

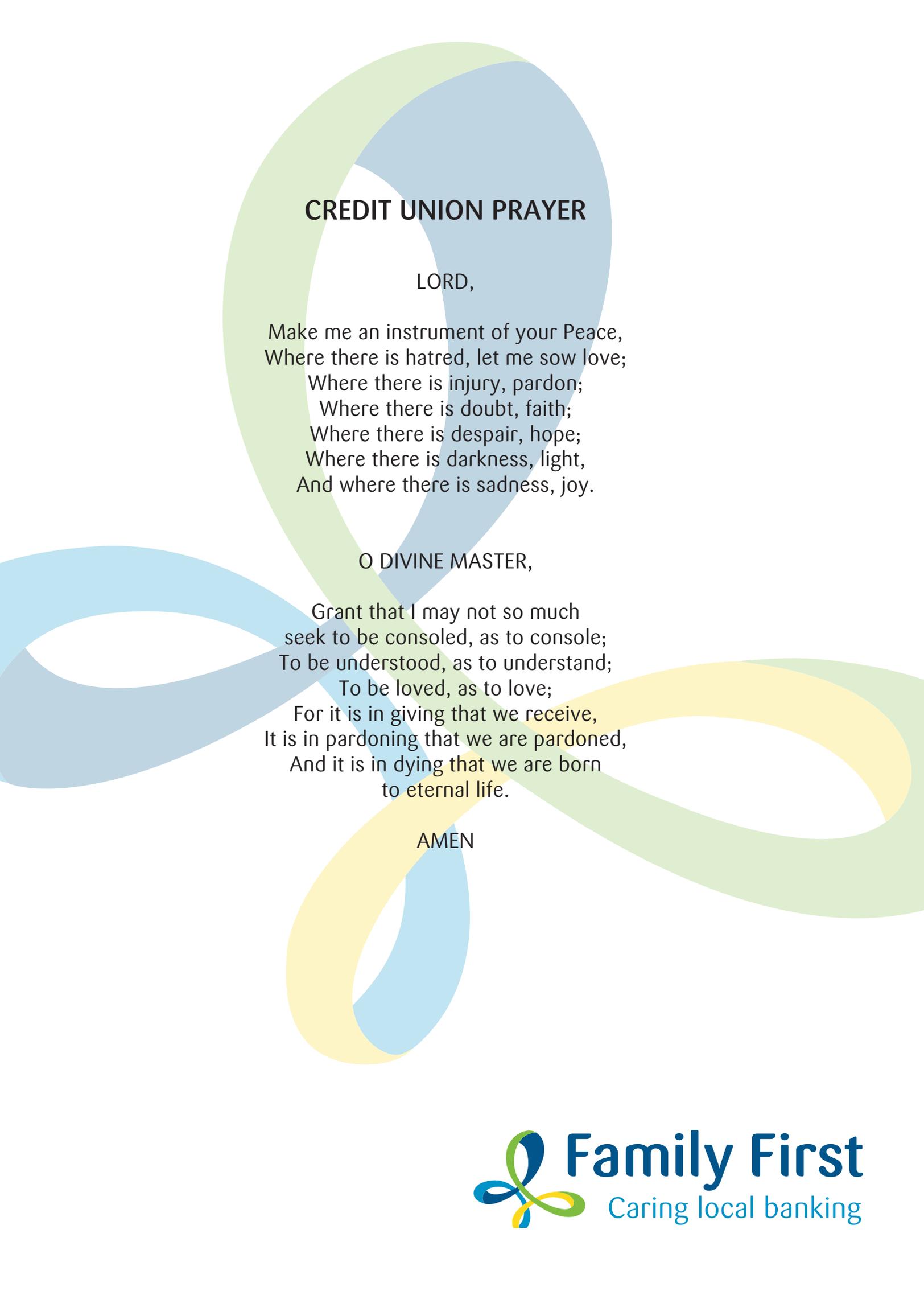


# Family First

Caring local banking

## 50th Annual Report 2017

Family First Credit Union Limited ABN 39 087 650 057 AFSL 241068



## CREDIT UNION PRAYER

LORD,

Make me an instrument of your Peace,  
Where there is hatred, let me sow love;  
Where there is injury, pardon;  
Where there is doubt, faith;  
Where there is despair, hope;  
Where there is darkness, light,  
And where there is sadness, joy.

O DIVINE MASTER,

Grant that I may not so much  
seek to be consoled, as to console;  
To be understood, as to understand;  
To be loved, as to love;  
For it is in giving that we receive,  
It is in pardoning that we are pardoned,  
And it is in dying that we are born  
to eternal life.

AMEN



**FAMILY FIRST CREDIT UNION LIMITED**

**A.B.N. 39 087 650 057**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2017**

**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](http://www.familyfirst.com.au)

**Company Secretary:**

Mr Darryl Macauley

JP MAMI CPA BComm

**Management:**

Chief Executive Officer:

Mr Darryl Macauley JP MAMI CPA BComm

Head of Risk and Culture:

Ms Catherine Cannon MAppFin (Banking) and ASSOC DIP BUS  
(Accounting)

Head of Sales and Operations:

Mr James McKid BEc BComm

Head of Lending:

Mrs Dara Rushworth

**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 2017.

**Directors**

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

Colin Ray Lenton	(Chair)
Kathryn Henrietta Grace Dickson	(Deputy Chair)
Antony Benetatos	
Jeffery Harry Carter	
James Edward Couper	(Board Appointed Director)
Richard Stuart Mara	(Resigned 28 <sup>th</sup> November 2016)
Sharon Gaile Holt	
Peter James Cafe	
Lynette Safranek	(Associate Director)

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

**Principal Business Activities**

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

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

**Operating Results**

The profit of the Credit Union after income tax was \$438,866 (2016 - \$418,137).

# FAMILY FIRST CREDIT UNION LIMITED

A.B.N. 39 087 650 057

## 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 in the backdrop of our 50<sup>th</sup> birthday celebrations. Yes, 50 years ago on 17 July 1967, in a canteen in the Small Arms Factory in Lithgow, this Credit Union was born. As was the case back when we first started, there were numerous challenges confronting us and this year was no different. From another year of record low interest rates, the ever increasing regulatory and compliance burden and the growing cost associated with IT infrastructure and innovation, your Credit Union was able to meet these challenges and record favourable results against targeted goals. For the third successive year this Credit Union has been able to achieve double digit balance sheet growth with is a magnificent result given the level of competition that exists within the financial market place today. Some of the key achievements of the Credit Union's operation are reflected in the following summary:-

- After tax profit increased by \$20,729 or 5.0% to \$438,866
- Total membership decreased by 92 members to 8,804 members, a decline of 1.0%
- Member deposits increased by \$12,521,204 or 12.5% to \$112,834,053
- Loans increased by \$13,731,443 or 16.4% to \$97,347,144
- Total assets increased by \$13,233,742 or 11.7% to \$126,287,477
- Capital adequacy decreased to 16.2% (2016 – 17.5%)
- Minimum Liquidity Holdings (MLH) decreased to 18.5% (2016 – 21.8%)
- Total liquidity decreased to 21.0% (2016 – 25.1%)
- Capital increased by \$344,516 or 3.5% to \$10,282,503
- Total Risk Weighted Assets increased by \$6,593,969 or 11.6% to \$63,332,306
- Operating expenses increased by \$124,371 or 3.3% to \$3,865,303
- Impairment expenses increased by \$3,691 or 5.4% to \$71,483
- Interest margin increased by \$193,072 or 5.5% to \$3,719,569

The results are even more significant when you consider that we had a change in leadership throughout the year when previous General Manager Dale Grounds resigned to take up a Chief Executive Officer role in a credit union back in Rockhampton. Darryl Macauley was appointed as Chief Executive Officer of Family First Credit Union on 5 October 2017 having been employed as an Assistant General Manager back in March 2010.

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 21.0% whilst the capital adequacy ratio was also well over prudential requirements at 16.2%. We were also able to push through the \$10m capital benchmark throughout the year which is also a great milestone. 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.

**FAMILY FIRST CREDIT UNION LIMITED**

**A.B.N. 39 087 650 057**

**DIRECTORS' REPORT**

**(Continued)**

**Review of Operations (Continued)**

This year is going to be a continued year of innovation in that we are planning a launch of our apps, apple and android pays, online statements, online loan redraws and as well as introduce the new payments platform (NPP) which will see instantaneous settlement of electronic funds transfers between financial institutions in what will be the most innovative change to the payments landscape for some time. These changes are all largely as a result of the upgrade to our core banking system that occurred throughout this financial year.

Not to be outdone by last years record loan funding year, 2017 financial year produced a total loan funding amount of \$36,459,231 up \$2,933,957 or 8.8% on last year. 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 local 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 third year running which is a great result also.

As can be seen from the financial statements, we continue to reduce the financial burden on our members resulting from the impost of transaction fees and charges. Whilst we concede that fees and charges are necessary to some extent, we have strategically positioned these fees to reflect our costs and adopt a very much user pay methodology for fee recoupment. Just looking at the reduction over this year as compared to last year, a total reduction in transaction fees of \$71,634 or 16.9% occurred. The level of rebated fees continued throughout the 2017 financial year amounting to \$339,489 (2016: \$394,246).

In addition to the conscious fee reduction program, 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 aggregated a total of \$6,070 to our Bonus Saver Community Organisation recipients as well as donating \$25,986 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.

**FAMILY FIRST CREDIT UNION LIMITED**

**A.B.N. 39 087 650 057**

**DIRECTORS' REPORT**

**(Continued)**

**After Balance Date Events**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Credit Union the results of those operations or the state of affairs of the Credit Union.

**Likely Developments and Results**

There are currently no significant developments expected in the Credit Union's operations.

**Information on Directors**

**Mr Colin Ray Lenton FAMI FAICD**

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

*Experience:*

Appointed 26 June 2006

*Occupation:*

Company Director / Management Consultant

**Mr Peter James Cafe MAMI, GAICD**

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

*Experience:*

Appointed 6 March 2000

*Occupation:*

Manager HECS P/L

DIRECTORS' REPORT

(Continued)

Information on Directors (continued)

**Mr Jeffery Harry Carter AFAMI JP**

- Director
- Member of Audit Committee
- Board representative of the Directors Nomination Committee
- Chair of the 50th Anniversary Committee

*Experience:* Board Member since 1974

*Occupation:* Retired Quality Control Officer EDI Rail Bathurst

**Mrs Kathryn Henrietta Grace Dickson MAMI**

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

*Experience:* Appointed 16 November 2010

*Occupation:* Management

**Mrs Sharon Gaile Holt MAMI**

- Director
- Chair of Audit Committee
- Member of Risk Committee
- Member of Board Renewal & Remuneration 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 Laws
- Master of Applied Law (Family Law)
- Associate Director 2014 - 2015

*Experience:* Board Appointed 27 April 2015

*Occupation:* Solicitor

DIRECTORS' REPORT

(Continued)

**Mr James Edward Couper**

- Graduate Diploma in Marketing
- Associate Director appointed 22 July 2015
- Member of Audit Committee

*Experience:* Appointed 17 July 2015

*Occupation:* Marketing Research Consultant

**Mrs Lynette Safranek**

- Associate Director
- Member of Audit Committee
- Diploma Frontline Management
- Member Local Government Professionals

*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.

**DIRECTORS' REPORT**

**(Continued)**

**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.

**DIRECTORS' REPORT**

**(Continued)**

**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

**DIRECTORS' REPORT**

**(Continued)**

**Compliance**

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

**External Audit**

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

**Internal Audit**

The Credit Union engages the services of internal auditor on a contract basis to carry out the internal audit functions and to deal with the areas of internal compliance with policies and procedures. The Internal Audit Plan is prepared on an annual basis taking into consideration the risks associated with the various operations that exist within the credit union. The Internal Audit Plan is adopted by the Board on recommendation from the Audit Committee. The internal auditor reports directly to the Audit Committee. A decision was made in prior years 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.

**DIRECTORS' REPORT**

**(Continued)**

**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.

**FAMILY FIRST CREDIT UNION LIMITED**

**A.B.N. 39 087 650 057**

**DIRECTORS' REPORT**

**(Continued)**

**General Board, Risk and Audit Committee Attendance**

The numbers of meeting of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	<b>Board</b>	<b>Corporate Governance Committee</b>	<b>Audit Committee</b>	<b>Risk Committee</b>	<b>Board Nomination Committee</b>
<b>Number of meetings held:</b>	<b>14</b>	<b>11</b>	<b>5</b>	<b>5</b>	<b>1</b>
<b>Number of meetings attended:</b>					
Peter Cafe	12	10	-	5	-
Jeffery Carter	13	5 <sup>(2)</sup>	5	-	-
James Couper	13	-	4	-	-
Colin Lenton	12	10	-	-	-
Richard Mara	4 <sup>(1)</sup>	-	3 <sup>(4)</sup>	1 <sup>(7)</sup>	1
Kathy Dickson	11	5 <sup>(3)</sup>	3 <sup>(5)</sup>	5	-
Sharon Holt	11	-	3	3	-
Antony Benetatos	14	-	-	5	-
Lynette Safranek	11	-	3 <sup>(6)</sup>	-	-

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 11 March 2017. Director only meetings were also held prior to the commencement of some of the ordinary board meetings held. Several Remuneration and Renewal meetings were also attended by various Directors throughout the year.

- (1) Richard Mara attended 4 out of a possible 5 Board Meetings.
- (2) Jeffery Carter attended 5 out of a possible 5 Corporate Governance Meetings.
- (3) Kathy Dickson attended 5 out of a possible 6 Corporate Governance Meetings.
- (4) Richard Mara attended 3 out of a possible 3 Audit Committee Meetings.
- (5) Kathy Dickson attended 3 out of a possible 3 Audit Committee Meetings.
- (6) Lynette Safranek attended 3 out of a possible 4 Audit Committee Meetings.
- (7) Richard Mara attended the only Risk Committee Meeting he was eligible to attend..

**DIRECTORS' REPORT**

(Continued)

**Company Secretary**

The Chief Executive Officer Mr Darryl Macauley is the current Company Secretary having replaced Mr Dale Grounds effective from 5 October 2016.

**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 2017 has been received and can be found on page 13 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 2016/2017 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. This year being special as we celebrate our 50<sup>th</sup> year of operation, we not only look forward to continue to serve both you and the communities that you work and live in well into the future but also acknowledge both current and past contributors to the successes of Family First Credit Union.

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



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Colin Lenton  
Director  
Chair



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Jeffery Carter  
Director  
Acting Audit Committee Chair

Dated at Lithgow this 25<sup>th</sup> day of September 2017

**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 2017 there have been:

- i) no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*intentus*  
**intentus**

291 Stewart Street  
Bathurst  
25<sup>th</sup> day of September 2017



**Leanne Smith**  
**Director**

**FAMILY FIRST CREDIT UNION LIMITED**

**A.B.N. 39 087 650 057**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2017**

	Note	2017 \$	2016 \$
<b>ASSETS</b>			
Cash and cash equivalents	4	2,497,508	1,063,184
Held to maturity	5.1	15,000,000	14,000,000
Loans and receivables	5.2	107,089,209	96,267,983
Accrued receivables	7	292,689	312,894
Available for sale investments	8	226,675	231,674
Property, plant and equipment	9	673,324	719,010
Intangibles	10	136,830	58,117
Deferred tax assets	11.3	118,151	102,514
Other assets	12	253,093	298,359
Tax assets	11.2	-	-
<b>TOTAL ASSETS</b>		126,287,479	113,053,735
<b>LIABILITIES</b>			
Deposits	13	112,834,053	100,312,849
Payables and other liabilities	14	1,396,780	1,124,494
Tax liabilities	11.1	123,057	143,616
Provisions	15	174,512	152,565
Borrowings	16	1,000,000	1,000,000
<b>TOTAL LIABILITIES</b>		115,528,402	102,733,524
<b>NET ASSETS</b>		10,759,077	10,320,211
<b>MEMBERS' EQUITY</b>			
Retained profits		10,191,710	9,752,844
General reserve for credit losses	17.1	217,803	217,803
Asset revaluation reserve	17.2	349,564	349,564
<b>TOTAL MEMBERS' EQUITY</b>		10,759,077	10,320,211

*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 2017**

	Note	2017 \$	2016 \$
Interest revenue	2.1	5,202,602	5,038,295
Interest expense	2.1	(1,483,033)	(1,511,798)
<b>Net interest revenue</b>		3,719,569	3,526,497
Other income	2.2	822,671	868,453
Total operating income		4,542,240	4,394,950
<b>Non-interest expenses</b>			
Administration expenses	2.5	(1,210,659)	(1,140,936)
Branch occupancy expenses		(259,773)	(323,060)
Data processing		(524,707)	(469,940)
Depreciation and amortisation	2.4	(165,118)	(125,100)
Employee benefits expense	2.4	(1,503,909)	(1,423,705)
Impairment losses on loans and advances	2.3	(71,483)	(67,792)
Loans administration		(21,407)	(22,731)
Marketing		(172,608)	(229,624)
Supervision levy		(7,122)	(5,836)
<b>Total expenses</b>		(3,936,786)	(3,808,724)
<b>Profit before income tax</b>		605,454	586,226
Income tax expense	3	(166,588)	(168,089)
<b>Profit for the year after income tax</b>		438,866	418,137
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		438,866	418,137

*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 2017

	Retained Earnings	General Reserve for Credit Losses	Asset Revaluation Reserve	Total
	\$	\$	\$	\$
	<b>9,344,707</b>	<b>207,803</b>	-	<b>9,552,510</b>
<b>BALANCE AT 1 JULY 2015</b>				
<b>Total comprehensive income</b>				
Profit for the year after income tax	418,137	-	-	418,137
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	418,137	-	-	418,137
Transfer from retained earnings to general reserve for credit losses	(10,000)	10,000	-	-
Revaluation of property	-	-	349,564	349,564
<b>BALANCE AT 30 JUNE 2016</b>	<b>9,752,844</b>	<b>217,803</b>	<b>349,564</b>	<b>10,320,211</b>
<b>BALANCE AT 1 JULY 2016</b>	<b>9,752,844</b>	<b>217,803</b>	<b>349,564</b>	<b>10,320,211</b>
<b>Total comprehensive income</b>				
Profit for the year after income tax	438,866	-	-	438,866
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	438,866	-	-	438,866
Transfer to retained earnings from general reserve for credit losses	-	-	-	-
Revaluation of property	-	-	-	-
<b>BALANCE AT 30 JUNE 2017</b>	<b>10,191,710</b>	<b>217,803</b>	<b>349,564</b>	<b>10,759,077</b>

*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 2017**

	Note	2017	2016
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received on loans		4,432,908	4,248,352
Interest received on investments		805,034	1,038,554
Dividends received		34,954	34,708
Other income received		787,717	833,745
Interest paid on members' deposits		(1,350,754)	(1,490,255)
Interest paid on borrowings		(27,706)	(3,105)
Payments to suppliers and employees		(3,718,172)	(3,700,183)
Net income taxes (paid) / refunded		(202,786)	(115,522)
<b>Net cash from revenue activities</b>		<b>761,195</b>	<b>846,294</b>
<b>Cash from (used in)/other operating activities</b>			
Net (increase) in SocietyOne loans		(1,000,599)	-
Net (increase) in members' loan fundings		(13,731,443)	(9,588,417)
Net (decrease) in member shares		(552)	(1,564)
Net increase in member savings		12,521,756	9,589,378
Net movement in deposits to other financial institutions		3,310,723	(3,525,844)
Net increase/(decrease) in members' clearing		173,045	281,406
<b>Net cash from operating activities</b>	<b>23.2</b>	<b>2,034,125</b>	<b>(2,398,747)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments		-	(5,000)
Proceeds on sale of property, plant and equipment		-	-
Purchase of property, plant and equipment		(63,462)	(76,075)
Purchase of intangible assets		(134,683)	(33,266)
<b>Net cash (used in)/from investing activities</b>		<b>(198,145)</b>	<b>(114,341)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net movement in borrowings		-	1,000,000
<b>Net cash from financing activities</b>		<b>-</b>	<b>1,000,000</b>
<b>NET (DECREASE)/INCREASE IN CASH HELD</b>		<b>1,835,980</b>	<b>(1,513,088)</b>
Cash at beginning of year		4,563,184	6,076,272
<b>CASH AT END OF YEAR</b>	<b>23.1</b>	<b>6,399,164</b>	<b>4,563,184</b>

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

**FAMILY FIRST CREDIT UNION LIMITED**

**A.B.N. 39 087 650 057**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**(Continued)**

**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 25 September 2017 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.

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

**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 2017**

**(Continued)**

**1. STATEMENT OF ACCOUNTING POLICIES (Continued)**

**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 14<sup>th</sup> 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 31<sup>st</sup> December 2015, the Board of Family First Credit Union approved to record the revalued land and buildings at 1 Ordnance Avenue, Lithgow in the accounting records and as a result, an asset revaluation reserve to the value of \$349,564 was created. No subsequent valuation of the property has taken place.

**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.

**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 2017**

**(Continued)**

**1. STATEMENT OF ACCOUNTING POLICIES (Continued)**

**1.5 Property, Plant and Equipment (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.

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**(Continued)**

**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

**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 2017**

**(Continued)**

**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.

**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 2017**

**(Continued)**

**1. STATEMENT OF ACCOUNTING POLICIES (Continued)**

**1.10 Available for sale financial assets (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 three unlisted equity investments those being shares held in CUSCAL Limited, TransAction Solutions Limited and Shared Service Partners Pty Ltd. These shares are held for operational reasons only and are not held for capital gain or 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. Dividends have been received from CUSCAL and Transactions Solutions and as such there value has been recorded at cost. Shares in Shared Service Partners have not yielded a dividend, nor is it expected, and as such it was thought prudent to write the value down on these shares to \$1.

**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.

**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 2017**

**(Continued)**

**1. STATEMENT OF ACCOUNTING POLICIES (Continued)**

**1.14 Impairment (continued)**

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. 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.

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**(Continued)**

**1. STATEMENT OF ACCOUNTING POLICIES (Continued)**

**1.14 Impairment (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.

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**(Continued)**

**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.

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**(Continued)**

**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. The tax rate reduced throughout the year from 30% to 27.5% following tax concessions and change in thresholds announced for small business.

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.

**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 2017**

**(Continued)**

**1. STATEMENT OF ACCOUNTING POLICIES (Continued)**

**1.20 Income Tax (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.

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

(Continued)

**2. PROFIT FOR THE YEAR**

**2.1 Interest revenue and expense**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Interest revenue</b>		
Deposits with other financial institutions	769,694	789,943
Loans to members	4,432,908	4,248,352
	5,202,602	5,038,295
<b>Interest expense</b>		
Member deposits	1,455,081	1,508,411
Short-term borrowings	27,952	3,387
	1,483,033	1,511,798
<b>Net interest income</b>	3,719,569	3,526,497
<b>2.2 Other income:</b>		
Dividends	34,954	34,708
Fees and commissions		
- Loan fee income	68,675	60,000
- Other fee income	351,357	422,991
Insurance commissions	107,918	91,464
Other commissions	122,715	106,436
Gain on disposal of assets	-	-
Bad debts recovered	33,562	35,396
Other revenue	103,490	117,458
<b>Total other income</b>	822,671	868,453

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

(Continued)

**2. PROFIT FOR THE YEAR (Continued)**

**2.3 Impairment losses on loans and advances**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Bad debts written off directly against profit	11,274	3,935
Adjustment to provision for impairment	51,222	63,857
Provision for impairment of SocietyOne (P2P Loans)	8,987	-
	71,483	67,792

**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	109,148	92,427
Amortisation of intangible assets	55,970	32,673
Total depreciation and amortisation	165,118	125,100

*Employee benefits expense*

Salaries	1,235,046	1,199,926
Superannuation contributions (defined contribution funds)	122,797	122,202
Other	146,066	101,577
Total employee benefits	1,503,909	1,423,705

FAMILY FIRST CREDIT UNION LIMITED

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

(Continued)

2. PROFIT FOR THE YEAR (Continued)

	2017	2016
	\$	\$
<b>2.5 Administration expenses</b>		
Administration and head office occupancy	55,656	32,645
Board and committee expenses	213,231	213,917
Member chequing	5,953	7,292
Member protection	155,807	150,432
Electronic Payments costs	351,731	358,593
Visacard expenses	164,737	144,158
Other general administration expenses	263,544	233,899
Total administration	<u>1,210,659</u>	<u>1,140,936</u>

**2.6 Auditor's remuneration**

Amounts received or due and receivable by  
the auditors of the Credit Union:

Intentus Chartered Accountants

- Audit of the financial statements	37,026	33,000
- Other regulatory audit services	10,659	13,750
- Taxation	-	-
	<u>47,685</u>	<u>46,750</u>

**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 2017**

**(Continued)**

**3. INCOME TAX**

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Prima facie tax on operating profit before income tax @ 27.5% (2016 - 30%)	166,500	175,868
Tax effect of non-allowable items:		
- Entertainment	2,436	2,633
	168,936	178,501
Tax Effect of:-		
- Franking credits on dividends received	(10,486)	(10,412)
Impact on changing tax rate from 30% to 27.5%	8,138	-
Income tax expense attributable to operating profit	166,588	168,089

**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	183,476	180,302
- Change in tax rate on franking credits	(1,251)	
Income tax attributable to future years		
- Deferred tax asset	(15,637)	(12,213)
	166,588	168,089

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

(Continued)

4. CASH AND CASH EQUIVALENTS	2017	2016
	\$	\$
Cash on hand	402,857	345,725
Cash at bank	2,094,651	717,459
	<u>2,497,508</u>	<u>1,063,184</u>
<b>5. FINANCIAL ASSETS</b>		
<b>5.1 Held to maturity</b>		
Deposits with other financial institutions	<u>15,000,000</u>	<u>14,000,000</u>
<b>5.2 Loans and receivables</b>		
Deposits with other financial institutions	8,845,771	12,754,838
Loans to members		
Overdrafts	298,308	325,433
Term loans	97,048,836	83,290,268
Gross loans and advances	<u>97,347,144</u>	<u>83,615,701</u>
Provision for impaired loans	6.1 (95,318)	(102,556)
Net loans and advances	<u>97,251,826</u>	<u>83,513,145</u>
SocietyOne P2P Loans	1,000,599	-
Less: Provision for doubtful debts	(8,987)	-
Net investment in SocietyOne	<u>991,612</u>	<u>-</u>
	<u>107,089,209</u>	<u>96,267,983</u>
Maturity analysis of loans to members		
Overdrafts	298,308	325,433
Not longer than 3 months	1,225,331	1,155,316
Longer than 3 and not longer than 12 months	3,503,632	3,139,873
Longer than 1 year and not longer than 5 years	16,121,535	13,765,708
Longer than 5 years	76,103,020	65,126,815
	<u>97,251,826</u>	<u>83,513,145</u>

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

(Continued)

<b>5. FINANCIAL ASSETS (continued)</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>5.2 Loans and receivables</b>		
Maturity analysis of deposits with financial institutions		
At call	3,901,656	3,500,000
Not longer than 3 months	2,504,115	5,754,838
Longer than 3 months and not longer than 12 months	4,440,000	3,250,000
Longer than 1 and not longer than 5 years	13,000,000	14,250,000
	<u>23,845,771</u>	<u>26,754,838</u>

**5.3 Concentration of Risk**

- i) There is 1 member (2016: 2) who individually has loans which represent 10% or more of member's equity. The total exposure as at 30 June 2017 amounts to \$1,488,642 (2016: \$2,114,634). The credit union holds \$1,865,000 (2016: \$2,725,000) 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.

	<b>2017</b>		<b>2016</b>	
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b><i>Geographical Area</i></b>				
Lithgow	49,795,780	51.15	47,773,666	57.14
Mudgee	26,650,044	27.38	21,893,501	26.18
Bathurst	12,293,443	12.63	6,756,558	8.08
Blackheath	8,600,126	8.83	7,169,970	5.58

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Credit quality – security held against loans</b>		
Secured by mortgage over real estate	90,188,487	77,054,311
Secured by goods mortgage	3,669,399	2,860,063
Wholly unsecured	3,489,258	3,701,327
	<u>97,347,144</u>	<u>83,615,701</u>

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**(Continued)**

**5. FINANCIAL ASSETS (continued)**

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Security held as mortgages against real estate		
- loan to valuation ratio of less than 80%	80,872,040	61,670,376
- loan to valuation ratio of more than 80% but mortgage insured	4,638,227	4,357,894
- loan to valuation ratio of more than 80% but not mortgage insured	4,678,220	11,026,041
	90,188,487	77,054,311

**6. IMPAIRMENT OF LOANS TO MEMBERS**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>6.1 Provision for impaired loans</b>		
<b>Total provision comprises</b>		
Collective provision	43,075	40,090
Specific provision	52,243	62,466
<b>Total Provision</b>	95,318	102,556
<b>Movement in the provision for impairment</b>		
Balance at the beginning of year	102,556	118,558
Add (deduct):		
Doubtful debt expense	51,222	63,856
Bad debts written off against provision	(58,460)	(79,858)
<b>Balance at end of year</b>	95,318	102,556
<b>Provision for Impairment of SocietyOne P2P Loans</b>		
Balance at the beginning of year	-	-
Add (deduct) movement in provision:	8,987	-
<b>Balance at end of year</b>	8,987	-

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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(Continued)

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

	2017	2016
	\$	\$
Carrying amount		
<i>Individually impaired</i>		
Gross amount	73,706	78,960
Provision for impairment	(43,075)	(62,466)
Carrying amount	30,631	16,494
<i>Past due but not impaired</i>		
Day in arrears:		
Less than one month	1,078,938	2,042,464
Greater than one month and less than two months	799,638	758,005
Greater than two months and less than three months	-	-
Greater than three months	290,821	228,713
Carrying amount	2,169,397	3,029,182
<i>Neither past due nor impaired</i>		
Secured by mortgage	88,019,090	74,173,902
Personal	6,796,790	6,023,140
Overdrafts/revolving credit	288,161	310,517
Carrying amount	97,304,069	83,553,235
Collective impairment provision	(52,243)	(40,090)
<b>Total carrying amount</b>	<b>97,251,826</b>	<b>83,513,145</b>

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.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**(Continued)**

**7. IMPAIRMENT OF LOANS TO MEMBERS (Continued)**

**6.3 Assets acquired via enforcement of security**

There were nil assets acquired via enforcement through the 2017 year (2016 – nil).

**6.4 Loans renegotiated**

During the year, the Credit Union renegotiated some loans which were previously past due or impaired. The total value of these loans at 30 June 2017 was \$192,413 (2016 – \$492,295).

**7. ACCRUED RECEIVABLES**

	<b>2017</b>	<b>2016</b>
	\$	\$
Accrued interest on receivables due from other financial institutions	269,166	304,389
Other accrued income	23,523	8,505
	292,689	312,894

**8. AVAILABLE FOR SALE INVESTMENTS**

	<b>2017</b>	<b>2016</b>
	\$	\$
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	5,000
- Less provision for diminution	(4,999)	-
- Net value	1	5,000
	5,082	10,081
Total Other Investments	226,675	231,674

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**(Continued)**

**8. AVAILABLE FOR SALE INVESTMENTS (Continued)**

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

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

Dividends are currently received on the shares held with CUSCAL Limited.

The Credit Union is not intending to dispose of these shares as the services supplied by the company relate to the day to day activities of the Credit Union.

As at 30 June 2017, the Credit Union holds a total of 5,081 "A" Class Shares in Transaction Solutions Pty Ltd. These shares are measured at cost as fair value as they could not be measured reliably.

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

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

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**(Continued)**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>9. PROPERTY, PLANT AND EQUIPMENT</b>		
Land at valuation	<u>100,000</u>	<u>100,000</u>
Buildings, at valuation	364,568	364,568
Provision for depreciation	<u>(22,830)</u>	<u>(8,247)</u>
	<u>341,738</u>	<u>356,321</u>
Leasehold improvements, at cost	330,117	323,282
Provision for depreciation	<u>(257,904)</u>	<u>(213,607)</u>
	<u>72,213</u>	<u>109,675</u>
Equipment and furniture, at cost	928,934	872,308
Provision for depreciation	<u>(769,561)</u>	<u>(722,502)</u>
	<u>159,373</u>	<u>149,806</u>
Motor vehicles, at cost	27,499	27,499
Provision for depreciation	<u>(27,499)</u>	<u>(24,291)</u>
	<u>-</u>	<u>3,208</u>
Net book value of property, plant and equipment	<u>673,324</u>	<u>719,010</u>

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**(Continued)**

**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

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

<b>2016 Reconciliation</b>	<b>Land</b>	<b>Buildings</b>	<b>Leasehold Improvements</b>	<b>Equipment and Furniture</b>	<b>Motor Vehicles</b>
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

As at 14<sup>th</sup> 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 31<sup>st</sup> December 2015, the Board of Family First Credit Union approved to record the revalued land and buildings at 1 Ordnance Avenue, Lithgow in the accounting records and as a result, an asset revaluation reserve to the value of \$349,564 was created. No subsequent valuation of the property has taken place.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**(Continued)**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>10. INTANGIBLES</b>		
Member transaction system	810,563	675,879
Accumulated amortisation	(673,733)	(617,762)
	136,830	58,117

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Movement in Intangibles Reconciliation</b>		
Opening carrying amount	58,117	57,524
Additions	134,683	33,266
Disposals	-	-
Amortisation	(55,970)	(32,673)
Closing carrying amount	136,830	58,117

**11. TAXATION**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>11.1 Taxation liabilities</b>		
Income tax	123,057	143,616

**11.2 Taxation Assets**

Income tax	-	-
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**11.3 Deferred Tax assets**

Deferred tax asset comprising:

Tax allowances relating to property, plant & equipment	27,347	5,226
Provision for impairment	30,059	30,767
Employee leave entitlements	47,991	45,770
Other – accruals	12,754	20,751
	118,151	102,514

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**(Continued)**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>

**11.4 Unrecognised deferred tax assets**

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

Capital losses	23,469	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.

<b>12. OTHER ASSETS</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Members' clearing accounts	158,238	128,742
Sundry Debtors	18,938	18,938
Prepayments	53,277	112,904
Premium paid on FRN investments	22,640	37,775
	253,093	298,359

<b>13. DEPOSITS</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Call deposits	75,914,416	69,830,772
Term deposits	36,837,245	30,399,133
Withdrawable shares	82,392	82,944
	112,834,053	100,312,849

***Maturity analysis***

At call	75,996,808	69,913,716
Not longer than 3 months	14,117,032	12,667,347
Longer than 3 and not longer than 12 months	20,876,562	17,229,898
Longer than 1 year and not longer than 5 years	1,843,651	501,888
	112,834,053	100,312,849

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**(Continued)**

**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 (2016: \$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.

	<b>2017</b>		<b>2016</b>	
	\$	%	\$	%
<b><i>Geographical Area</i></b>				
Lithgow	56,278,641	49.88	53,308,387	53.14
Mudgee	26,546,802	23.53	24,375,023	24.30
Bathurst	8,706,253	7.72	4,611,611	4.60
Blackheath	11,007,540	9.76	9,352,092	9.32

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

	<b>2017</b>	<b>2016</b>
	\$	\$
<b>14. PAYABLES AND OTHER LIABILITIES</b>		
Creditors and accruals	211,406	247,299
Members' clearing accounts	838,588	636,049
Accrued interest on members' deposits	343,135	238,562
GST payable	3,651	2,584
	1,396,780	1,124,494
<b>15. PROVISIONS</b>		
Employee entitlements - current	131,449	115,723
Employee entitlements – non current	43,063	36,842
	174,512	152,565

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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(Continued)

	2017	2016
	\$	\$
<b>16. BORROWINGS</b>		
Short term borrowings – ADI's	-	-
Short term borrowings - other	1,000,000	1,000,000
	1,000,000	1,000,000
<b>17. RESERVES</b>		
<b>17.1 Reserve for credit losses</b>		
<b>General reserve for credit losses</b>		
Opening balance	217,803	207,803
Transfer (to) / from retained earnings	-	10,000
Closing balance	217,803	217,803
<b>17.2 Asset Revaluation Reserve</b>		
<b>Asset Revaluation Reserve</b>		
Opening balance	349,564	-
Revaluations performed during year	-	349,564
Devaluations performed during year	-	-
Closing balance	349,564	349,564

**18. DIRECTORS AND EXECUTIVE DISCLOSURES**

**18.1 Directors' names**

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

Antony Benatatos, 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.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**(Continued)**

**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
<b>Year ended 30 June 2017</b>				
Directors	131,541	12,496	-	-
Other KMP	548,236	54,385	7,934	-
<b>Year ended 30 June 2016</b>				
Directors	123,847	11,731	-	-
Other KMP	498,934	50,582	8,718	-

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.

**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 2017****(Continued)****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
<b>Year ended 30 June 2017</b>							
Directors	6,171	564	-	-	3,691	1	-
Other KMP	2,292,776	85,328	271,759	-	2,115,731	5	-
<b>Year ended 30 June 2016</b>							
Directors	8,682	835	-	-	6,171	2	-
Other KMP	1,616,433	106,657	1,178,732	-	2,292,776	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.

FAMILY FIRST CREDIT UNION LIMITED

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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(Continued)

**19. COMMITMENTS AND CONTINGENCIES**

**19.1 Future capital commitments**

At 30 June 2017 the Credit Union has entered into an agreement to upgrade its core banking platform and invest in a number of software modules that will increase functionality and improve the member banking experience. The capital cost of this upgrade amounts to \$372,677 with the amount expended to date totalling \$196,359 - 2016 (\$283,212).

**19.2 Future lease rental commitments**

*Operating leases*

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Within 1 year	121,754	162,079
1 to 2 years	76,630	135,117
2 to 5 years	28,921	80,821
	<u>227,305</u>	<u>378,017</u>

**19.3 Outstanding loan commitments**

The loans approved and contracted by the credit union but not funded as at 30 June 2017 amount to \$1,575,102 (2016 - \$442,178). 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:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Total value of facilities approved	3,735,710	3,664,790
Less: amount advanced	(1,119,316)	(1,006,335)
Net undrawn value	<u>2,616,394</u>	<u>2,658,455</u>

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

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**(Continued)**

**19. COMMITMENTS AND CONTINGENCIES (Continued)**

**19.5 Amounts available for redraw**

Total loan redraw facilities available at year end were \$5,741,797 (2015 - \$5,060,541).

**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 3% (2016 – 3.1%) of total liabilities as a deposit with CUSCAL Limited which may be used by CUFSS for providing financial support to other members of CUFSS should they require. No funds have been so provided as at 30 June 2017 (2016 - \$Nil).

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

The CUFSS facility was successfully tested on 5 & 6 April 2017 to both demonstrate the co-operation and commitment of CUFSS members to the scheme and APRA as well as test the ability of CUSCAL (CUFSS's bankers) to efficiently process funds and to enable CUFSS and CUFSS members to certify the successful testing of the emergency loan facility under the Industry Support Contract.

The balance of the debt at 30 June 2017 was \$Nil (2016 - Nil). There are no other contingent liabilities at balance date or the date of this report.

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

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

**Ultradata Pty Ltd**

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

**Transaction Solutions Pty Ltd (TAS)**

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

**Credit Union Financial Support System (CUFSS)**

This entity provides emergency liquidity support to the Credit Union.

**Australian Settlements Limited (ASL)**

This entity has been signed up by the Credit Union to be the sponsor of payments conducted under the new payments platform (NPP) which is due to be implemented in the 2018 financial year.

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**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:

	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
Cash on hand and at bank	4	2,497,508	1,063,184
Deposits at call	5.2	3,901,656	3,500,000
Cash per statement of cash flows		<u>6,399,164</u>	<u>4,563,184</u>

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**23. STATEMENT OF CASH FLOWS (Continued)**

	<b>2017</b>	<b>2016</b>
	\$	\$
<b>23.2 Reconciliation of net cash provided by operating activities to operating profit after tax</b>		
<b>Profit for the year after Income Tax</b>	438,866	418,137
Non-cash items		
Provision for employee entitlements	21,947	(7,812)
Provision for taxation	(20,559)	64,781
Depreciation and amortisation	165,118	125,100
Amortisation of premiums paid on FRN's	15,135	14,164
<b>Movements in assets and liabilities</b>		
Movement in accrued interest receivable	20,205	234,447
Movement on diminution of shares	4,999	-
Movement in SocietyOne provision	8,987	-
Movement in sundry debtors	-	(15,840)
Movement in prepayments	59,627	(39,982)
Movement in creditors	(35,895)	62,543
Movement in GST payable	1,067	534
Movement in accrued interest payable	104,573	18,438
Movement in provision for doubtful debts	(7,238)	(16,002)
Decrease in deferred tax asset	(15,637)	(12,214)
Net cash provided from revenue activities	761,195	846,294
<b>Add/(deduct) non revenue operations</b>		
Net increase in SocietyOne loans	(1,000,599)	-
Net Members' loan fundings	(13,731,443)	(9,588,417)
Net (decrease) in member shares	(552)	(1,564)
Net increase in member savings	12,521,756	9,589,378
Net movement in deposits to other financial institutions	3,310,723	(3,525,844)
Net (decrease) in members' clearing	173,045	281,406
<b>Net cash from operating activities</b>	<b>2,034,125</b>	<b>(2,398,747)</b>

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**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.

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**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.

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**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 Value at Risk (VaR) calculations as at 30 June 2017, with a confidence level of 99% over a 10 day period, the credit union is likely to sustain an interest rate loss on the portfolio would be no greater than \$112,229 (2016 - \$136,341).

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;

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**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.

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**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's desired liquidity position is to apply between 14.5% and 17.0% of funds as MLH to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level the management and board are to address the matter and ensure that liquid funds are obtained from new deposits, or borrowing facilities available. Note 29 describes the borrowing facilities, if any, as at balance date. These facilities are in addition to the liquidity support from CUFSS.

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

APRA minimum 9 %	<b>2017</b>	<b>2016</b>
MLH as at 30 June	18.47%	21.75%
MLH average for the year	19.58%	21.31%
Lowest MLH during the year	17.07%	18.94%
<b>To total member deposits</b>		
As at 30 June	20.53%	24.01%

**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.

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**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:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b><i>Loans to members</i></b>		
Mortgage	90,188,487	77,054,311
Personal	6,860,349	6,235,957
Overdrafts	298,308	325,433
Total loans	97,347,144	83,615,701
Provision for impairment	(95,318)	(102,556)
	97,251,826	83,513,145
<b><i>Loans under SocietyOne P2P lending</i></b>		
Balance of investment	1,000,599	-
Provision for impairment	(8,987)	-
Net balance of investment	991,612	-

The credit union's maximum exposure to credit risk is the carrying value on the statement of financial position plus the undrawn facilities (Loans approved not advanced, redraw facilities; line of credit facilities; overdraft facilities) being \$108,176,731 (2016: \$91,674,319). 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).

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**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.

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**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.

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**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 quarterly basis by the Assets & Liabilities Committee (ALCO) for all exposures over 5% of the capital base.

*Concentration risk – industry*

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

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**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 and AA- long term rating through to unrated institutions. The policy surrounding the investment of excess funds limits the amount that can be invested in institutions dependent upon their external credit rating. At balance date, the credit union has funds placed with 16 (2016 – 14) 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.

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**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:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Tier 1</b>		
Retained earnings	10,191,710	9,752,844
Less Tier 1 deductions	<u>(365,778)</u>	<u>(271,428)</u>
Net Tier 1 capital	<u>9,825,932</u>	<u>9,481,416</u>
<b>Tier 2</b>		
General reserve for credit losses	217,803	217,803
Asset revaluation reserve	349,564	349,564
Less Tier 2 deductions	<u>(110,796)</u>	<u>(110,796)</u>
Net Tier 2 capital	<u>456,571</u>	<u>456,571</u>
<b>Total regulatory capital</b>	<b><u>10,282,503</u></b>	<b><u>9,937,987</u></b>

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**24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**24.4 Capital Management (Continued)**

<b>Capital Resources (Continued)</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Credit risk	56,986,631	51,032,532
Operation risk	6,345,675	5,705,805
<b>Total risk weighted assets</b>	<b><u>63,332,306</u></b>	<b><u>56,738,337</u></b>

Under APRA Prudential Standards, the Credit Union is required to maintain a minimum level of capital level as compared to the risk weighted assets at any given time. The capital ratio maintained as at 30 June 2017 exceeded the minimum ratio to be maintained as required by APRA.

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

<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
16.2%	17.5%	17.9%	20.8%	20.5%

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

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25. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes:

	Note	2017 \$	2016 \$
<b>Financial assets</b>			
Cash and liquid assets	4	2,497,508	1,063,184
<b>Total cash and liquid assets</b>		<u>2,497,508</u>	<u>1,063,184</u>
Held to maturity	5.1	15,000,000	14,000,000
Loans and receivables	5.2	107,089,209	96,267,983
Accrued receivables	7	292,689	312,894
<b>Total loans and receivables</b>		<u>122,381,898</u>	<u>110,580,877</u>
Available for sale investments - carried at cost	8	226,675	231,674
<b>Total available for sale investments</b>		<u>226,675</u>	<u>231,674</u>
<b>Total financial assets at amortised cost</b>		<u>125,106,081</u>	<u>111,875,735</u>
<b>Financial liabilities</b>			
Payables and other liabilities	14	1,396,780	1,124,494
Deposits from members	13	112,834,053	100,312,849
Borrowings	16	1,000,000	1,000,000
<b>Total carried at amortised cost</b>		<u>115,230,833</u>	<u>102,437,343</u>
<b>Total financial liabilities</b>		<u>115,230,833</u>	<u>102,437,343</u>

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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.

2017	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total
	\$	\$	\$	\$	\$	\$	\$
<b>LIABILITIES</b>							
Payables and other liabilities	1,396,780	-	-	-	-	-	1,396,780
Borrowings	-	1,000,000	-	-	-	-	1,000,000
Deposits from members	78,610,852	11,552,093	21,071,025	1,860,826	-	82,392	113,177,188
<b>Total On Balance Sheet Financial Liabilities</b>	<b>80,007,632</b>	<b>12,552,093</b>	<b>21,071,025</b>	<b>1,860,826</b>	<b>-</b>	<b>82,392</b>	<b>115,573,968</b>
Undrawn commitments (Note 19)	9,933,293	-	-	-	-	-	9,933,293
<b>Total Financial Liabilities</b>	<b>89,940,925</b>	<b>12,552,093</b>	<b>21,071,025</b>	<b>1,860,826</b>	<b>-</b>	<b>82,392</b>	<b>125,507,261</b>

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 2017

(Continued)

26. MATURITY PROFILE OF FINANCIAL LIABILITIES (Continued)

2016	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total
	\$	\$	\$	\$	\$	\$	\$
<b>LIABILITIES</b>							
Payables and other liabilities	1,124,494	-	-	-	-	-	1,124,494
Borrowings	-	1,000,000	-	-	-	-	1,000,000
Deposits from members	73,060,662	9,536,865	17,365,112	505,828	-	82,944	100,551,411
<b>Total On Balance Sheet Financial Liabilities</b>	<b>74,185,156</b>	<b>10,536,865</b>	<b>17,365,112</b>	<b>505,828</b>	<b>-</b>	<b>82,944</b>	<b>102,675,905</b>
Undrawn commitments (Note 19)	8,161,174	-	-	-	-	-	8,161,174
<b>Total Financial Liabilities</b>	<b>82,346,330</b>	<b>10,536,865</b>	<b>17,365,112</b>	<b>505,828</b>	<b>-</b>	<b>82,944</b>	<b>110,837,079</b>

**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 2017**

**(Continued)**

**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.

<b>2017</b>	<b>Within 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>After 5 years</b>	<b>Non interest bearing</b>	<b>Total</b>
<u>ASSETS</u>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash	2,094,651	-	-	-	-	402,857	2,497,508
Held to maturity	8,500,000	6,500,000	-	-	-	-	15,000,000
Loans and receivables	97,419,547	1,503,236	2,352,812	5,917,918	-	-	107,193,513
Accrued receivables	-	-	-	-	-	292,689	292,689
Investments	-	-	-	-	-	226,675	226,675
<b>Total Financial Assets</b>	<b>108,014,198</b>	<b>8,003,236</b>	<b>2,352,812</b>	<b>5,917,918</b>	<b>-</b>	<b>922,221</b>	<b>125,210,385</b>

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 2017

(Continued)

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

2017	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
<u>LIABILITIES</u>	\$	\$	\$	\$	\$	\$	\$
Payables and other liabilities	1,396,780	-	-	-	-	-	1,396,780
Borrowings	-	1,000,000	-	-	-	-	1,000,000
Deposits from members	78,585,967	11,445,480	20,876,562	1,843,652	-	82,392	112,834,053
	79,982,747	12,445,480	20,876,562	1,843,652	-	82,392	115,230,833
Undrawn Commitments (Note 19)	9,933,293	-	-	-	-	-	9,933,293
<b>Total Financial Liabilities</b>	<b>89,916,040</b>	<b>12,445,480</b>	<b>20,876,562</b>	<b>1,843,652</b>	<b>-</b>	<b>82,392</b>	<b>125,164,126</b>

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 2017

(Continued)

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

	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
2016							
<u>ASSETS</u>	\$	\$	\$	\$	\$	\$	\$
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
<b>Total Financial Assets</b>	<b>89,602,466</b>	<b>11,003,824</b>	<b>6,185,283</b>	<b>4,296,425</b>	<b>-</b>	<b>890,293</b>	<b>111,978,291</b>
<u>LIABILITIES</u>	\$	\$	\$	\$	\$	\$	\$
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
<b>Total Financial Liabilities</b>	<b>82,321,180</b>	<b>10,462,606</b>	<b>17,229,898</b>	<b>501,889</b>	<b>-</b>	<b>82,944</b>	<b>110,598,517</b>

**FAMILY FIRST CREDIT UNION LIMITED**

**A.B.N. 39 087 650 057**

**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:

**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 2017**

**(Continued)**

**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.

<b>30 June 2017</b>	<b>Note</b>	<b>Carrying amount</b>	<b>Level 1 \$</b>	<b>Level 2 \$</b>	<b>Level 3 \$</b>
Financial assets not measured at fair value					
Loans to members	5.2	97,251,826	-	97,242,555	-
		<b>97,251,826</b>	<b>-</b>	<b>97,242,555</b>	<b>-</b>
Financial liabilities not measured at fair value					
Deposits	13	112,834,053	-	112,929,711	-
		<b>112,834,053</b>	<b>-</b>	<b>112,929,711</b>	<b>-</b>
<b>30 June 2016</b>					
Financial assets not measured at fair value					
Loans to members	5.2	83,513,145	-	83,481,984	-
		<b>83,513,145</b>	<b>-</b>	<b>83,481,984</b>	<b>-</b>
Financial liabilities not measured at fair value					
Deposits	13	100,312,849	-	100,347,883	-
		<b>100,312,849</b>	<b>-</b>	<b>100,347,883</b>	<b>-</b>

**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:

	<b>2017</b>	<b>2016</b>
Loans to members	4.15% - 4.75%	4.29% - 4.49%
Deposits	0.25% - 3.00%	0.30% - 2.60%

**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 2017**

**(Continued)**

**29. STANDBY BORROWING FACILITIES**

**Overdraft facility**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
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 2017 is \$Nil (2016: \$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.

**FAMILY FIRST CREDIT UNION LTD**

**A.B.N. 39 087 650 057**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

**(Continued)**

**32. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 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.

<b>AASB Reference</b>	<b>Nature of Change</b>	<b>Application date</b>	<b>Impact on Initial Application</b>
AASB 9 Financial Instruments	Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cashflow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.	30 June 2019	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2019 year-end. The Credit Union has not yet made a detailed assessment of the impact of these amendments.  However, based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted.
AASB 15 Revenue from Contracts with Customers	AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods and services.	30 June 2019	Based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted.

**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 2017**

**(Continued)**

**32. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (Con't)**

<b>AASB Reference</b>	<b>Nature of Change</b>	<b>Application date</b>	<b>Impact on Initial Application</b>
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	AASB 16 will cause the majority of leases of an entity to be brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low value assets which may remain off-balance sheet. The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments.  A corresponding right to use the asset will be recognised which will be amortised over the term of the lease. Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges.	Periods beginning on or after 1 January 2019	The Credit Union is yet to undertake a detailed assessment of the impact of AASB 16.  However, based on the Credit Union'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 2017**

**(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 2017 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:



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Colin Lenton  
Director  
Chair



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Jeffery Garter  
Director  
Acting Audit Committee Chair

Dated at Lithgow this 25<sup>th</sup> day of September 2017

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

**Report on the Audit of the Financial Report**

**Opinion**

We have audited the financial report of Family First Credit Union Ltd (The Credit Union), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by those charged with governance.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Credit Union as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards.

**Basis for Opinion**

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

**Other Information**

Those charged with governance are responsible for the other information. The other information comprises the information included in the Credit Union's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation

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

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

  
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291 Stewart Street  
Bathurst  
25th September 2017

  
Leanne Smith  
Director