



**FAMILY FIRST CREDIT UNION LIMITED**

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2019**

**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 MAMI CPA BComm

**Management:**

Chief Executive Officer:	Mr Darryl Macauley MAMI CPA BComm
Head of Sales and Operations:	Mr James McKid MAMI BEc BComm
Head of Lending:	Mrs Dara Rushworth MAMI Diploma of Financial Services

**Auditor:**

Intentus Chartered Accountants

**Internal Auditor:**

Mr Glenn Pannam, DBP Consulting Pty Ltd

**Solicitors:**

DB Legal Pty Ltd

**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 2019.

### **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	
Peter James Cafe	
Jeffery Harry Carter	(resigned September 2018)
James Edward Couper	
Stephen Paul Flynn	(Board Appointed Director)
Megan Jane Mendham	(Associate Director appointed July 2019)
Lynette Safranek	

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 \$742,975 (2018 - \$618,389).

### **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 our 52<sup>nd</sup> year of operation. Yes, this was considered to be one of the most successful years in our history and even more notable given the tough economic conditions that existed throughout the financial year. Added to the challenging environment, this was also the year in which the financial services industry was given a massive shake up with the findings of the Royal Commission into Misconduct into the Banking, Superannuation and Financial Services Industry announced. This proved to be a big wake up call for all industry participants, particularly the larger institutions and the fundamental need to put the interests of the member or customer first and foremost. This is much easier for mutuals given that their judgement is not clouded by the mere fact that we are owned by our members and as such all profits generated are reinvested back into better facilities, better pricing and better products and services. It is testament to the mutual financial industry that no mutuals were implicated by any adverse findings arising from the royal commission, however that said, relevant reforms arising from this process will no doubt impact all industry participants.

Some of the key achievements of the Credit Union's operation are reflected in the following summary:-

- After tax profit increased by \$124,586 or 20.1% to \$742,975
- Members that utilise us as their main financial institution increased by 7.6% to 765
- Member deposits increased by \$19,881,372 or 16.6% to \$139,564,107
- Loans increased by \$19,296,567 or 18.3% to \$124,801,580
- Total assets increased by \$23,120,112 or 17.2% to \$157,329,136
- Capital adequacy decreased to 15.8% (2018 – 16.8%)
- Minimum Liquidity Holdings (MLH) decreased to 15.4% (2018 – 16.6%)
- Total liquidity decreased to 19.3% (2018 – 19.6%)
- Capital increased by \$869,393 or 8.0% to \$11,715,571
- Total Risk Weighted Assets increased by \$9,604,564 or 14.9% to \$74,161,497
- Operating expenses increased by \$59,532 or 1.5% to \$3,983,651
- Impairment expenses decreased by \$23,850 or 63.6% to \$13,637
- Interest margin increased by \$279,766 or 7.1% to \$4,218,594

# **FAMILY FIRST CREDIT UNION LIMITED**

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

## **DIRECTORS' REPORT (Continued)**

### **Review of Operations (Continued)**

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 meets regularly to constantly assess the key measures of organisational strength and stability such as the capital adequacy and liquidity ratios. Given the growth that has occurred throughout the financial year, both ratios have been under some pressure at times however levels of both have been maintained well above the prescribed minimum we are required to hold. Future strategic direction will utilise various facilities and arrangements to better manage both these ratios in our pursuit of continued growth. As at balance date, total liquidity held strong at 19.3% which was down from 19.6% whilst the capital adequacy ratio was also well over prudential requirements at 15.8% however down from 16.8%. Capital levels were increased to \$11.716m throughout the year which underpins Family First Credit Union's sound financial position in providing high levels of protection to its depositor base.

This year we have continued our IT upgrade with the release of two new products – our banking app and our online statements. These demonstrate our continued commitment to facilitate access to your banking needs 24 x 7 x 365 via the use of your smart device as well as being responsible to the environment and cutting down on the excess generation of paperwork. We are continuing to work with vendors in improving the online experience and we are not too far away from the launch of our new and improved website.

This financial year we have also added solar panels to our Head Office location in Lithgow which has not only generated financial savings for the Credit Union in reduced power costs but has also reduced the level of our carbon footprint which all helps as we try to minimise our impact to the environment for the benefit of the generations to come.

A new challenge to be faced from a regulatory point of view commencing from 1 July 2019 is the implementation of the Banking Executive Accountability Regime or BEAR. This legislation holds senior executives, including all Directors on the Board members, to a higher level of account in terms of their roles and responsibilities as well as their fiduciary duties under common law.

We have embarked upon a new phase of strategic planning in April 2019 following the conclusion of the existing strategic plan including the following three key strategic themes – 1. Deepen relationships 2. Grow Capabilities 3. Empower People. This proved to be quite a successful plan and we anticipate the next phase to be just as successful.

We have continued 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 \$30,315 (2018: \$14,971) or 9.0% (2018: 4.3%) occurred. The level of rebated fees continued throughout the 2019 financial year amounting to \$318,414 (2018: \$324,186).

Our role as a socially responsible corporate citizen was strengthened as we made greater levels of contribution within our communities. Our commitment to our Mental Health Initiative increased with a total of \$27,914 (2018 - \$14,696) raised in order to tackle the impact of mental health in our regional communities. In addition to this we have donated \$29,171 (2018 - \$29,714) to many worthwhile community based organisations and sporting groups through the community support grant program held in May this year.

### **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

#### **Mrs Kathryn Henrietta Grace Dickson MAMI GAICD**

- 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
- Graduate Diploma AICD 2019
- Diploma in Financial Services
- Diploma in Management

*Experience:*

Appointed 16 November 2010

*Occupation:*

Management

#### **Mr Peter James Cafe MAMI GAICD**

- Director
- Chair of Risk Committee
- Member of the Board Renewal & Remuneration Committee
- Graduate Diploma AICD 2011
- Chair of the Board 2007 - 2015

*Experience:*

Appointed 6 March 2000

*Occupation:*

Semi Retired Manager HECS P/L

**FAMILY FIRST CREDIT UNION LIMITED**

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**DIRECTORS' REPORT  
(Continued)**

**Information on Directors (continued)**

**Mr James Edward Couper OAM MAMI**

- Chair of Audit Committee
- Member of Risk Committee
- Member of the Board Renewal & Remuneration Committee
- Associate Director appointed 22 July 2015
- Order of Australia Medal awarded 26 January 2019
- Graduate Diploma in Marketing

*Experience:*

Appointed 17 July 2015

*Occupation:*

Marketing Research Consultant

**Mr Antony Benetatos MAMI**

- Member of Risk Committee
- Member of the Corporate Governance 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

**Mrs Lynette Safranek**

- Member of Audit Committee
- Board Representative on the Community Support Grants Committee
- Diploma Frontline Management
- Graduate Diploma Local Government Management
- Member Local Government Professionals

*Experience:*

Appointed 27 June 2016

*Occupation:*

Corporate Services Director

**Mr Stephen Paul Flynn**

- Board Appointed Director 2018
- Associate Director 2017
- Member of Audit Committee
- Bachelor of Commerce
- Bachelor of Law

*Experience:*

Appointed October 2017

*Occupation:*

Solicitor

## **FAMILY FIRST CREDIT UNION LIMITED**

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

### **DIRECTORS' REPORT (Continued)**

#### **Information on Directors (continued)**

##### **Mrs Megan Jane Mendham**

- Associate Director 2019
- Member of Audit Committee
- Bachelor of Education (Early Childhood)

*Experience:*

Board Member since 2019

*Occupation:*

CEO - Community Connections Solutions Australia

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

#### **Corporate Governance Disclosures**

##### **Board**

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

Each director must be eligible to act under the constitution as a member of the Credit Union and Corporations Act 2001 criteria. Directors need to also satisfy the fit and proper criteria as well as the newly implemented Banking Executive Accountability Regime (BEAR) set down by APRA.

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

The Board:

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

##### **Board Remuneration**

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



## **FAMILY FIRST CREDIT UNION LIMITED**

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

### **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 Chief Executive Officer participation on an invitation basis only.

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

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

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

#### **Policies**

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

Key Risk Management Policies include:-

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

#### **Compliance**

Following the resignation of the Head of Risk & Culture in early April 2019, compliance has been largely carried out under the supervision of the newly formed Risk & Compliance Management Committee. This committee, which has its own Board approved Terms of Reference, is largely responsible for ensuring compliance with external rules, regulations and legislation as well as internal policies and procedures. The responsibilities of the committee include oversight of the day to day compliance requirements of the Credit Union as well as to maintain the awareness of staff for all changes in compliance legislation and responding to staff inquiries on compliance matters. The Committee also oversees compliance with both the FSR and Australian Credit License obligations as well as requirements under the Anti Money Laundering & Counter Terrorism Financing legislation. All member complaints and disputes raised are also regularly reviewed by the Committee to ensure that they are promptly actioned and resolved. To ensure that the compliance framework is managed efficiently and effectively and that all necessary matters are appropriately escalated, the credit union utilises the compliance and risk management software, GRC Tri-line. The Risk & Compliance Management Committee is made up of two senior managers, two board members and two senior staff along with Independent Risk & Compliance Consultant Ian Counsell.

## **FAMILY FIRST CREDIT UNION LIMITED**

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

### **DIRECTORS' REPORT (Continued)**

#### **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. Intentus Chartered Accountants, having served their original contracted term, are engaged on a year to year basis.

#### **Internal Audit**

The Credit Union engages the services of internal auditor on a contract basis to carry out the internal audit functions and to deal with the areas of internal compliance with policies and procedures. The Internal Audit Plan is prepared on an annual basis taking into consideration the risks associated with the various operations that exist within the credit union. The Internal Audit Plan is adopted by the Board on recommendation from the Audit Committee. The internal auditor reports directly to the Audit Committee. A decision was made earlier in the year on the recommendation of the Audit Committee to extend the current contract of the incumbent Internal Auditor, Mr Glenn Pannam from DBP Consulting Pty Ltd for a further 3 years until 30 June 2022.

#### **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.

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.

#### **Banking Executive Accountability Regime (BEAR)**

In February 2018, Australia introduced the Banking Executive Accountability Regime to establish clear and heightened expectations of accountability for authorised deposit-taking institutions (ADI's), their directors and senior executives, and to ensure that there are clear consequences in the event of a material failure to meet those expectations. The accountability regime imposes explicit accountability obligations on both an ADI and on individuals who are registered as 'accountable persons'. The BEAR was effectively implemented on 1 July 2019.

## FAMILY FIRST CREDIT UNION LIMITED

A.B.N. 39 087 650 057

### DIRECTORS' REPORT (Continued)

#### 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 workplace. In addition to this the Credit Union subscribes to an Employee Assistance Program which allows all staff access to specially trained counsellors should they require.

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

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

	Board	Corporate Governance Committee	Audit Committee	Risk Committee	Board Nomination Committee
<b>Number of meetings held:</b>	<b>10</b>	<b>12</b>	<b>6</b>	<b>6</b>	<b>1</b>
<b>Number of meetings attended:</b>					
Antony Benetatos	8	7 <sup>(3)</sup>	-	6	-
Peter Cafe	10	4 <sup>(4)</sup>	-	6	-
Jeffery Carter	2 <sup>(1)</sup>	-	2 <sup>(5)</sup>	1 <sup>(6)</sup>	-
James Couper	9	-	5	4	-
Kathy Dickson	9	9	-	5	1
Stephen Flynn	10	-	6	-	-
Colin Lenton	8	11	-	-	-
Megan Mendham	- <sup>(2)</sup>	-	-	-	-
Lynette Safraneck	8	-	5	-	-

(1) Jeffery Carter attended 2 out of a possible 2 Board meetings after resigning on 17 September 2018

(2) Megan Mendham was not required to attend any Board meetings given her appointment on 22 July 2019

(3) Antony Benetatos attended 7 out of a possible 7 Corporate Governance Committee meetings

(4) Peter Cafe attended 4 out of a possible 5 Corporate Governance Committee meetings

(5) Jeffery Carter attended 2 out of a possible 2 Audit Committee meetings

(6) Jeffery Carter attended the only Risk Committee meeting he was eligible to attend

# **FAMILY FIRST CREDIT UNION LIMITED**

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

## **DIRECTORS' REPORT (Continued)**

### **General Board, Risk and Audit Committee Attendance (continued)**

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 on the previous page. In addition to the meetings highlighted above, Board members also attended a Strategic Planning Workshop held over the weekend of 6 & 7 April 2019. In camera sessions were held at some of the ordinary board meetings held throughout the year. Several Remuneration and Renewal meetings were also attended by various Directors throughout the year.

### **Company Secretary**

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

### **Directors' Benefits**

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

### **Indemnifying Officers and Auditor**

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

### **Auditor's Independence Declaration**

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 13 of the financial report.

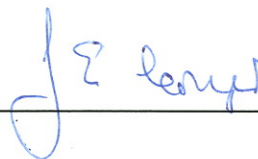
### **Acknowledgements**

In concluding this report the Board expresses its appreciation to both management and staff and acknowledge the achievements of Family First Credit Union throughout 2018/2019 would not have been possible without their dedication and commitment. A special thank you and acknowledgement of retiring director Jeffery Carter after almost 44 years of dedicated service as a director. In a year that could arguably be our best on record, the Board would also like to express its gratitude and appreciation for the continued support of its loyal owner members whom without we would not be able to operate and exist. In a year where the trust in the banking relationship has been significantly questioned, the Board commits itself to always act in the best interests of both the member owners as well as the communities in which we operate.

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



Colin Lenton  
Director  
Chair



Jim Couper  
Director  
Audit Committee Chair

Dated at Lithgow this 23<sup>rd</sup> day of September 2019

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2019 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**

328 Stewart Street  
Bathurst  
23<sup>rd</sup> day of September 2019



**Leanne Smith**  
Director

**FAMILY FIRST CREDIT UNION LIMITED**

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**

	<b>Note</b>	<b>2019 \$</b>	<b>2018 \$</b>
<b>ASSETS</b>			
Cash and liquid assets	6	1,989,888	1,201,375
Loans and advances	7.1	125,475,838	106,430,838
Accrued receivables	9	104,608	128,359
Investment securities	10	28,389,999	25,270,812
Property, plant and equipment	11	686,534	603,995
Intangibles	12	187,327	166,712
Deferred tax assets	13.2	138,437	142,983
Other assets	14	356,505	263,950
<b>TOTAL ASSETS</b>		<u>157,329,136</u>	<u>134,209,024</u>
<b>LIABILITIES</b>			
Deposits	15	139,564,107	119,682,735
Payables and other liabilities	16	914,118	788,630
Tax liabilities	13.1	179,455	172,290
Provisions	17	183,922	187,903
Borrowings	18	4,000,000	2,000,000
Deferred tax liabilities	13.4	197,081	-
<b>TOTAL LIABILITIES</b>		<u>145,038,683</u>	<u>122,831,558</u>
<b>NET ASSETS</b>		<u>12,290,453</u>	<u>11,377,466</u>
<b>MEMBERS' EQUITY</b>			
Retained profits		11,513,074	10,800,099
FVOCI reserve	19	160,655	-
General reserve for credit losses		257,803	227,803
Asset revaluation reserve		358,921	349,564
<b>TOTAL MEMBERS' EQUITY</b>		<u>12,290,453</u>	<u>11,377,466</u>

*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 2019**

	<b>Note</b>	<b>2019 \$</b>	<b>2018 \$</b>
Interest revenue	4.1	6,061,370	5,516,447
Interest expense	4.1	(1,842,776)	(1,577,619)
<b>Net interest revenue</b>		<u>4,218,594</u>	<u>3,938,828</u>
Other income	4.2	800,452	870,930
<b>Total operating income</b>		<u>5,019,046</u>	<u>4,809,758</u>
<b>Non-interest expenses</b>			
Administration expenses	4.5	(1,163,919)	(1,179,119)
Branch occupancy expenses		(304,635)	(291,906)
Data processing		(675,243)	(594,400)
Depreciation and amortisation	4.4	(173,788)	(168,405)
Employee benefits expense	4.4	(1,439,069)	(1,476,356)
Impairment losses on loans and advances	4.3	(13,637)	(37,487)
Loans administration		(36,030)	(25,164)
Marketing		(158,297)	(177,334)
Supervision levies		(32,670)	(11,435)
<b>Total expenses</b>		<u>(3,997,288)</u>	<u>(3,961,606)</u>
<b>Profit before income tax</b>		<u>1,021,758</u>	<u>848,152</u>
<b>Income tax expense</b>	5	<u>(278,783)</u>	<u>(229,763)</u>
<b>Profit for the year after income tax</b>		<u>742,975</u>	<u>618,389</u>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>742,975</u>	<u>618,389</u>
<b>Other comprehensive income, net of income tax</b>			
Movement in reserve for equity instruments at FVOCI	19	<u>160,655</u>	<u>-</u>
<b>Total comprehensive income for the period</b>		<u>160,655</u>	<u>-</u>

*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 2019**

	<b>Retained Earnings</b>	<b>General Reserve for Credit Losses</b>	<b>Asset Revaluation Reserve</b>	<b>FVOCI Reserve</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>BALANCE AT 1 JULY 2017</b>	<b>10,191,710</b>	<b>217,803</b>	<b>349,564</b>	<b>-</b>	<b>10,759,077</b>
<b>Total comprehensive income</b>					
Profit for the year after income tax	618,389	-	-	-	618,389
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	<b>618,389</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>618,389</b>
Transfer from retained earnings to general reserve for credit losses	(10,000)	10,000	-	-	-
Revaluation of property	-	-	-	-	-
<b>BALANCE AT 30 JUNE 2018</b>	<b>10,800,099</b>	<b>227,803</b>	<b>349,564</b>	<b>-</b>	<b>11,377,466</b>
<b>BALANCE AT 1 JULY 2018</b>	<b>10,800,099</b>	<b>227,803</b>	<b>349,564</b>	<b>-</b>	<b>11,377,466</b>
Changes on initial adoption of AASB 9	-	-	-	160,655	160,655
<b>ADJUSTED BALANCE AT 1 JULY 2018</b>	<b>10,800,099</b>	<b>227,803</b>	<b>349,564</b>	<b>160,655</b>	<b>11,538,121</b>
<b>Total comprehensive income</b>					
Profit for the year after income tax	742,975	-	-	-	742,975
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	<b>742,975</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>742,975</b>
Transfer from retained earnings to general reserve for credit losses	(30,000)	30,000	-	-	-
Revaluation of property	-	-	145,500	-	145,500
Taking up a Deferred Tax Liability on revaluation amount	-	-	(136,143)	-	(136,143)
<b>BALANCE AT 30 JUNE 2019</b>	<b>11,513,074</b>	<b>257,803</b>	<b>358,921</b>	<b>160,655</b>	<b>12,290,453</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 2019**

	<b>Note</b>	<b>2019 \$</b>	<b>2018 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received on loans		5,289,642	4,777,205
Interest received on investments		786,859	914,884
Dividends received		12,636	21,771
Other income received		787,816	849,159
Interest paid on members' deposits		(1,703,504)	(1,461,317)
Interest paid on borrowings		(10,262)	(33,987)
Payments to suppliers and employees		(3,868,132)	(3,810,394)
Net income taxes (paid) / refunded		(267,072)	(205,362)
<b>Net cash from revenue activities</b>	<b>25.2</b>	<b>1,027,983</b>	<b>1,051,959</b>
<b>Cash from (used in)/other operating activities</b>			
Net decrease / (increase) in SocietyOne loans		268,744	(45,950)
Net (increase) in members' loan fundings		(19,296,567)	(8,157,869)
Net (decrease) in member shares		(2,692)	(7,260)
Net increase in member savings		19,884,064	6,855,942
Net movement in deposits to Investment Securities		(2,196,299)	(3,499,586)
Net increase/(decrease) in members' clearing		(63,982)	(665,631)
<b>Net cash from (used in) operating activities</b>	<b>25.2</b>	<b>(1,406,732)</b>	<b>(5,520,354)</b>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>	<b>25.2</b>	<b>(378,749)</b>	<b>(4,468,395)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments		-	(1)
Proceeds on sale of property, plant and equipment		-	-
Purchase of property, plant and equipment		(30,784)	(38,299)
Purchase of intangible assets		(100,659)	(90,659)
<b>Net cash (used in)/from investing activities</b>		<b>(131,443)</b>	<b>(128,959)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net movement in borrowings		<b>2,000,000</b>	<b>1,000,000</b>
<b>Net cash from financing activities</b>		<b>2,000,000</b>	<b>1,000,000</b>
<b>NET (DECREASE)/INCREASE IN CASH HELD</b>		<b>1,489,808</b>	<b>(3,597,354)</b>
Cash at beginning of year		2,801,810	6,399,164
<b>CASH AT END OF YEAR</b>	<b>25.1</b>	<b>4,291,618</b>	<b>2,801,810</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 THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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# **FAMILY FIRST CREDIT UNION LIMITED**

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

### **1. BASIS OF PREPARATION**

#### **Reporting Entity**

Family First Credit Union Limited (the "Credit Union") is a company limited by shares, incorporated and domiciled in Australia. The credit union is a for profit entity and the nature of its operations, and its principal activities are the provision of deposit taking and loan facilities to the members of the Credit Union. The financial statements were authorised for issue on 23 September 2019 in accordance with a resolution of the board of directors.

#### **Statement of Compliance**

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

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

#### **Basis of Preparation**

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

### **2 CHANGES IN ACCOUNTING POLICIES**

#### **Financial Instruments - Adoption of AASB 9**

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

The Credit Union has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2018. When adopting AASB 9, the Credit Union has applied transitional relief and opted not to restate prior periods.

As part of the adoption of AASB 9, the Company adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial *Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. In the comparative year, this information was presented as part of other expenses.

The key changes to the Credit Union's accounting policy and the impact on these financial statements from applying AASB 9 are described in the following pages.

**FAMILY FIRST CREDIT UNION LIMITED**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)**

**Financial Instruments - Adoption of AASB 9 (continued)**

**Classification of financial assets**

The financial assets of the Credit Union have been reclassified into one of the following categories on adoption of AASB 9 based on primarily the business model in which a financial asset is managed and its contractual cash flow characteristics:

- Measured at amortised cost;
- Fair value through other comprehensive income - equity instruments (FVOCI - equity); and
- Fair value through Profit & Loss (FVPL)

AASB 9 eliminates the previous categories of held to maturity, loans and receivables and available for sale. Classification of financial liabilities is largely unchanged. Refer table on next page for a reconciliation of changes in classification and measurement of financial instruments on adoption of AASB 9.

**Measurement of equity instruments**

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments classified as fair value through other comprehensive income are taken to the relevant reserve.

**Impairment of financial assets**

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost, contract assets and fair value through other comprehensive income. This has resulted in the earlier recognition of credit loss (bad debt provisions).

**Transition adjustments**

The impacts to reserves and retained earnings on adoption of AASB 9 at 1 July, 2018 are shown below:

	<b>Original AASB 139 category</b>	<b>New AASB 9 category</b>	<b>Closing Balance 30 June 2018 (AASB 139) \$</b>	<b>Adoption of AASB 9 \$</b>	<b>Opening balance 1 July 2018 (AASB 9) \$</b>
<b>Financial assets</b>					
Loans and advances	Loans and receivables	Amortised cost	106,430,838	-	106,430,838
Trade and other receivables	Receivables	Amortised cost	128,359	-	128,359
Investment securities - CUSCAL share/TAS	Available for sale	FVOCI - equity	226,676	221,593	448,269
Cash	Amortised cost	Amortised cost	1,201,375	-	1,201,375
Term Deposits / Other Deposits held	Held to maturity	Amortised cost	10,044,136	-	10,044,136
Floating Rate Notes	Held to maturity	Amortised cost	15,000,000	-	15,000,000
<b>Total financial assets</b>			<b>133,031,384</b>	<b>221,593</b>	<b>133,252,977</b>

**FAMILY FIRST CREDIT UNION LIMITED**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)**

**Transition adjustments (continued)**

	<b>Original AASB 139 category</b>	<b>New AASB 9 category</b>	<b>Closing Balance 30 June 2018 (AASB 139) \$</b>	<b>Adoption of AASB 9 \$</b>	<b>Opening balance 1 July 2018 (AASB 9) \$</b>
<b>Financial liabilities</b>					
Payables and other liabilities	Amortised cost	Amortised cost	788,630	-	788,630
Deposits from members	Amortised cost	Amortised cost	119,682,735	-	119,682,735
Borrowings	Amortised cost	Amortised cost	2,000,000	-	2,000,000
<b>Total financial liabilities</b>			<b>122,471,365</b>	<b>-</b>	<b>122,471,365</b>

On adoption of AASB 9 the Credit Union revalued its shares in Cuscal Ltd. This revaluation is reflected in the creation of a Fair Value through Other Comprehensive Income Reserve. The revaluation caused the Credit Union to create a Deferred Tax Liability to the amount of 27.5% of the revaluation.

There was no other impact on the Financial Statements for the current year.

AASB 9 contains exemptions from full retrospective application for the classification and measurement requirements of the new standard, including impairment. These include an exception from the requirement to restate comparative information. Because the Credit Union has elected not to restate comparatives, different accounting policies apply to financial assets and financial liabilities pre- and post-adoption of the standard. Therefore, both the pre- and post-adoption accounting policies for financial instruments are disclosed in the note below.

**Revenue from Contracts with Customers - Adoption of AASB 15**

The Credit Union has adopted AASB 15 Revenue from Contracts with Customers for the first time in the current year with a date of initial application of 1 July, 2018.

Under AASB 15, the Credit Union must evaluate the separability of promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both of the following criteria are met:

- the customer benefits from the good or service either on its own or together with other readily available resources; and
- the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the Credit Union does not provide a significant service integrating, modifying or customising it).

While this represents significant new guidance, the implementation of this new guidance had no impact on the timing or amount of revenue recognised by the Credit Union during the year.

**FAMILY FIRST CREDIT UNION LIMITED**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Loans to members**

**(i) Basis of recognition**

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

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Credit Union at balance date, less any allowance or provision against impairment for debts considered doubtful. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by senior management endorsed by the Board of Directors.

The Australian Prudential Regulation Authority (APRA) has mandated that interest is not recognised as revenue after the irregularity exceeds 90 days for a loan facility.

**(ii) Interest earned**

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

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

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

**(iii) Loan origination fees and discounts**

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

**(iv) Transaction costs**

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

**(v) Fees on loans**

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

**FAMILY FIRST CREDIT UNION LIMITED**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Loan impairment**

**(i) Provision for impairment**

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses (ECL). Instruments within the scope of the new requirements include loans and advances and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments.

Family First Credit Union considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans) ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (underperforming loans) ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment (loans in default/non-performing) at the reporting date.

**(ii) Measurement of ECL**

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Credit Union in accordance with the contract and the cash flows that the Credit Union expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Credit Union if the commitment is drawn down and the cash flows that the Credit Union expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Credit Union expects to recover.

Note 26.3 details the credit risk management approach for loans.

**FAMILY FIRST CREDIT UNION LIMITED**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Loan impairment (Continued)**

**(iii) Reserve for credit losses**

In addition to the above specific provision, the Board has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties in the future. The reserve is based on an estimation of potential risk in the loan portfolio based upon:

- the level of security taken as collateral;
- the actual number of days loans are delinquent; and
- historical Bad Debt write-off performance.

**(iv) Renegotiated loans**

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

**3.3 Bad debts written off**

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

**3.4 Property, plant and equipment**

**(i) Determination of carrying values**

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

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

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



**FAMILY FIRST CREDIT UNION LIMITED**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Property, Plant and Equipment (Continued)**

**(ii) Depreciation**

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

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

Land is not depreciated.

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income.

**(iii) Revaluation of Property**

Throughout the 2019 financial year, the Head Office property located at 1 Ordnance Lithgow was revalued following an independent valuation performed. The valuation concluded that the property was valued at \$550,000 as at 17 December 2018. This meant that an additional amount was added to the Asset Revaluation Reserve, net of deferred taxation liabilities. As at the end of the financial year, the Asset Revaluation Reserve had a balance of \$358,921 representing all previous valuations taken place over 1 Ordnance Avenue Lithgow.

**3.5 Intangible assets**

Capitalised software costs that are not an integral part of the associated hardware are classified as intangibles, and are amortised over the useful life of the asset and assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation of the intangible asset is recognised as an expense in the Statement of Comprehensive Income.

Intangible assets are amortised over the expected useful life of the software of 3 to 5 years.

**FAMILY FIRST CREDIT UNION LIMITED**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.6 Financial instruments**

**(i) Initial recognition and measurement**

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

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

**(ii) Classification and subsequent measurement**

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

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

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

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

**Policy applicable before 1 July 2018**

**a. Loans and receivables**

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

**FAMILY FIRST CREDIT UNION LIMITED**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.6 Financial instruments (Continued)**

**(ii) Classification and subsequent measurement (continued)**

**b. Held-to maturity investments**

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

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

**c. Available-for-sale financial assets**

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

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

**d. Financial liabilities**

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

**Policy applicable from 1 July 2018**

Financial assets are classified into the following categories upon initial recognition:

- Amortised cost;
- Fair value through profit or loss (FVPL); or
- Fair value through other comprehensive income (FVOCI).

**FAMILY FIRST CREDIT UNION LIMITED**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.6 Financial instruments (Continued)**

**(ii) Classification and subsequent measurement (continued)**

**Subsequent measurement of financial assets**

***Financial assets at amortised costs***

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Family First Credit Union's cash equivalents (NCD, FRN's & TD's) fall into this category of financial instruments and were previously classified as held to maturity under AASB 139.

***Financial assets at Fair Value through Profit or Loss (FVPL)***

Financial assets that are within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised as fair value through profit or loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

***Fair Value through Other Comprehensive Income (FVOCI)***

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. This category includes unlisted equity securities – CUSCAL Ltd, Shared Service Partners, ASL and TAS- that were previously classified as 'available for sale' under AASB 139.

**(iii) Impairment**

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

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.6 Financial instruments (Continued)**

**(ii) Classification and subsequent measurement (continued)**

**(iv) De-recognition**

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

**3.7 Members' deposits**

**(i) Basis for measurement**

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

**(ii) Interest payable**

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

**3.8 Employee benefits**

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

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

Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits discounted using national government bond rates.

Provision for long service leave is on a pro-rata basis from commencement of employment with the Credit Union based on the present value of its estimated future cash flows.

Annual leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at the reporting date. Annual leave is reflected as part of the sundry creditors and accruals.

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.8 Employee benefits (Continued)**

Contributions are made by the Credit Union to an employee's superannuation fund and are charged to the income statement on an accruals basis.

**3.9 Cash and cash equivalents**

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

**3.10 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease payments for operating leases, are charged as expenses in the periods in which they are incurred.

**3.11 Income tax**

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

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

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

**3.12 Goods and services tax**

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

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of the GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included.

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.12 Goods and services tax (Continued)**

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

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

**3.13 Accounting estimates and judgements**

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

Management have made critical accounting estimates when applying the Credit Union's accounting policies with respect to the impairment provisions for loans - refer Note 8.

**3.14 New standards applicable for the current year**

The Credit Union has adopted all standards which became effective for the first time at 30 June 2019, refer to Note 2 for details of the changes due to standards adopted .

**3.15 New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Credit Union has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Credit Union where the standard is relevant:

AASB Reference	Nature of Change	Application date	Impact on Initial Application
AASB 16 <i>Leases</i>	AASB 16 will cause the majority of leases 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 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.	30 June 2020	<p>The Credit Union has not yet made a detailed assessment of the impact of these amendments.</p> <p>However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020, since the Credit Union owns its premises and other operating leases are minimal.</p>

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**4. PROFIT FOR THE YEAR**

**4.1 Interest revenue and expense**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Interest revenue</b>		
Deposits with investment securities	771,728	739,242
Loans to members	5,289,642	4,777,205
	<u>6,061,370</u>	<u>5,516,447</u>
 <b>Interest expense</b>		
Member deposits	1,812,798	1,544,160
Short-term borrowings	29,978	33,459
	<u>1,842,776</u>	<u>1,577,619</u>
 <b>Net interest income</b>	<u>4,218,594</u>	<u>3,938,828</u>
 <b>4.2 Other income:</b>		
Dividends	12,636	21,771
Fees and commissions		
- Loan fee income	70,225	72,525
- Other fee income	306,071	336,386
Insurance commissions	108,729	125,826
Other commissions	105,879	113,732
Gain on disposal of assets	-	-
Bad debts recovered	17,108	31,160
Other revenue	179,804	169,530
 Total other income	<u>800,452</u>	<u>870,930</u>



**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

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

**4.3 Impairment losses on loans and advances**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Bad debts written off directly against profit	17,135	2,563
Adjustment to provision for impairment	(5,628)	32,601
Provision for impairment of SocietyOne (P2P Loans)	2,130	2,323
	<u>13,637</u>	<u>37,487</u>

**4.4 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	93,744	107,629
Amortisation of intangible assets	<u>80,044</u>	<u>60,776</u>
Total depreciation and amortisation	<u>173,788</u>	<u>168,405</u>

*Employee benefits expense*

Salaries	1,241,327	1,243,326
Superannuation contributions (defined contribution funds)	115,314	118,984
Other	<u>82,428</u>	<u>114,046</u>
Total employee benefits	<u>1,439,069</u>	<u>1,476,356</u>

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>4.5 Administration expenses</b>		
Administration and head office occupancy	39,583	41,063
Board and committee expenses	204,962	213,389
Member chequing	6,493	8,692
Member protection	170,135	158,982
Electronic Payments costs	298,116	355,551
Visacard expenses	191,699	159,461
Other general administration expenses	252,931	241,981
Total administration	<u>1,163,919</u>	<u>1,179,119</u>

**4.6 Auditor's remuneration**

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

Intentus Chartered Accountants

- Audit of the financial statements	39,050	37,873
- Other regulatory audit services	11,220	15,851
- Taxation		-
	<u>50,270</u>	<u>53,724</u>

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**5. INCOME TAX**

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Prima facie tax on operating profit before income tax @ 27.5% (2018 – 27.5%)	280,983	233,242
Tax effect of non-allowable items:		
- Legal Fees	-	908
- Entertainment	1,725	2,378
	<u>282,708</u>	<u>236,528</u>
Tax Effect of:-		
- Franking credits on dividends received	(3,925)	(6,765)
Income tax expense attributable to operating profit	<u>278,783</u>	<u>229,763</u>

**5.2 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	274,688	255,371
- Change in tax rate on franking credits	(451)	(776)
Income tax attributable to future years		
- Deferred tax asset	4,546	(24,832)
	<u>278,783</u>	<u>229,763</u>

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

<b>6. CASH AND LIQUID ASSETS</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cash on hand	344,730	418,470
Cash at bank	1,645,158	782,905
	<u>1,989,888</u>	<u>1,201,375</u>

**7. LOANS AND ADVANCES**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>7.1 Loans and advances</b>		
Loans to members		
Overdrafts	189,416	296,764
Term loans	124,612,164	105,208,249
Gross loans and advances	124,801,580	105,505,013
Provision for impaired loans 8.1	(90,107)	(109,414)
Net loans and advances	124,711,473	105,395,599
 SocietyOne P2P Loans	 777,805	 1,046,549
Less: Provision for doubtful debts	(13,440)	(11,310)
Net investment in SocietyOne	764,365	1,035,239
	<u>125,475,838</u>	<u>106,430,838</u>

**7.2 Maturity analysis of loans to members**

Overdrafts	189,416	296,764
Not longer than 3 months	1,556,623	1,325,704
Longer than 3 and not longer than 12 months	4,285,385	3,734,200
Longer than 1 year and not longer than 5 years	21,019,178	17,976,930
Longer than 5 years	97,660,871	82,062,001
	<u>124,711,473</u>	<u>105,395,599</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**7. LOANS AND ADVANCES (continued)**

**7.3 Concentration of Risk**

- i) There are nil members (2018: 2) who individually has loans which represent 10% or more of member's equity. The total exposure as at 30 June 2019 amounts to \$Nil (2018: \$2,519,187). The credit union holds \$Nil (2018: \$3,580,000) 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>2019</b>		<b>2018</b>	
	\$	%	\$	%
<b><i>Geographical Area</i></b>				
Lithgow	56,649,957	45.39	50,441,415	47.81
Mudgee	42,967,205	34.43	34,153,638	32.37
Bathurst	14,360,706	11.51	12,989,633	12.31
Blackheath	10,152,287	8.13	7,920,327	7.51
	<b>2019</b>		<b>2018</b>	
	\$		\$	

**7.4 Credit quality – security held against loans**

Secured by mortgage over real estate	117,165,472	98,150,952
Secured by goods mortgage	4,449,122	4,005,226
Wholly unsecured	3,186,986	3,348,835
	<u>124,801,580</u>	<u>105,505,013</u>

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>2019</b>	<b>2018</b>
	\$	\$
Security held as mortgages against real estate		
- loan to valuation ratio of less than 80%	105,726,429	90,949,349
- loan to valuation ratio of more than 80%		
but mortgage insured	9,793,865	6,429,252
- loan to valuation ratio of more than 80%		
but not mortgage insured	1,645,178	772,351
	<u>117,165,472</u>	<u>98,150,952</u>

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**8. IMPAIRMENT OF LOANS**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>8.1 Provision for impaired loans</b>		
<b>Total provision comprises</b>		
Collective provision	38,433	56,882
Specific provision	51,674	52,532
<b>Total Provision</b>	<u>90,107</u>	<u>109,414</u>
<b>Movement in the provision for impairment</b>		
Balance at the beginning of year	109,414	95,318
Add (deduct):		
Doubtful debt expense	(5,628)	32,601
Bad debts written off against provision	(13,679)	(18,505)
<b>Balance at end of year</b>	<u>90,107</u>	<u>109,414</u>
<b>Provision for Impairment of SocietyOne P2P Loans</b>		
Balance at the beginning of year	11,310	8,987
Add (deduct) movement in provision:	2,130	2,323
<b>Balance at end of year</b>	<u>13,440</u>	<u>11,310</u>

**8.2 Amounts arising from ECL**

The loss allowance as of the year end by class of exposure/asset are summarised in the table below. Comparative amounts for 2018 represent allowance account for credit losses and reflect measurement basis under AASB 139.

	<b>Gross Carrying Value 2019 \$</b>	<b>ECL Allowance 2019 \$</b>	<b>Carrying Value 2019 \$</b>	<b>Gross Carrying Value 2018 \$</b>	<b>Provision for Impairment 2018 \$</b>	<b>Carrying Value 2018 \$</b>
<b>Loans to members</b>						
Mortgage	117,165,472	-	117,165,472	98,150,952	-	98,150,952
Personal	7,446,692	88,867	7,357,825	7,057,297	99,537	6,957,760
Overdrafts	189,416	1,240	188,176	296,764	9,877	286,887
<b>Total</b>	<u>124,801,580</u>	<u>90,107</u>	<u>124,711,473</u>	<u>105,505,013</u>	<u>109,414</u>	<u>105,395,599</u>

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**8. IMPAIRMENT OF LOANS (CONTINUED)**

**8.2 Amounts arising from ECL (continued)**

The Credit Union have performed an analysis of the ECL allowance and have determined, based on internal analysis, management judgements and other historical data, that the entire allowance for 2019 is classified as Stage 2.

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Carrying amount		
<i>Individually impaired</i>		
Gross amount	48,266	101,356
Provision for impairment	(56,674)	(56,882)
Carrying amount	(8,408)	44,474
<i>Past due but not impaired</i>		
Day in arrears:		
Less than one month	926,744	2,820,238
Greater than one month and less than two months	23,209	91,176
Greater than two months and less than three months	16,074	-
Greater than three months	198,434	150,816
Carrying amount	1,164,461	3,062,230
<i>Neither past due nor impaired</i>		
Secured by mortgage	116,082,725	95,344,479
Personal	7,324,431	6,720,916
Overdrafts/revolving credit	181,697	276,032
Carrying amount	123,588,853	102,341,427
Collective impairment provision	(33,433)	(52,532)
<b>Total carrying amount</b>	<b>124,711,473</b>	<b>105,395,599</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 THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**8. IMPAIRMENT OF LOANS (CONTINUED)**

**8.4 Assets acquired via enforcement of security**

There were nil assets acquired via enforcement through the 2019 year (2018 – nil).

**8.5 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 2019 was \$210,440 (2018– \$233,825).

**9. ACCRUED RECEIVABLES**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Accrued interest on receivables due from investment securities	94,962	108,171
Other accrued income	9,646	20,188
	<u>104,608</u>	<u>128,359</u>



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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

<b>10. INVESTMENT SECURITIES</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Investment securities at amortised cost</b>		
Deposits held on call	2,301,730	-
Floating Rate Notes (FRN's)	15,700,000	-
Term Deposits (TD's)	9,940,000	-
	<u>27,941,730</u>	<u>-</u>
<b>Equity securities designated as FVOCI</b>		
CUSCAL	443,186	-
TAS	5,081	-
Shared Service Partners	1	-
ASL	1	-
	<u>448,269</u>	<u>-</u>
<b>Available for sale investment securities</b>		
CUSCAL	-	221,593
TAS	-	5,081
Shared Service Partners	-	1
ASL	-	1
	<u>-</u>	<u>226,676</u>
<b>Assets held to maturity</b>		
Deposits held on call	-	2,104,136
Floating Rate Notes (FRN's)	-	15,000,000
Term Deposits (TD's)	-	7,940,000
	<u>-</u>	<u>25,044,136</u>
<b>Total Value of Investment Securities</b>	<u>28,389,999</u>	<u>25,270,812</u>
<b>Maturity Analysis of Investment Securities</b>		
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
At call	2,301,730	1,600,435
Not longer than 3 months	8,500,000	6,503,701
Longer than 3 months and not longer than 12 months	3,000,000	5,500,000
Longer than 1 and not longer than 5 years	14,140,000	11,440,000
	<u>27,941,730</u>	<u>25,044,136</u>

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**10. INVESTMENT SECURITIES (Continued)**

This company (Cuscal) supplies end-to-end payments services. At 1 July 2018, the Credit Union designated its investment in Cuscal equity securities as at FVOCI. In FY 2018, these investments were classified as available-for-sale and measured at cost. The shares are able to be traded but within a limited market and to other Mutual ADIs.

**Policy applicable before 1 July 2018**

In 2018 Family First Credit Union held the Cuscal Shares at historical cost. The value of the Cuscal Shares at historical cost was \$0.60 per share and this item was classified as Available for Sale.

**Policy applicable after 1 July 2018**

Management have used observable inputs to assess the fair value of the shares. The financial reports of Cuscal record net tangible asset backing of these shares exceeding their cost value. Based on the history of CUSCAL share sales over recent history, any fair value determination on these shares is likely to be greater than their cost value. Management has determined that a value of \$1.20 per share (30 June 2018) is a reasonable approximation of the fair value based on the abovementioned methodology. This valuation is also consistent with a net tangible asset backing per share calculation. Family First Credit Union is not intending, nor able to, dispose of these shares.

As at 30 June 2019, 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.

The Credit Union currently holds 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.

The Credit Union also holds a share worth \$1 in ASL which allows this company to act as the Credit Union's New Payments Platform (NPP) sponsor. The value of this share has not changed throughout the year.

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>11. PROPERTY, PLANT AND EQUIPMENT</b>		
Land at valuation	<u>175,000</u>	<u>100,000</u>
Buildings, at valuation	413,402	372,172
Provision for depreciation	<u>(10,058)</u>	<u>(38,736)</u>
	<u>403,344</u>	<u>333,436</u>
Leasehold improvements, at cost	330,117	330,117
Provision for depreciation	<u>(319,245)</u>	<u>(295,920)</u>
	<u>10,872</u>	<u>34,197</u>
Equipment and furniture, at cost	974,183	959,629
Provision for depreciation	<u>(876,865)</u>	<u>(823,267)</u>
	<u>97,318</u>	<u>136,362</u>
Motor vehicles, at cost	27,499	27,499
Provision for depreciation	<u>(27,499)</u>	<u>(27,499)</u>
	<u>-</u>	<u>-</u>
Net book value of property, plant and equipment	<u>686,534</u>	<u>603,995</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**11. 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>2019 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	333,436	34,197	136,362	-
Revaluation	75,000	70,500	-	-	-
Additions	-	16,230	-	14,553	-
Disposals	-	-	-	-	-
Depreciation expense	-	(16,822)	(23,325)	(53,597)	-
Closing balance	175,000	403,344	10,872	97,318	-

<b>2018 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	341,738	72,213	159,373	-
Revaluation	-	-	-	-	-
Additions	-	7,604	-	30,696	-
Disposals	-	-	-	-	-
Depreciation expense	-	(15,906)	(38,016)	(53,707)	-
Closing balance	100,000	333,436	34,197	136,362	-

Throughout the 2019 financial year, the Head Office property located at 1 Ordnance Lithgow was revalued following an independent valuation performed. The valuation concluded that the property was valued at \$550,000 as at 17 December 2018. With the value of a deferred tax liability offset against this reserve,, the Asset Revaluation Reserve had a balance of \$358,921 as at 30 June 2019.

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**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>12. INTANGIBLES</b>		
Member transaction system	1,001,880	901,221
Accumulated amortisation	(814,553)	(734,509)
	<u>187,327</u>	<u>166,712</u>

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Movement in Intangibles Reconciliation</b>		
Opening carrying amount	166,712	136,830
Additions	100,659	90,658
Disposals	-	-
Amortisation	(80,044)	(60,776)
Closing carrying amount	<u>187,327</u>	<u>166,712</u>

**13. TAXATION**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>13.1 Taxation liabilities</b>		
Income tax	<u>179,455</u>	<u>172,290</u>

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>13.2 Deferred Tax assets</b>		
Deferred tax asset comprising:		
Tax allowances relating to property, plant & equipment	48,887	41,573
Provision for impairment	29,850	34,574
Employee leave entitlements	50,578	51,674
Other – accruals	9,122	15,162
	<u>138,437</u>	<u>142,983</u>

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**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**13. TAXATION (Continued)**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>13.3 Unrecognised deferred tax assets</b>		
Deferred tax assets have not been recognised in respect of the following items:		
Capital losses	<u>23,469</u>	<u>23,469</u>

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.

**13.4 Deferred Tax Liabilities**

Deferred capital gains tax

Opening balance

-

-

Tax due on assets held at fair value

investments (initial adoption of AASB 9)

60,938

-

Amount taken up on property revaluation

136,143

-

Closing balance

197,081

-

**14. OTHER ASSETS**

**2019**

**2018**

**\$**

**\$**

Members' clearing accounts

234,677

159,130

Sundry Debtors

18,938

18,938

Prepayments

79,929

74,554

Premium paid on FRN investments

19,948

11,328

Unamortised Broker Costs

3,013

-

356,505

263,950

**15. DEPOSITS**

**2019**

**2018**

**\$**

**\$**

Call deposits

88,301,134

75,749,378

Term deposits

51,190,533

43,858,225

Withdrawable shares

72,440

75,132

139,564,107

119,682,735

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**15. DEPOSITS (Continued)**

***Maturity analysis***

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
At call	88,373,574	75,824,510
Not longer than 3 months	20,974,369	15,274,323
Longer than 3 and not longer than 12 months	23,135,503	26,582,575
Longer than 1 year and not longer than 5 years	7,080,661	2,001,327
	<u>139,564,107</u>	<u>119,682,735</u>

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.

**15.1 Concentration of deposits**

- i) There are no members who individually have deposits which represent 10% or more of the Credit Union's liabilities (2018: \$Nil).
- ii) Details of deposits which represent 10% or more of total liabilities are set out below. This information was derived from records of residential postcodes.

	<b>2019</b>		<b>2018</b>	
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b><i>Geographical Area</i></b>				
Lithgow	67,448,281	48.33	58,845,466	49.17
Mudgee	35,039,527	25.11	27,522,037	23.00
Bathurst	14,848,291	10.64	10,326,486	8.63
Blackheath	14,415,535	10.33	13,272,542	11.09

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>16. PAYABLES AND OTHER LIABILITIES</b>		
Creditors and accruals	170,664	185,426
Members' clearing accounts	185,414	173,849
Accrued interest on members' deposits	554,460	425,450
GST payable	3,580	3,905
	<u>914,118</u>	<u>788,630</u>
<b>17. PROVISIONS</b>		
Employee entitlements - current	135,001	148,183
Employee entitlements – non current	48,921	39,720
	<u>183,922</u>	<u>187,903</u>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>18. BORROWINGS</b>		
Short term borrowings – ADI's	-	-
Short term borrowings - other	4,000,000	2,000,000
	<u>4,000,000</u>	<u>2,000,000</u>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>19. FVOCI RESERVE</b>		
<i>FVOCI Reserve - Shares</i>		
Opening balance	-	-
Add: increase on revaluation of investment	221,593	-
Less: deferred tax thereon	(60,938)	-
Closing balance	<u>160,655</u>	<u>-</u>

The Credit Union has elected to recognise changes in fair value of certain investments in equity securities in Other Comprehensive Income. These changes are accumulated within the FVOCI reserve within equity. The Credit Union transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.



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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**20. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES**

**20.1 Key management personnel compensation**

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

KMP has been taken to comprise the Directors and the three 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 2019</b>				
Directors	138,793	13,185		
Other KMP	516,406	50,950	1,871	
<b>Year ended 30 June 2018</b>				
Directors	138,811	13,688	-	-
Other KMP	557,686	52,942	9,535	-

**FAMILY FIRST CREDIT UNION LIMITED****A.B.N. 39 087 650 057****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2019****(Continued)****20. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES (Continued)****20.1 Key management personnel compensation (Continued)**

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

Compensation includes:

- (i) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits such as cars;
- (ii) post-employment benefits such as superannuation and other retirement benefits;
- (iii) other long-term employee benefits, including long-service leave and, if they are not payable wholly within twelve months after the end of the period, bonuses; and
- (iv) termination benefits.

**20.2 Loans to Key Management Personnel**

	Balance as at 1 July	Interest charged	New loans funded	Write-off	Balance as at 30 June	Number in group	Amount of impairment loss expense recognised
<b>Year ended 30 June 2019</b>							
Directors	151,446	25,993	1,044,000		1,171,449	2	
Other KMP	1,916,582	66,983	210,900		1,314,611	3	
<b>Year ended 30 June 2018</b>							
Directors	154,959	7,463	-	-	151,446	2	-
Other KMP	2,115,731	75,869	21,609	-	1,916,582	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.

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**20. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES (Continued)**

**20.3 Deposits**

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

**20.4 Other transactions**

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

**21. COMMITMENTS AND CONTINGENCIES**

**21.1 Future capital commitments**

At 30 June 2019 the Credit Union has entered into an agreement to upgrade its core banking platform and invest in a number of software modules that will increase functionality and improve the member banking experience. The capital cost of this upgrade amounts to \$386,405 with the amount expended to date totalling \$326,364 - 2018 (\$253,675).

**21.2 Future lease rental commitments**

***Operating leases***

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Within 1 year	152,615	115,829
1 to 2 years	152,615	48,290
2 to 5 years	216,918	110,666
	<hr/> 522,148	<hr/> 274,785

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

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

**21.3 Outstanding loan commitments**

The loans approved and contracted by the credit union but not funded as at 30 June 2019 amount to \$1,656,939 (2018 - \$2,140,170). 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.

**21.4 Unfunded loan facilities**

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Total value of facilities approved	3,580,960	3,791,210
Less: amount advanced	(1,215,228)	(1,361,584)
Net undrawn value	<u>2,365,732</u>	<u>2,429,626</u>

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

**21.5 Amounts available for redraw**

Total loan redraw facilities available at year end were \$6,617,791 (2018 - \$6,996,835).

**21.6 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.

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**22. CONTINGENT LIABILITIES**

**22.1 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% (2018 – 3%) of total liabilities as a deposit with CUSCAL Limited which may be used by CUFSS for providing financial support to other members of CUFSS should they require. No funds have been so provided as at 30 June 2019 (2018 - \$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 22<sup>nd</sup> and 23<sup>rd</sup> May 2019 to both demonstrate the co-operation and commitment of CUFFS members to 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 2019 was \$Nil (2018 - \$Nil). There are no other contingent liabilities at balance date or the date of this report.

**23. 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.

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**23. ECONOMIC DEPENDENCY (Continued)**

This entity supplies the Credit Union rights to members' cheques and Visa Cards in Australia and provides services in the form of settlement with banks for members' cheques, ATM, Direct Entry and Visa Card transactions performed by its members. This entity also provides treasury management services to enable the credit union to satisfy its ongoing liquidity requirements as well as operating the payment switching mechanism used to link Visa Cards operated through the ATM network as well as, 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 sponsors of payments conducted under the new payments platform (NPP) which was implemented in February 2018.

**24. 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 7 and 15 respectively.

**FAMILY FIRST CREDIT UNION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**25. 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.

**25.1 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>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
Cash on hand and at bank	6	1,989,888	1,201,375
Deposits at call	10	2,301,730	1,600,435
Cash per statement of cash flows		<u>4,291,618</u>	<u>2,801,810</u>

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

<b>Profit for the year after Income Tax</b>	<b>742,975</b>	<b>618,389</b>
Non-cash items		
Provision for employee entitlements	(3,981)	13,391
Provision for taxation	7,165	49,233
Depreciation and amortisation	173,788	168,405
Amortisation of premiums paid on FRN's	(8,620)	11,312
Amortisation of broker costs	(3,012)	-

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>25.2 Reconciliation of net cash provided by operating activities to operating profit after tax</b>		
<b>(Continued)</b>		
<b>Movements in assets and liabilities</b>		
Movement in accrued interest receivable	23,751	164,330
Movement on diminution of shares	-	-
Movement in SocietyOne provision	2,130	2,323
Movement in sundry debtors	-	-
Movement in prepayments	(5,375)	(21,277)
Movement in creditors	(14,762)	(25,980)
Movement in GST payable	(325)	254
Movement in accrued interest payable	129,010	82,315
Movement in provision for doubtful debts	(19,307)	14,096
Decrease in deferred tax asset	4,546	(24,832)
<b>Net cash provided from revenue activities</b>	<b>1,027,983</b>	<b>1,051,959</b>
<b>Add/(deduct) non revenue operations</b>		
Net increase in SocietyOne loans	268,744	(45,950)
Net Members' loan fundings	(19,296,567)	(8,157,869)
Net (decrease) in member shares	(2,692)	(7,260)
Net increase in member savings	19,884,064	6,855,942
Net movement in investment securities	(2,196,299)	(3,499,586)
Net (decrease) in members' clearing	(63,982)	(665,631)
<b>Net cash from operating activities</b>	<b>(1,406,732)</b>	<b>(5,520,354)</b>
<b>Cash flows from (used in) operating activities</b>	<b>(378,749)</b>	<b>(4,468,395)</b>



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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**26. 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 newly formed Risk & Compliance Management Committee reports to the Risk Committee as well as both the Chair of the Risk Committee and Chair of Audit Committee participating in the Risk & Compliance Management Committee. The Risk & Compliance 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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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**26. 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.

**26.1 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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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

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

The level of mismatch on the banking book is set out in Note 29. The table set out at Note 29 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 29 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 2019, with a confidence level of 99% over a 20 day period, the credit union is likely to sustain an interest rate loss on the portfolio would be no greater than \$159,684 (2018 - \$154,098).

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

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**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

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

**Interest Rate Risk (Continued)**

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;
- 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 minimal changes to the Credit Union's exposure to market risk or the way the Credit Union manages and measures market risk in the reporting period.

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

**26.2 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.

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 30 describes the borrowing facilities, if any, as at balance date. These facilities are in addition to the liquidity support from CUFSS.

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

**26.2 Liquidity Risk (Continued)**

The maturity profile of the financial liabilities, based on the contractual repayment terms, are set out in Note 28. The ratio of minimum liquidity holding assets (MLH) over the past year is set out below:

	<b>2019</b>	<b>2018</b>
APRA minimum 9 %		
MLH as at 30 June	15.41%	16.56%
MLH average for the year	16.02%	16.60%
Lowest MLH during the year	15.31%	16.07%
<b>To total member deposits</b>		
As at 30 June	17.17%	18.61%

**26.3 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.

**Credit Risk - Loans**

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b><i>Loans to members</i></b>		
Mortgage	117,165,472	98,150,952
Personal	7,446,692	7,057,297
Overdrafts	189,416	296,764
Total loans	124,801,580	105,505,013
Provision for impairment	(90,107)	(109,414)
	124,711,473	105,395,599

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**(Continued)**

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

**26.3 Credit Risk (Continued)**

***Loans under SocietyOne P2P lending***

Balance of investment	777,805	1,046,549
Provision for impairment	(13,440)	(11,310)
Net balance of investment	<u>764,365</u>	<u>1,035,239</u>

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 \$136,116,300 (2018: \$117,997,469). Further details are shown in Note 7, Note 21 and Note 28.

All loans and facilities are within Australia. Concentrations are described in Note 7.

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

**26.3 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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**(Continued)**

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

**26.3 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 8.1.

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**(Continued)**

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

**26.3 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 7.3. 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.

**FAMILY FIRST CREDIT UNION LIMITED****A.B.N. 39 087 650 057****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2019****(Continued)****26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)****26.3 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 22 (2018 – 20) counterparties.

<b>Investments with banks and other ADI's</b>	<b>2019 Carrying Value \$</b>	<b>2019 Past due Value \$</b>	<b>2019 Provision \$</b>	<b>2018 Carrying Value \$</b>	<b>2018 Past due Value \$</b>	<b>2018 Provision \$</b>
CUSCAL	4,864,951	-	-	4,755,662	-	-
Major Banks	7,000,000	-	-	5,000,000	-	-
Other rated ADI's	12,351,730	-	-	12,504,136	-	-
Unrated institutions – ADI's	5,370,207	-	-	3,567,243	-	-
<b>Total</b>	<b>29,586,888</b>	<b>-</b>	<b>-</b>	<b>25,827,041</b>	<b>-</b>	<b>-</b>

**Credit Risk - Guarantees**

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

**26.4 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.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**(Continued)**

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

**26.4 Capital Management (Continued)**

**Capital Resources**

*Tier 1 Capital*

Tier 1 Capital is defined under APS 111 Capital Adequacy: Measurement of Capital. For the Credit Union, Tier 1 Capital comprises of:

- Retained earnings;
- Redeemed capital account;
- Regulatory adjustments (equity holding in CUSCAL Ltd, net DTA/DTL position and intangible assets); and
- FVOCI Reserve.

*Tier 2 Capital*

Tier 2 Capital is defined under APS 111 Capital Adequacy: Measurement of Capital. For the Credit Union, Tier 2 Capital comprises of the General Reserve for Credit Losses.

Capital in the Credit Union is made up as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Tier 1</b>		
Retained earnings	11,513,074	10,800,099
Asset revaluation reserve	358,921	349,564
FVOCI reserve	160,655	-
Less regulatory adjustments	<u>(574,882)</u>	<u>(531,288)</u>
Net Tier 1 capital	<u>11,457,768</u>	<u>10,618,375</u>
<b>Tier 2</b>		
General reserve for credit losses	<u>257,803</u>	<u>227,803</u>
Net Tier 2 capital	<u>257,803</u>	<u>227,803</u>
<b>Total regulatory capital</b>	<u>11,715,571</u>	<u>10,846,178</u>

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

**26.4 Capital Management (Continued)**

<b>Capital Resources (Continued)</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Credit risk	66,313,737	57,528,847
Operation risk	<u>7,847,760</u>	<u>7,028,086</u>
<b>Total risk weighted assets</b>	<b><u>74,161,497</u></b>	<b><u>64,556,933</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 2019 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>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
15.8%	16.8%	16.2%	17.5%	17.9%

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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**27. CATEGORIES OF FINANCIAL INSTRUMENTS**

The following information classifies the financial instruments into measurement classes:

	<b>Note</b>	<b>2019</b> \$	<b>2018</b> \$
<b>Financial assets</b>			
Cash and liquid assets	6	1,989,888	1,201,375
Investment securities	10	27,941,730	25,044,136
Accrued receivables	9	104,608	128,359
Loans to members	7	125,475,838	106,430,838
<b>Total cash and liquid assets</b>		<u>155,512,064</u>	<u>132,804,708</u>
 FVOCI investments	 10	 448,269	 -
Available for sale assets	10	-	226,676
		<u>448,269</u>	<u>226,676</u>
 <b>Total financial assets</b>		 <u>155,960,333</u>	 <u>133,031,384</u>
 <b>Financial liabilities</b>			
Payables and other liabilities	16	914,118	788,630
Deposits from members	15	139,564,107	119,682,735
Borrowings	18	4,000,000	2,000,000
<b>Total carried at amortised cost</b>		<u>144,478,225</u>	<u>122,471,365</u>
 <b>Total financial liabilities</b>		 <u>144,478,225</u>	 <u>122,471,365</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**28. 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.

<b>2019</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>No Maturity</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b><u>LIABILITIES</u></b>							
Payables and other liabilities	359,658	-	-	-	-	-	359,658
Borrowings	2,000,000	-	2,000,000	-	-	-	4,000,000
Deposits from members	93,170,830	16,331,853	23,386,091	7,157,354	-	72,440	140,118,568
<b>Total On Balance Sheet Financial Liabilities</b>	<b>95,530,488</b>	<b>16,331,853</b>	<b>25,386,091</b>	<b>7,157,354</b>	<b>-</b>	<b>72,440</b>	<b>144,478,226</b>
Undrawn commitments (Note 21)	10,640,462	-	-	-	-	-	10,640,462
<b>Total Financial Liabilities</b>	<b>106,170,950</b>	<b>16,331,853</b>	<b>25,386,091</b>	<b>7,157,354</b>	<b>-</b>	<b>72,440</b>	<b>155,118,688</b>

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**(Continued)**

**28. MATURITY PROFILE OF FINANCIAL LIABILITIES (Continued)**

<b>2018</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>No Maturity \$</b>	<b>Total \$</b>
<b><u>LIABILITIES</u></b>							
Payables and other liabilities	363,180	-	-	-	-	-	363,180
Borrowings	2,000,000	-	-	-	-	-	2,000,000
Deposits from members	78,840,554	12,331,327	26,840,441	2,020,741	-	75,132	120,108,185
<b>Total On Balance Sheet Financial Liabilities</b>	<b>81,203,724</b>	<b>12,331,327</b>	<b>26,840,441</b>	<b>2,020,741</b>	<b>-</b>	<b>75,132</b>	<b>122,471,365</b>
Undrawn commitments (Note 21)	11,566,631	-	-	-	-	-	11,566,631
<b>Total Financial Liabilities</b>	<b>92,770,355</b>	<b>12,331,327</b>	<b>26,840,441</b>	<b>2,020,741</b>	<b>-</b>	<b>75,132</b>	<b>134,037,996</b>



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**29. 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>2019</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	1,645,158	-	-	-	-	344,730	1,989,888
Investment Securities	16,441,730	11,500,000	-	-	-	-	27,941,730
Loans to members	114,010,065	2,879	2,757,570	8,808,871	-	-	125,579,385
Accrued receivables	-	-	-	-	-	104,608	104,608
FVOCI Equity Investments	-	-	-	-	-	448,269	448,269
<b>Total Financial Assets</b>	<b>132,096,953</b>	<b>11,502,879</b>	<b>2,757,570</b>	<b>8,808,871</b>	<b>-</b>	<b>897,607</b>	<b>156,063,880</b>

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

<b>2019</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>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>LIABILITIES</u>							
Payables and other liabilities	914,118						914,118
Borrowings	2,000,000		2,000,000				4,000,000
Deposits from members	93,118,650	16,156,853	23,135,503	7,080,661		72,440	139,564,107
	<b>96,032,768</b>	<b>16,156,853</b>	<b>25,135,503</b>	<b>7,080,661</b>		<b>72,440</b>	<b>144,478,225</b>
Undrawn Commitments (Note 21)	10,640,462						10,640,462
<b>Total Financial Liabilities</b>	<b>106,673,230</b>	<b>16,156,853</b>	<b>25,135,503</b>	<b>7,080,661</b>		<b>72,440</b>	<b>155,118,687</b>

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**29. 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
<b>2018</b>							
<u>ASSETS</u>	\$	\$	\$	\$	\$	\$	\$
Cash	782,905	-	-	-	-	418,470	1,201,375
Held to maturity	8,500,000	6,500,000	-	-	-	-	15,000,000
Loans and receivables	104,625,910	2,819,717	2,212,138	6,937,931	-	-	116,595,696
Accrued receivables	-	-	-	-	-	128,359	128,359
Investments	-	-	-	-	-	226,675	226,675
<b>Total Financial Assets</b>	<b>113,908,815</b>	<b>9,319,717</b>	<b>2,212,138</b>	<b>6,937,931</b>	<b>-</b>	<b>773,504</b>	<b>133,152,105</b>
<u>LIABILITIES</u>							
Payables and other liabilities	788,630	-	-	-	-	-	788,630
Borrowings	2,000,000	-	-	-	-	-	2,000,000
Deposits from members	78,810,846	12,212,855	26,582,575	2,001,327	-	75,132	119,682,735
	<b>81,599,476</b>	<b>12,212,855</b>	<b>26,582,575</b>	<b>2,001,327</b>	<b>-</b>	<b>75,132</b>	<b>122,471,365</b>
Undrawn Commitments (Note 21)	11,566,631	-	-	-	-	-	11,566,631
<b>Total Financial Liabilities</b>	<b>93,166,107</b>	<b>12,212,855</b>	<b>26,582,575</b>	<b>2,001,327</b>	<b>-</b>	<b>75,132</b>	<b>134,037,996</b>

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**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**30. STANDBY BORROWING FACILITIES**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Overdraft facility	-	-
<b>Total facility</b>	-	-

**31. 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 2019 is \$Nil (2018: \$Nil).

**32. SUBSEQUENT EVENTS**

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

**FAMILY FIRST CREDIT UNION LIMITED**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**(Continued)**

**DIRECTORS' DECLARATION**

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

- (a) the financial statements and notes that are set out on pages 14 to 76 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 2019 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

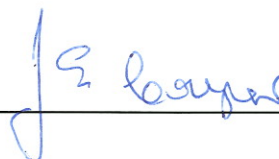
The directors draw attention to Note 1 to the financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



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Colin Lenton  
Director  
Chair



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Jim Couper  
Director  
Audit Committee Chair

Dated at Lithgow this 23<sup>rd</sup> day of September 2019

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

**Audit Opinion**

We have audited the accompanying financial report of Family First Credit Union Limited, which comprises the Statement of Financial Position as at 30 June 2019, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the director's declaration.

In our opinion:

- (a) the financial report of the Family First Credit Union Limited is in accordance with the *Corporations Act 2001* (Cwlth), including:
  - (i) giving a true and fair view of the Credit Union's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* (Cwlth)
- (b) The financial report also complies with International Financial Reporting Standards as discussed in Note 1.

**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 Company in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report

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

## Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, 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.

## Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* (Cwlth). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the financial report, the directors are responsible for assessing the Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## 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 the 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 this financial report.

The logo for intentus, featuring the word 'intentus' in a stylized, lowercase font with a small dot above the 'i'.

328 Stewart Street  
Bathurst  
24<sup>th</sup> day of September 2019

A handwritten signature in black ink that reads 'Leanne Smith'.  
Leanne Smith  
Director