980).

DIRECTORS' REPORT
(Continued)

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 this year in the Credit Unions 49th year of operation. The year, as you would expect, has been quite challenging, particularly given the competitive environment that we operate within combined with the record low interest rates on offer. Despite this, your Credit Union has been able to achieve great results in most operating areas, both financial and non financial. We have been able to record double digit growth in assets, loans and deposits and in the process assisted more and more of our members in achieving financial stability. This also places us in good stead in terms of future sustainability. Some of the key points of the Credit Union's operation is reflected in the following summary:-

- After tax profit increased by $154,157 or 58.4% to $418,137
- Total membership decreased by 182 members to 8,896 members, a decline of 2.0%
- Member deposits increased by $9,587,814 or 10.6% to $100,312,849
- Loans increased by $9,588,417 or 13.0% to $83,615,701
- Total assets increased by $11,727,143 or 11.6% to $113,053,735
- Capital adequacy decreased to 17.5% (2015 – 17.9%)
- Minimum Liquidity Holdings (MLH) increased to 21.8% (2015 – 20.6%)
- Total liquidity decreased to 25.1% (2015 – 25.9%)
- Capital increased by $754,928 or 8.2% to $9,937,987
- Total Risk Weighted Assets increased by $5,370,418 or 10.5% to $56,738,337
- Operating expenses decreased by $73,993 or 1.9% to $3,740,932
- Impairment expenses increased by $17,628 or 35.1% to $67,792
- Interest margin increased by $227,622 or 6.9% to $3,526,497

There are a number of achievements that we at the credit union are very proud of. The significantly improved result in terms of profitability is on the back of much hard work resulting in a decrease in operating costs and careful margin management whilst maintaining high service levels to its membership.

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, total liquidity held strong at 25.1% whilst the capital adequacy ratio was also well over prudential requirements at 17.5%. Following a revaluation of our Head Office premises at 1 Ordnance Avenue, Lithgow address, we were able to realise a further $350,000 worth of capital which has almost see us push past the $10 million capital mark. 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.

Review of Operations (Continued)

But despite what we have achieved throughout the 2016 financial year, there is no time to relax. The 2017 Financial Year brings on more challenge as official cash rates are reduced further creating more pressures on interest margin. Added technology costs will also be incurred as we upgrade our core banking software and invest in technology that allows our members to transact with us, no matter the location, no matter what the time.

Financial Year 2016 saw the largest loan funding year on record with $33,525,274 worth of loans being taken up by our loyal and supportive members. That's more members and their families in new homes, driving away in new cars, resting and relaxing on holidays, all funded by loans obtained by your credit union. It is also testament to our credit assessment guidelines that despite the record loan funding year, loan impairment costs were able to be kept to a minimum for a second year running which is a great result also.

We were able to relocate our Bathurst branch into 75 – 77 William Street which is the heart of the banking precinct which is showing early signs of success since taking occupancy in March 2016. This further illustrates our commitment to our Bathurst members as well as assessing the needs of members against the costs of servicing them.

In order to maintain the high service standards associated with the operations of the Credit Union, it is a commercial reality that the Credit Union levy fees and charges for certain actions and transaction types to offset the costs incurred to remain financially viable in the long term. That being said, we have over the years been able to reduce the impost on our members from levied transaction fees by adopting a user pay approach in conjunction with rebating fees to members that have a stronger banking relationship with us. The level of rebated fees continued throughout the 2016 financial year amounting to $394,246 (2015: $417,599). Family First Credit Union values its role with regards to corporate and social responsibility throughout the communities it operates within. As such, throughout the year we have repatriated $3,111 to our Bonus Saver Community Organisation recipients as well as donating $17,751 to community based organisations through the, community support grant program to assist them with their tireless and well deserved and appreciated work within their individual communities.

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 and Board Renewal & Remuneration Committee
- Advanced Diploma in Accounting, Bachelor of Business
- Graduate Diploma AICD 2007
- Member, Australian Institute of Management
- Associate Director 2004 to 2006

Experience: Appointed 26 June 2006
Occupation: Company Director

Mr Peter James Cafe MAMI, GAICD

- Director, Deputy Chair of the Board
- Chair of Risk Committee
- Member of Corporate Governance Committee
- Member of the Board Renewal & Remuneration Committee

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

Mr Richard Stuart Mara AFAMI

- Director, Member of Audit Committee and Member of Risk Committee
- Director Representative, Nominations Committee

Experience: Board Member since 1976
Occupation: Retired Engineer – Project Supervisor

Mr Jeffery Harry Carter AFAMI JP

- Director, Member of Audit Committee, member of Risk Committee and member of Corporate Governance Committee
- Member of Board Renewal & Remuneration Committee

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

Information on Directors (continued)

Mrs Kathryn Henrietta Grace Dickson MAMI

- Chair of Audit Committee
- Member of Risk Committee and 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

Mrs Sharon Gaile Holt MAMI

- Director, Member of Audit Committee and member of Risk Committee
- Associate Director 2012 to 2013

Experience: Appointed 1 July 2013
Occupation: Chief Executive Officer

Mr Antony Benetatos MAMI

- Board Appointed Director, Member of Risk Committee
- Bachelor of Economics
- Bachelor of Law LlB
- Associate Director 2014 - 2015

Experience: Board Appointed 27 April 2015
Occupation: Solicitor

Mr James Edward Couper

- Graduate Diploma in Marketing
- Associate Director appointed 22 July 2015

Experience: Appointed 17 July 2015
Occupation: Marketing Research Consultant

Mrs Lynette Safranek

- Associate Director appointed 27 June 2016

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

All Directors have either completed or in the process of completing the Australian Mutuals Institute (AMI) Development Programme and actively participate in professional development activities promoted by Instil, CUSCAL, AICD 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 General Manager'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 General Manager 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

Compliance

The Risk & Compliance Manager 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 Risk & Compliance Manager 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 Risk & Compliance Manager 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 this is the first year Intentus Chartered Accountants have audited the financial statements of Family First Credit Union Limited following a successful tender process which saw them take over from our previous external auditors KPMG Wollongong. 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 in the previous year to extend the current contract of the incumbent Internal Auditor, Mr Glenn Pannam from DBP Consulting Pty Ltd for a further 3 years until 30 June 2018.

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.

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:	**12**	**11**	**5**	**4**	**1**
Number of meetings attended:					
Peter Cafe	12	11	-	2	-
Jeffery Carter	11	10	5	-	1
James Couper *	6	-	4	-	-
Colin Lenton	10	10	-	2	-
Richard Mara	9	-	3	4	-
Kathy Dickson	10	-	5	2	-
Sharon Holt	9	-	3	3	-
Antony Benetatos	10	-	-	3	-
Lynette Safranek **	-	-	-	-	-

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 5 March 2016. 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.

* James Couper was appointed as an Associate Director effective 17 July 2015.
** Lynette Safranek was appointed as an Associate Director effective 27 June 2016 and as such was not able to attend any of the meetings shown in the table above.

Company Secretary

Mr Dale Grounds is the current Company Secretary of the Credit Union with Mr Darryl Macauley being the alternate Company Secretary. Mr Dale Grounds was appointed the Company Secretary for the Credit Union effective from 1 July 2013.

DIRECTORS' REPORT
(Continued)

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 2016 has been received and can be found on page 12 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 2015/2016 would not have been possible without their dedication and commitment. The Board would also like to express its gratitude and appreciation for the continued support of its loyal owner members. We look forward to continue to serve both you and the communities that you work and live in well into the future.

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

Colin Lenton	Kathryn Dickson
Director	Director
Chair	Audit Committee Chair

Dated at Lithgow this 20th day of September 2016

intentus
CHARTERED ACCOUNTANTS

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: the directors of Family First Credit Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 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.

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291 Stewart Street
Bathurst
Dated: 20 September 2016

LR Smith
Director

FAMILY FIRST CREDIT UNION LIMITED

A.B.N. 39 087 650 057

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	2016	2015
		$	$
ASSETS			
Cash and cash equivalents	4	1,063,184	1,076,272
Held to maturity	5.1	14,000,000	7,500,000
Loans and receivables	5.2	96,267,983	91,143,855
Accrued receivables	7	312,894	547,341
Available for sale investments	8	231,674	226,674
Property, plant and equipment	9	719,010	385,797
Intangibles	10	58,117	57,524
Deferred tax assets	11.3	102,514	90,300
Other assets	12	298,359	298,829
Tax assets	11.2	-	-
TOTAL ASSETS		113,053,735	101,326,592
LIABILITIES			
Deposits	13	100,312,849	90,725,035
Payables and other liabilities	14	1,124,494	809,835
Tax liabilities	11.1	143,616	78,835
Provisions	15	152,565	160,377
Borrowings	16	1,000,000	-
TOTAL LIABILITIES		102,733,524	91,774,082
NET ASSETS		10,320,211	9,552,510
MEMBERS' EQUITY			
Retained profits		9,752,844	9,344,707
General reserve for credit losses	17.1	217,803	207,803
Asset revaluation reserve	17.2	349,564	-
TOTAL MEMBERS' EQUITY		10,320,211	9,552,510

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 2016

	Note	2016 $	2015 $
Interest revenue	2.1	5,038,295	4,853,742
Interest expense	2.1	(1,511,798)	(1,554,867)
Net interest revenue		3,526,497	3,298,875
Other income	2.2	868,453	934,968
Total operating income		4,394,950	4,233,843
Non-interest expenses			
Administration expenses	2.5	(1,140,936)	(1,073,403)
Branch occupancy expenses		(323,060)	(369,725)
Data processing		(469,940)	(500,534)
Depreciation and amortisation	2.4	(125,100)	(107,450)
Employee benefits expense	2.4	(1,423,705)	(1,469,305)
Impairment losses on loans and advances	2.3	(67,792)	(50,164)
Loans administration		(22,731)	(47,011)
Marketing		(229,624)	(242,788)
Supervision levy		(5,836)	(4,709)
Total expenses		(3,808,724)	(3,865,089)
Profit before income tax		586,226	368,754
Income tax expense	3	(168,089)	(104,774)
Profit for the year after income tax		418,137	263,980
Other comprehensive income		-	-
Total comprehensive income for the year		418,137	263,980

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 2016

	Retained Earnings	General Reserve for Credit Losses	Asset Revaluation Reserve	Total
	$	$	$	$
BALANCE AT 1 JULY 2014	**9,080,727**	**207,803**	**-**	**9,288,530**
Total comprehensive income				
Profit for the year after income tax	263,980	-	-	263,980
Other comprehensive income	-	-	-	-
Total comprehensive income	263,980	-	-	263,980
Transfer from retained earnings to general reserve for credit losses	-	-	-	-
BALANCE AT 30 JUNE 2015	**9,344,707**	**207,803**	**-**	**9,552,510**
BALANCE AT 1 JULY 2015	**9,344,707**	**207,803**	**-**	**9,552,510**
Total comprehensive income				
Profit for the year after income tax	418,137	-	-	418,137
Other comprehensive income	-	-	-	-
Total comprehensive income	418,137	-	-	418,137
Transfer to retained earnings from general reserve for credit losses	(10,000)	10,000	-	-
Revaluation of property	-	-	349,564	349,564
BALANCE AT 30 JUNE 2016	**9,752,844**	**217,803**	**349,564**	**10,320,211**

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 2016

	Note	2016	2015
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on loans		4,248,352	4,099,531
Interest received on investments		1,038,554	633,731
Dividends received		34,708	34,504
Other income received		833,745	900,464
Interest paid on members' deposits		(1,490,255)	(1,475,849)
Interest paid on borrowings		(3,105)	(36,870)
Payments to suppliers and employees		(3,700,183)	(3,718,023)
Net income taxes (paid) / refunded		(115,522)	(37,109)
Net cash from revenue activities		**846,294**	**400,379**
Cash from (used in)/other operating activities			
Net (increase) in members' loan fundings		(9,588,417)	(6,306,551)
Net (decrease) in member shares		(1,564)	(1,645)
Net increase in member savings		9,589,378	13,728,462
Net movement in deposits to other financial institutions		(3,525,844)	(9,037,534)
Net increase/(decrease) in members' clearing		281,406	209,610
Net cash from operating activities	**23.2**	**(3,245,041)**	**(1,407,658)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		(5,000)	-
Proceeds on sale of property, plant and equipment		-	-
Purchase of property, plant and equipment		(76,075)	(294,207)
Purchase of intangible assets		(33,266)	(42,530)
Net cash (used in)/from investing activities		**(114,341)**	**(336,737)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in borrowings		1,000,000	(1,000,000)
Net cash from financing activities		**1,000,000**	**(1,000,000)**
NET (DECREASE)/INCREASE IN CASH HELD		**(1,513,088)**	**(2,344,016)**
Cash at beginning of year		6,076,272	8,420,288
CASH AT END OF YEAR	**23.1**	**4,563,184**	**6,076,272**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. STATEMENT OF ACCOUNTING POLICIES

1.1 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.

1.2 Basis of Accounting

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001.* The financial statements of the credit union comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board.

The financial statements are presented in Australian dollars.

The financial statements were authorised for issue on 20 September 2016 in accordance with a resolution of the board of directors.

The following is a summary of the material accounting policies adopted by the entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

1.3 Accounting estimates and judgments

The preparation of financial statements in conformity with AASBs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 1.14 – Loan impairment

1.4 Changes in accounting policy

Unless otherwise stated, the credit union has consistently applied the accounting policies set out in Note 1 to all periods presented in these financial statements.

1.5 Property, Plant and Equipment

Recognition and measurement

Items of property, plant and equipment (PPE) are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of PPE have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of PPE are determined by comparing the proceeds from disposal with the carrying amount of PPE and are recognised within profit or loss.

As at 14th August 2015, the land and buildings situated at 1 Ordnance Avenue, Lithgow was 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.

Subsequent expenditure

The Credit Union recognises in the carrying amount of an item of PPE the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Credit Union and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

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 $300 are not capitalised and are immediately expensed in profit or loss.

1.6 Intangibles

Recognition and measurement

Software is carried at cost less, accumulated amortisation and any impairment losses.

Subsequent expenditure

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 profit or loss during the financial period in which they are incurred.

Amortisation

Amortisation is calculated over the cost of the asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods is between 3 and 5 years.

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.

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

1.7 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, loans to members, loans and receivables to other financial institutions, available for sale financial assets, other assets, member deposits and payables.

The Credit Union initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised on the trade date at which the Credit Union becomes a party to the contractual provisions of the instrument.

The Credit Union derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Credit Union is recognised as a separate asset or liability.

Financial liabilities are derecognised when the Credit Union's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Credit Union has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment loss. Refer to the following notes for further information;

- Loans and receivables – note 1.8
- Held to maturity assets – note 1.9
- Available for sale financial assets – note 1.10
- Other assets – note 1.11
- Cash and cash equivalents – note 1.12
- Trade and other receivable 1.13
- Member deposits – note 1.15
- Payables – note 1.16

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

1.8 Loans and Receivables

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

Loans to members are initially recognised at fair value, net of any deferred loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost, less any impairment losses. 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.

Term deposits 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 the effective interest rate method. Interest receivable is included in accrued receivables in the statement of financial position.

1.9 Held to maturity assets

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity, other than those that the entity upon initial recognition designates as at fair value through profit or loss; those that the entity designates as available for sale; and those that meet the definition of loans and receivables.

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method.

1.10 Available for sale financial assets

Investments in shares are classified as available-for-sale financial assets where they do not qualify for classification as loans and receivable.

Investments in shares without an active market are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition instruments whose fair value cannot be reliably determined are measured at cost less any impairment loss.

When available-for-sale financial assets are derecognised, the cumulative gain or loss in the asset revaluation reserve is transferred to profit or loss.

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

An available-for-sale financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

The Credit Union has two unlisted equity investments. Shares in CUSCAL Limited and TransAction Solutions Limited are held for operation reasons and are not held for capital gain of for the purposes of trading. There is no active market for these shares and they are only traded between other mutual ADI's and therefore measured at cost less any impairment.

1.11 Other assets

Other assets include prepayments and other receivables.

1.12 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at call deposits with banks or financial institutions, net of any outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.13 Trade and other receivables

Trade and other receivables are stated at amortised cost.

1.14 Impairment

Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more loss events have occurred after the initial recognition of the asset, and that loss event had a negative effect on the estimated cash flows of that asset that can be measured reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset previously recognised in equity is transferred to profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available for sale financial assets that are equity securities, the reversal is recognised directly in equity.

Loan Impairment

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. 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. In these instances a specific provision for impairment may be recognised in relation to anticipated losses. In addition, a specific provision is recognised for loans with arrears levels of greater than 90 days.

Estimated impairment losses are calculated on a portfolio basis for loans of similar characteristics. 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. A collective provision is recognised for expected future losses based on the history of loan write offs of the credit union. The amount provided is based on the number of days each loan is in arrears. Note 24 details the credit risk management approach for loans.

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, if a provision for impairment had previously been recognised. If no provision had been recognised, the write off is recognised as an expense in the profit or loss.

A general reserve for credit losses is also held as an additional allowance for impairment of loans and receivables as required by prudential standards.

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

Non-financial assets

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

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the profit or loss.

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

1.15 Members' deposits

(i) Basis for Measurement

Member savings and term investments are quoted at the aggregate amount of money owing to depositors as these are payable on demand.

(ii) Interest Payable

Interest on member deposits is calculated on either the daily balance or on a minimum monthly balance basis and posted to the accounts periodically, or on maturity of the term deposit. Interest on member deposits is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each deposit and term deposit account as varied from time to time. The amount of the accrual is shown as part of payables and other liabilities.

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

1.16 Payables

Payables include trade and other payables. Such liabilities are stated at their amortised cost and are recognised in relation to goods and services received by the Credit Union.

Trade Payables are non-interest bearing and are normally settled on 30 day terms.

1.17 Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are payable more than 12 months of the end of the reporting period, then they are discounted.

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

1.18 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

1.19 Leases

Assets held under leases have been classified as operating leases and are not recognised in the Company's statement of financial position as the lease does not transfer to the credit union substantially all the risks and rewards of ownership.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.20 Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or non-deductible items. It is calculated using tax rates that have been enacted or are substantively enacted at reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

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

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

1.21 Fee and commission income and expenses

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fee and commission income is recognised as the related services are performed. Other fee and commission expense relates mainly to transaction and service fees which are expensed as the services are received.

1.22 Dividend income

Dividend income is recognised in the income statement on the date the Credit Union's right to receive income is established. Usually this is the ex-dividend date for equity securities.

2. PROFIT FOR THE YEAR

2.1 Interest revenue and expense

	2016	2015
	$	$
Interest revenue		
Deposits with other financial institutions	789,943	754,211
Loans to members	4,248,352	4,099,531
	5,038,295	4,853,742
Interest expense		
Member deposits	1,508,411	1,526,397
Short-term borrowings	3,387	28,470
	1,511,798	1,554,867
Net interest income	3,526,497	3,298,875

2.2 Other income:

Dividends	34,708	34,504
Fees and commissions		
- Loan fee income	60,000	59,325
- Other fee income	422,991	500,993
Insurance commissions	91,464	92,041
Other commissions	106,436	99,943
Gain on disposal of assets	-	-
Bad debts recovered	35,396	41,187
Other revenue	117,458	106,975
Total other income	868,453	934,968

2. PROFIT FOR THE YEAR (Continued)

2.3 Impairment losses on loans and advances

	2016	2015
	$	$
Bad debts written off directly against profit	3,935	5,352
Adjustment to provision for impairment	63,857	44,812
	67,792	50,164

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	92,427	65,229
Amortisation of intangible assets	32,673	42,221
Total depreciation and amortisation	125,100	107,450
Employee benefits expense		
Salaries	1,199,926	1,234,407
Superannuation contributions (defined contribution funds)	122,202	122,127
Other	101,577	112,771
Total employee benefits	1,423,705	1,469,305

2. PROFIT FOR THE YEAR (Continued)

	2016 $	2015 $
2.5 Administration expenses		
Administration and head office occupancy	32,645	41,312
Board and committee expenses	213,917	162,774
Member chequing	7,292	8,776
Member protection	150,432	156,274
Electronic Payments costs	358,593	364,262
Visacard expenses	144,158	135,776
Other general administration expenses	233,899	204,229
Total administration	1,140,936	1,073,403

2.6 Auditor's remuneration

Amounts received or due and receivable by the auditors of the Credit Union:		
Intentus Chartered Accountants (2016)		
KPMG Wollongong (2015)		
- Audit of the financial statements	33,000	34,980
- Other regulatory audit services	13,750	18,354
- Taxation	-	-
	46,750	53,334

3. INCOME TAX

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

Prima facie tax on operating profit before income tax @ 30%	175,868	110,626
Tax effect of non-allowable items:		
- Entertainment	2,633	4,499
	178,501	115,125
Tax Effect of:-		
- Franking credits on dividends received	(10,412)	(10,351)
- Accounting gain on disposal of property, plant and equipment	-	-
- Tax gain on disposal of property, plant and equipment	-	-
- Write off of deferred tax asset on property sale	-	-
Income tax expense attributable to operating profit	168,089	104,774

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	180,302	97,531
Income tax attributable to future years		
- Deferred tax asset	(12,213)	7,243
	168,089	104,774

4. CASH AND CASH EQUIVALENTS

	2016	2015
	$	$
Cash on hand	345,725	331,686
Cash at bank	717,459	744,586
	1,063,184	1,076,272

5. FINANCIAL ASSETS

5.1 Held to maturity			
Deposits with other financial institutions		14,000,000	7,500,000
5.2 Loans and receivables			
Deposits with other financial institutions		12,754,838	17,235,129
Loans to members			
Overdrafts		325,433	370,868
Term loans		83,290,268	73,656,416
Gross loans and advances		83,615,701	74,027,284
Provision for impaired loans	6.1	(102,556)	(118,558)
Net loans and advances		83,513,145	73,908,726
		96,267,983	91,143,855

Maturity analysis of loans to members		
Overdrafts	325,433	370,868
Not longer than 3 months	1,155,316	866,119
Longer than 3 and not longer than 12 months	3,139,873	3,186,398
Longer than 1 year and not longer than 5 years	13,765,708	13,435,518
Longer than 5 years	65,126,815	56,049,823
	83,513,145	73,908,726

Maturity analysis of deposits with financial institutions		
At call	3,500,000	5,000,000
Not longer than 3 months	5,754,838	6,755,296
Longer than 3 months and not longer than 12 months	3,250,000	4,979,833
Longer than 1 and not longer than 5 years	14,250,000	8,000,000
	26,754,838	24,735,129

5. FINANCIAL ASSETS (continued)

5.3 Concentration of Risk

i) There are 2 members (2015: 1) who individually have loans which represent 10% or more of member's equity. The total exposure as at 30 June 2016 amounts to $2,114,634 (2015: $1,000,660). The credit union holds $2,725,000 (2015: $1,290,000) 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.

	2016		2015	
	$	%	$	%
Geographical Area				
Lithgow	47,773,666	57.14	43,455,451	58.70
Mudgee	21,893,501	26.18	19,247,808	26.00

	2016	2015
	$	$
Credit quality – security held against loans		
Secured by mortgage over real estate	77,054,311	66,838,762
Secured by goods mortgage	2,860,063	2,885,920
Wholly unsecured	3,701,327	4,302,602
	83,615,701	74,027,284

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:

	2016	2015
	$	$
Security held as mortgages against real estate		
- loan to valuation ratio of less than 80%	61,668,901	54,294,512
- loan to valuation ratio of more than 80% but mortgage insured	4,357,790	2,365,752
- loan to valuation ratio of more than 80% but not mortgage insured	11,025,777	10,178,498
	77,052,468	66,838,762

6. IMPAIRMENT OF LOANS TO MEMBERS

	2016	2015
	$	$
6.1 Provision for impaired loans		
Total provision comprises		
Collective provision	40,090	30,055
Specific provision	62,466	88,503
Total Provision	102,556	118,558
Movement in the provision for impairment		
Balance at the beginning of year	118,558	94,473
Add (deduct):		
Doubtful debt expense	63,856	44,812
Bad debts written off against provision	(79,858)	(20,727)
Balance at end of year	102,556	118,558

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

	2016 $	2015 $
Carrying amount		
Individually impaired		
Gross amount	78,960	124,836
Provision for impairment	(62,466)	(88,503)
Carrying amount	16,494	36,333
Past due but not impaired		
Day in arrears:		
Less than one month	2,042,464	1,358,757
Greater than one month and less than two months	758,005	520,513
Greater than two months and less than three months	-	42,077
Greater than three months	228,713	-
Carrying amount	3,029,182	1,921,347
Neither past due nor impaired		
Secured by mortgage	74,173,902	65,134,968
Personal	6,023,140	6,497,267
Overdrafts/revolving credit	310,517	348,866
Carrying amount	83,553,235	73,938,781
Collective impairment provision	(40,090)	(30,055)
Total carrying amount	**83,513,145**	**73,908,726**

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 2016 year as opposed to the previous year whereby a security was sold for $4,721 which resulted in a loss of $14,171.

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 2016 was $492,295 (2015 – $54,700).

7. ACCRUED RECEIVABLES

	2016 $	2015 $
Accrued interest on receivables due from other financial institutions	304,389	538,553
Other accrued income	8,505	8,788
	312,894	547,341

8. AVAILABLE FOR SALE INVESTMENTS

	2016 $	2015 $
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
- Shared Service Partners Pty Ltd	5,000	-
	10,081	5,081
Total Other Investments	231,674	226,674

8. AVAILABLE FOR SALE INVESTMENTS (Continued)

The shareholding in CUSCAL 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 shares are not able to be traded and are not redeemable.

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.

The Credit Union is not intending, nor is it able 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 2016, 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 could not be measured reliably.

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 cost.

	2016 $	2015 $
9. PROPERTY, PLANT AND EQUIPMENT		
Land at cost	-	12,000
Land at valuation	100,000	-
	100,000	12,000
Buildings, at cost	-	789,322
Buildings, at valuation	364,568	-
Total buildings	364,568	789,322
Provision for depreciation	(8,247)	(682,862)
	356,321	106,460
Leasehold improvements, at cost	323,282	412,685
Provision for depreciation	(213,607)	(294,802)
	109,675	117,883
Equipment and furniture, at cost	872,308	828,718
Provision for depreciation	(722,502)	(687,972)
	149,806	140,746
Motor vehicles, at cost	27,499	27,499
Provision for depreciation	(24,291)	(18,791)
	3,208	8,708
Net book value of property, plant and equipment	719,010	385,797

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

2016 Reconciliation	Land	Buildings	Leasehold Improvements	Equipment and Furniture	Motor Vehicles
Opening balance	12,000	106,460	117,883	140,746	8,708
Revaluation	88,000	261,564	-	-	-
Additions	-	-	32,485	43,590	-
Disposals	-	-	-	-	-
Depreciation expense	-	(11,703)	(40,693)	(34,530)	(5,500)
Closing balance	100,000	356,321	109,675	149,806	3,208

2015 Reconciliation	Land	Buildings	Leasehold Improvements	Equipment and Furniture	Motor Vehicles
Opening balance	12,000	103,476	13,906	18,082	14,207
Revaluation	-	-	-	-	-
Additions	-	11,503	134,817	147,886	-
Disposals	-	-	(4,851)	-	-
Depreciation expense	-	(8,519)	(25,989)	(25,222)	(5,499)
Closing balance	12,000	106,460	117,883	140,746	8,708

As at 14th August 2015, the land and buildings situated at 1 Ordnance Avenue, Lithgow was 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.

	2016	2015
	$	$
10. INTANGIBLES		
Member transaction system	675,879	642,614
Accumulated amortisation	(617,762)	(585,090)
	58,117	57,524

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

	2016	2015
	$	$
Movement in Intangibles Reconciliation		
Opening carrying amount	57,524	57,214
Additions	33,266	42,530
Disposals	-	-
Amortisation	(32,673)	(42,220)
Closing carrying amount	58,117	57,524

11. TAXATION

	2016	2015
	$	$
11.1 Taxation liabilities		
Income tax	143,616	78,835
11.2 Taxation Assets		
Income tax	-	-
11.3 Deferred Tax assets		
Deferred tax asset comprising:		
Tax allowances relating to property, plant & equipment	5,226	(14,093)
Provision for impairment	30,767	35,567
Employee leave entitlements	45,770	48,113
Other – accruals	20,751	20,713
	102,514	90,300

	2016	2015
	$	$

11.4 Unrecognised deferred tax assets

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

Capital losses	25,602	25,602

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	**2016**	**2015**
	$	**$**
Members' clearing accounts	128,742	177,002
Sundry Debtors	18,938	3,098
Prepayments	112,904	72,922
Premium paid on FRN investments	37,775	45,807
	298,359	298,829

13. DEPOSITS	**2016**	**2015**
	$	**$**
Call deposits	69,830,772	65,235,010
Term deposits	30,399,133	25,405,517
Withdrawable shares	82,944	84,508
	100,312,849	90,725,035
Maturity analysis		
At call	69,913,716	65,319,518
Not longer than 3 months	12,667,347	10,667,241
Longer than 3 and not longer than 12 months	17,229,898	11,168,316
Longer than 1 year and not longer than 5 years	501,888	3,569,960
	100,312,849	90,725,035

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 (2015: $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.

	2016		2015	
	$	%	$	%
Geographical Area				
Lithgow	53,308,387	53.14	51,293,573	56.54
Mudgee	24,375,023	24.30	24,915,772	27.46

14. PAYABLES AND OTHER LIABILITIES

	2016	2015
	$	$
Creditors and accruals	247,299	184,756
Members' clearing accounts	636,049	402,905
Accrued interest on members' deposits	238,562	220,124
GST payable	2,584	2,050
	1,124,494	809,835

15. PROVISIONS

Employee entitlements - current	115,723	130,864
Employee entitlements – non current	36,842	29,513
	152,565	160,377

	2016	2015
	$	$

16. BORROWINGS

Short term borrowings – ADI's	-	-
Short term borrowings - other	1,000,000	-
	1,000,000	-

17. RESERVES

17.1 Reserve for credit losses

General reserve for credit losses		
Opening balance	207,803	207,803
Transfer (to) / from retained earnings	10,000	-
Closing balance	217,803	207,803

17.2 Asset Revaluation Reserve

Asset Revaluation Reserve		
Opening balance	-	-
Revaluations performed during year	349,564	-
Devaluations performed during year	-	-
Closing balance	349,564	-

18. DIRECTORS AND EXECUTIVE DISCLOSURES

18.1 Directors' names

The directors of the Family First Credit Union Limited during the year were:

Peter James Cafe, Jeffery Harry Carter, Colin Ray Lenton, Richard Stuart Mara, Kathryn Henrietta Grace Dickson, Sharon Gaile Holt, James Edward Couper and Lynette Safranek (appointed 27 June 2016)..

18.2 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 2016				
Directors	123,847	11,731	-	-
Other KMP	498,934	50,582	8,718	-
Year ended 30 June 2015				
Directors	95,540	9,076	-	-
Other KMP	479,232	45,052	8,242	-

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.

18.3 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 2016							
Directors	8,682	835	-	-	6,171	2	-
Other KMP	1,616,433	106,657	1,178,732	-	2,292,776	4	-
Year ended 30 June 2015							
Directors	13,018	1,269	-	-	8,682	2	-
Other KMP	691,579	54,525	953,918	-	1,616,433	4	-

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.

18.4 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.

18.5 Other transactions

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

19. COMMITMENTS AND CONTINGENCIES

19.1 Future capital commitments

At 30 June 2016 the Credit Union has entered into an agreement with Ultradata Pty Ltd to upgrade its core banking platform and invest in a number of software modules that will increase functionality and improve the member experience. The capital cost of this agreement is $283,212 - 2015 ($Nil).

19.2 Future lease rental commitments

Operating leases

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

	2016	2015
	$	$
Within 1 year	162,079	164,320
1 to 2 years	135,117	101,930
2 to 5 years	80,821	103,970
	378,017	370,220

19.3 Outstanding loan commitments

The loans approved and contracted by the credit union but not funded as at 30 June 2016 amount to $442,178 (2015 - $822,237). 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.

19.4 Unfunded loan facilities

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

	2016	2015
	$	$
Total value of facilities approved	3,664,790	4,001,340
Less: amount advanced	(1,006,335)	(1,213,914)
Net undrawn value	2,658,455	2,787,426

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

19. COMMITMENTS AND CONTINGENCIES (Continued)

19.5 Amounts available for redraw

Total loan redraw facilities available at year end were $5,060,541 (2015 - $4,239,278).

19.6 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.

20. CONTINGENT LIABILITIES

20.1 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 9% of total liabilities as a deposit with CUSCAL Limited, of which 3.2% may be used by CUFSS for providing financial support backed by a floating charge over assets of the borrowing Credit Union. No funds have been so provided as at 30 June 2016.

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 charge is a fixed and floating charge over the assets and undertakings of the Credit Union and secures any advances which may be made to the Credit Union under the scheme.

The balance of the debt at 30 June 2016 was $Nil (2015 - Nil). There are no other contingent liabilities at balance date or the date of this report.

21. 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.

This entity supplies the Credit Union rights to members' cheques, rediCARDs, Visa Cards and MyCards in Australia and provides services in the form of settlement with banks for members' cheques, ATM, rediCARDs and Visa Card transactions and the production of Visa Cards and MyCards for use by 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 rediCARDs and Visa Cards operated through rediATMs, other approved EFT suppliers, Visa acquirers and merchants to the Credit Union's EDP system.

The credit union implemented the contract with CUSCAL for the provision of EFT and ATM switching facilities in November 2012.

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 bureau 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.

22. 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.

23. 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.

23.1 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	2016 $	2015 $
Cash on hand and at bank	4	1,063,184	1,076,272
Deposits at call	5.2	3,500,000	5,000,000
Cash per statement of cash flows		4,563,184	6,076,272

23. STATEMENT OF CASH FLOWS (Continued)

	2016 $	2015 $
23.2 Reconciliation of net cash provided by operating activities to operating profit after tax		
Profit for the year after Income Tax	418,137	263,980
Non-cash items		
Provision for employee entitlements	(7,812)	(14,985)
Provision for taxation	64,781	60,422
Depreciation and amortisation	125,100	107,450
Loss on disposal of assets	-	4,851
Amortisation of premiums paid on FRN's	14,164	9,735
Movements in assets and liabilities		
Movement in accrued interest receivable	234,447	(130,215)
Movement in sundry debtors	(15,840)	-
Movement in prepayments	(39,982)	(6,203)
Movement in creditors	62,543	31,966
Movement in GST payable	534	(98)
Movement in accrued interest payable	18,438	42,148
Movement in provision for doubtful debts	(16,002)	24,085
Decrease in deferred tax asset	(12,214)	7,243
Net cash provided from revenue activities	846,294	400,379
Add/(deduct) non revenue operations		
Net Members' loan fundings	(9,588,417)	(6,306,551)
Net (decrease) in member shares	(1,564)	(1,645)
Net increase in member savings	9,589,378	13,728,462
Net movement in deposits to other financial institutions	(3,525,844)	(9,037,534)
Net (decrease) in members' clearing	281,406	209,610
Net cash from operating activities	**(3,245,041)**	**(1,407,658)**

24. 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.

24. 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.

24.1 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.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest Rate Risk (Continued)

The level of mismatch on the banking book is set out in Note 27. The table set out at Note 27 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 27 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 calculations as at 30 June 2016, the net profit impact for a 1% (2015: 1%) increase or decrease in interest rates would be an increase or decrease of $27,650 (2015: $57,359).

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;

24. 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.

24.2 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.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.2 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 policy is to apply at least 15% 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 29 describes the borrowing facilities as at balance date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in Note 26. The ratio of minimum liquidity holding assets (MLH over the past year is set out below:

APRA minimum 9 %	**2016**	**2015**
MLH as at 30 June	21.75%	20.61%
MLH average for the year	21.31%	18.83%
Lowest MLH during the year	18.94%	16.41%
To total member deposits		
As at 30 June	24.01%	22.68%

24.3 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.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.3 Credit Risk (Continued)

Credit Risk - Loans

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

	2016 $	2015 $
Loans to members		
Mortgage	77,054,311	66,838,762
Personal	6,235,957	6,817,654
Overdrafts	325,433	370,868
Total loans	83,615,701	74,027,284
Provision for impairment	(102,556)	(118,558)
	83,513,145	73,908,726

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 $91,674,319 (2015: $81,757,667). Further details are shown in Note 5, Note 19 and Note 26.

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).

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.3 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.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.3 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.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.3 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 monthly 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.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.3 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 rating 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 fourteen counterparties.

Credit Risk - Guarantees

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

24.4 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.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.4 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:

	2016 $	2015 $
Tier 1		
Retained earnings	9,752,844	9,344,707
Less Tier 1 deductions	(271,428)	(258,621)
Net Tier 1 capital	9,481,416	9,086,086
Tier 2		
General reserve for credit losses	217,803	207,803
Asset revaluation reserve	349,564	-
Less Tier 2 deductions	(110,796)	(110,796)
Net Tier 2 capital	456,571	97,007
Total regulatory capital	**9,937,987**	**9,183,093**

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.4 Capital Management (Continued)

Capital Resources (Continued)	2016	2015
	$	$
Credit risk	51,032,532	46,248,956
Operation risk	5,705,805	5,118,963
Total risk weighted assets	**56,738,337**	**51,367,919**

The Credit Union is required to maintain a minimum capital level of 9% as compared to the risk weighted assets at any given time.

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

2016	2015	2014	2013	2012
17.5%	17.9%	20.8%	20.5%	22.1%

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 12%. Further a 5 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

25. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes:

	Note	2016	2015
		$	$
Financial assets			
Cash and liquid assets	4	1,063,184	1,076,272
Total cash and liquid assets		1,063,184	1,076,272
Held to maturity	5.1	14,000,000	7,500,000
Loans and receivables	5.2	96,267,983	91,143,855
Accrued receivables	7	312,894	547,341
Total loans and receivables		110,580,877	99,191,196
Available for sale investments - carried at cost	8	231,674	226,674
Total available for sale investments		231,674	226,674
Total financial assets at amortised cost		111,875,735	100,494,142
Financial liabilities			
Payables and other liabilities	14	1,124,494	809,835
Deposits from members	13	100,312,849	90,725,035
Borrowings	16	1,000,000	-
Total carried at amortised cost		102,437,343	91,534,870
Total financial liabilities		102,437,343	91,534,870

26. 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.

2016	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total
	$	$	$	$	$	$	$
LIABILITIES							
Payables and other liabilities	1,124,494	-	-	-	-	-	1,124,494
Deposits from members	73,060,662	9,536,865	17,365,112	505,828	-	82,944	100,551,411
Total On Balance Sheet Financial Liabilities	**74,185,156**	**9,536,865**	**17,365,112**	**505,828**	**-**	**82,944**	**101,675,905**
Undrawn commitments (Note 19)	8,161,174	-	-	-	-	-	8,161,174
Total Financial Liabilities	**82,346,330**	**9,536,865**	**17,365,112**	**505,828**	**-**	**82,944**	**109,837,079**

26. MATURITY PROFILE OF FINANCIAL LIABILITIES (Continued)

2015	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total
	$	$	$	$	$	$	$
LIABILITIES							
Payables and other liabilities	809,835	-	-	-	-	-	809,835
Deposits from members	67,570,233	8,424,444	11,265,083	3,600,892	-	84,508	90,945,160
Total On Balance Sheet Financial Liabilities	**68,380,068**	**8,424,444**	**11,265,083**	**3,600,892**	**-**	**84,508**	**91,754,995**
Undrawn commitments (Note 19)	7,848,941	-	-	-	-	-	7,848,941
Total Financial Liabilities	**76,229,009**	**8,424,444**	**11,265,083**	**3,600,892**	**-**	**84,508**	**99,603,936**

27. 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.

2016	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
ASSETS	$	$	$	$	$	$	$
Cash	717,459	-	-	-	-	345,725	1,063,184
Held to maturity	7,000,000	7,000,000	-	-	-	-	14,000,000
Loans and receivables	81,885,007	4,003,824	6,185,283	4,296,425	-	-	96,370,539
Accrued receivables	-	-	-	-	-	312,894	312,894
Investments	-	-	-	-	-	231,674	231,674
Total Financial Assets	**89,602,466**	**11,003,824**	**6,185,283**	**4,296,425**	**-**	**890,293**	**111,978,291**

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

2016	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
LIABILITIES	$	$	$	$	$	$	$
Payables and other liabilities	1,124,494	-	-	-	-	-	1,124,494
Borrowings	-	1,000,000	-	-	-	-	1,000,000
Deposits from members	73,035,512	9,462,606	17,229,898	501,889	-	82,944	100,312,849
	74,160,006	10,462,606	17,229,898	501,889	-	82,944	102,437,343
Undrawn Commitments (Note 19)	8,161,174	-	-	-	-	-	8,161,174
Total Financial Liabilities	**82,321,180**	**10,462,606**	**17,229,898**	**501,889**	**-**	**82,944**	**110,598,517**

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

2015	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
ASSETS	$	$	$	$	$	$	$
Cash	744,586	-	-	-	-	331,686	1,076,272
Held to maturity	3,500,000	4,000,000	-	-	-	-	7,500,000
Loans and receivables	73,313,977	4,808,121	6,521,849	6,618,466			91,262,413
Accrued receivables	-	-	-	-	-	547,341	547,341
Investments	-	-	-	-	-	226,674	226,674
Total Financial Assets	**77,558,563**	**8,808,121**	**6,521,849**	**6,618,466**	**-**	**1,105,701**	**100,612,700**
LIABILITIES	$	$	$	$	$	$	$
Payables and other liabilities	809,835	-	-	-	-	-	809,835
Borrowings	-	-	-	-	-	-	-
Deposits from members	67,550,173	8,352,078	11,168,316	3,569,960	-	84,508	90,725,035
	68,360,008	8,352,078	11,168,316	3,569,960	-	84,508	91,534,870
Undrawn Commitments (Note 19)	7,848,941	-	-	-	-	-	7,848,941
Total Financial Liabilities	**76,208,949**	**8,352,078**	**11,168,316**	**3,569,960**	**-**	**84,508**	**99,383,811**

28. 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:

28. 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 2016	**Note**	**Carrying amount**	**Level 1 $**	**Level 2 $**	**Level 3 $**
Financial assets not measured at fair value					
Loans to members	5.2	83,513,145	-	83,481,984	-
		83,513,145	**-**	**83,481,984**	**-**
Financial liabilities not measured at fair value					
Deposits	13	100,312,849	-	100,347,883	-
		100,312,849	**-**	**100,347,883**	**-**

30 June 2015	**Note**	**Carrying amount**	**Level 1 $**	**Level 2 $**	**Level 3 $**
Financial assets not measured at fair value					
Loans to members	5.2	73,908,726	-	73,876,680	-
		73,908,726	**-**	**73,876,680**	**-**
Financial liabilities not measured at fair value					
Deposits	13	90,725,035	-	90,768,781	-
		90,725,035	**-**	**90,768,781**	**-**

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:

	2016	**2015**
Loans to members	4.29% - 4.49%	4.55% - 4.75%
Deposits	0.30% - 2.60%	0.55% - 2.85%

29. STANDBY BORROWING FACILITIES

Overdraft facility

	2016	2015
	$	$
Total facility	-	-

30. 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 2016 is $Nil (2015: $Nil).

31. 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.

32. NEW OR EMERGING STANDARDS NOT YET MANDATORY

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 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.

AASB Reference	Nature of Change	Application date	Impact on Initial Application
AASB 9 Financial Instruments (December 2015)	Amends the requirements for classification and measurement of financial assets. Recognition of credit losses are to no longer be dependent on the Credit Union first identifying a credit loss event. The Credit Union will consider a broader range of information when assessing credit risk and measuring expected credit losses including past experience of historical losses for similar financial instruments. The rules for hedge accounting have been overhauled to better reflect the Credit Union's underlying risk management activities in the financial statements.	Periods beginning on or after 1 January 2018.	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.

32. NEW OR EMERGING STANDARDS NOT YET MANDATORY (Con't)

AASB Reference	Nature of Change	Application date	Impact on Initial Application
AASB 15 Revenue from Contracts with Customers	Revenue from financial instruments is not covered by this new Standard, but AASB 15 establishes a new revenue recognition model for other types of revenue.	Periods beginning on or after 1 January 2017.	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 Replaces AASB 117	AASB 16: ・ replaces AASB 117 Leases and some lease-related Interpretations ・ requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases ・ provides new guidance on the application of the definition of lease and on sale and lease back accounting ・ requires new and different disclosures about leases	Periods beginning on or after 1 January 2019	The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2019, since the Credit Union owns its premises and other operating leases are minimal.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
(Continued)

DIRECTORS' DECLARATION

1. 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 13 to 73 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 2016 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.

2. The directors draw attention to Note 1.2 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	Kathryn Dickson
Director	Director
Chair	Audit Committee Chair

Dated at Lithgow this 20th day of September 2016

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CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAMILY FIRST CREDIT UNION LIMITED

Report on the financial report

We have audited the accompanying financial report of Family First Credit Union Limited (the Credit Union) which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Credit Union are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1.2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Credit Union's financial position and of its performance.

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

Independence

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

Auditor's Opinion

In our opinion:

a. the financial report of Family First Credit Union Limited is 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 2016 and of its performance for the year ended on that date; and

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

b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.2.

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291 Stewart Street
Bathurst
Dated: 20 September 2016

LR Smith
Director