Family First

Caring local banking

53rd Annual Report 2020

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

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED

30 JUNE 2020

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

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

Postal Address:
PO Box 386
Lithgow NSW 2790

Website: www.familyfirst.com.au

Company Secretary:
Mr Darryl Macauley MAMI CPA BComm

Executive 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

TABLE OF CONTENTS

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 2020.

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	
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 $672,757 (2019 - $742,975).

Review of Operations
Well the first thing to say would be the most obvious statement – what a year? Given what has happened in the final quarter of the 2020 financial year after the COVID-19 Coronavirus was declared a pandemic in mid March 2020, it has been full on ever since. Normal operations have been thrown into chaos as we have quickly scrambled to put in new processes to comply with guidance announced by health authorities to prevent the spread of this deadly virus. Whilst this may have created some challenges and brought about some changes to the ways you would ordinarily interact with Family First, we are proud to state that our service has not been interrupted at anytime throughout the pandemic with all branches / offices open as usual at all times. Notwithstanding our business continuity, we have actively encouraged all our staff and members as well as those contractors and third party service providers to all do their part to protect our community against the COVID-19 Coronavirus by:

1. Practicing good hygiene (washing hands thoroughly, sneezing and coughing etiquette);
2. Safe distancing measures (observing the 1.5 metre distancing and 1 person per square metre requirements);
3. Staying away from all branch / offices when you are unwell; and
4. Downloading the COVIDSafe app

Despite the challenges, Family First was able to achieve some credible results. The overall profitability was impacted however given the need to provide for future loan losses given the anticipated rise in unemployment and following the wind back of government support payments. Some of the key achievements of the Credit Union's operation are reflected in the following summary:-

- After tax profit decreased by $70,218 or 9.5% to $672,757
- Members that utilise us as their main financial institution increased by 6.4% to 813
- Member deposits increased by $11,852,519 or 8.5% to $151,416,626
- Loans increased by $9,020,912 or 7.2% to $133,822,492
- Total assets increased by $14,760,145 or 9.4% to $172,089,281
- Capital adequacy decreased to 15.3% (2019 – 15.8%)
- Minimum Liquidity Holdings (MLH) increased to 15.7% (2019 – 15.4%)
- Total liquidity decreased to 18.7% (2019 – 19.3%)
- Capital increased by $617,974 or 5.3% to $12,333,510
- Total Risk Weighted Assets increased by $6,298,064 or 8.5% to $80,459,562
- Operating expenses increased by $41,642 or 1.0% to $4,025,293
- Impairment expenses increased by $147,013 or 1078% to $160,650
- Interest margin increased by $137,316 or 3.3% to $4,355,910

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 decline of these measures over many years, the Board and management of Family First have entered into an arrangement with Shared Lending Pty Ltd. This arrangement allows the Credit Union to continue to grow and fund loans off balance sheet through a number of mutual financial institutions that are also participants in this arrangement. This will result in Family First being able to manage both capital and liquidity levels with more precision and also allow us to accommodate loan requests that may not have been able to have been done in the past. As at balance date, total liquidity held strong at 18.7% which was down from 19.3% whilst the capital adequacy ratio was also well over prudential requirements at 15.3% however down from 15.8% in the previous year. Capital levels were increased to $12.334m 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 continue building on our online and digital capabilities through the launch of a new and responsive website, online PIN resets and activations as well as an upgrade to our core banking software to facilitate the implementation of open banking. This has been fast tracked to ensure that we are able to better serve our members opting for remote 'self service' functionality as opposed to those who traditionally source out assistance and transact through our branch outlets.

The onset of COVID-19 has enabled us to implement a support package to assist those impacted by COVID-19 be that by job loss, business closure or reduced hours, etc. This support package has allowed us to defer payments on impacted loans for a period up to 10 months, accept reduced or interest only payments for others, and allow early access without penalty to some deposit accounts such as Christmas Club and Fixed Term Deposits. Family First has always been there with you throughout the good times and is now with you supporting you and the community in the challenging times. As at the end of June 2020 we have had 26 of our members seeking assistance through our COVID-19 support package with loans totalling $7,147,911 which accounts for 5.34% of the total loan portfolio.

Your Board met in mid March 2020, just before the pandemic took hold, to discuss our strategic position going forward. Whilst the pandemic have put our strategic plans on hold for some of the actions forecasted, your Board is committed to enhancing and implementing the following strategies within our business processes and structures:

1. Drive sustainable growth
2. Strengthen capability
3. Innovate services
4. Enhance culture

Whilst we have in place a fee structure that is based on a 'user pays' principle which rewards members who have more business with us, I am pleased to report a further reduction in fees received from members over the 2020 year. Just looking at the reduction over this year as compared to last year, a total reduction in transaction fees of $51,313 (2019: $30,315) or 16.8% (2019: 9.0%) occurred. The level of rebated fees continued throughout the 2020 financial year amounting to $312,070 (2019: $318,414).

Our role as a socially responsible corporate citizen even takes on more meaning given these difficult times, with funds raised under our Mental Health Initiative increasing to support the growing need of members of our community needing mental health support and assistance. This saw our commitment to our Mental Health Initiative increased with a total of $33,222 (2019 - $27,914) raised in order to tackle the impact of mental health in our regional communities. And whilst we didn't host our Community Support Grants morning and afternoon teas as we usually do each year, we were still able to donate $30,000 (2019 - $29,171) to many worthwhile community based organisations and sporting groups through the community.

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

Other than as already disclosed in relation the COVID-19 pandemic, there were no significant changes in the state of affairs of the Credit Union during the financial year.

After Balance Date Events
No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Credit Union the results of those operations or the state of affairs of the Credit Union , other than a continuation of the COVID-19 pandemic as already disclosed.

Likely Developments and Results
There are currently no significant developments expected in the Credit Union's operations, other than a continuation of the COVID-19 pandemic as already disclosed.

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
- Board Representative on the Community Support Grants Committee
- Graduate Diploma AICD 2011
- Chair of the Board 2007 - 2015

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

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
- Diploma Frontline Management
- Graduate Diploma Local Government Management
- Member Local Government Professionals
- Fellow Australian Institute of Company Directors

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

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

Audit Committee
An Audit Committee has been formed to assist the Board in relevant matters of financial prudence. The directors form the majority of this committee with the Senior Management 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 following endorsement by the Renewal & Remuneration Committee.

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
Throughout the year, Family First contracted the services of a risk, compliance and governance specialist as their Risk & Compliance Manager, including the role as the Credit Union's Chief Risk Officer (CRO). Given that this is not a full time appointment, the Risk & Compliance Manager's role is assisted by the Management Risk & Compliance Committee (MRCC). The MRCC, which has its own Board approved Terms of Reference, is largely responsible for assisting the Risk & Compliance Manager to ensure compliance with external rules, regulations and legislation as well as internal policies and procedures. The responsibilities of the Risk & Compliance Manager is to guide the MRCC to ensure that all committee participants have oversight of the day to day compliance requirements of the Credit Union in their areas of operation as well as to maintain the awareness of staff for all changes in compliance legislation and responding to staff enquiries on compliance matters. The Risk & Compliance Manager oversights 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 Risk & Compliance Manager and the MRCC 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 MRCC is made up of senior management, two senior staff along with Risk & Compliance Manager Ian Counsell.

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. The current contract of the incumbent Internal Auditor, Mr Glenn Pannam from DBP Consulting Pty Ltd extends to 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 who 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.

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
Number of meetings held:	**9**	**11**	**5**	**4**	**1**
Number of meetings attended:					
Antony Benetatos	8	10	-	3	-
Peter Cafe	9	-	-	4	1
James Couper	8	-	5	4	-
Kathy Dickson	8	8	-	3	-
Stephen Flynn	9	-	5	-	-
Colin Lenton	9	11	-	-	-
Megan Mendham	7	-	4	-	-
Lynette Safranek	7	-	5	-	-

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, some Board members and senior management also attended a Strategic Planning Workshop held on Saturday 14 March 2020. 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.

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

DIRECTORS' REPORT
(Continued)

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 2020 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 despite the enormous challenges towards the back end of the year. It should be noted that we will be continuing to do our best to protect as much we can, the financial well being and safety of all our members and communities that we operate within throughout this pandemic period. 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 which couldn't end quick enough it is an important reminder for everyone to stay safe and to look after one another so as we get through and recover from the financial impacts of the COVID-19 pandemic and start enjoying life again as we once knew it.

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 28th day of September 2020

intentus
CHARTERED ACCOUNTANTS

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2020 there have been:

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

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

intentus

intentus

328 Stewart Street
Bathurst
28th day of September 2020

Leanne Smith

Leanne Smith
Director

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 $	2019 $
ASSETS			
Cash and liquid assets	6	1,192,450	1,989,888
Loans and advances	7.1	134,031,489	125,475,838
Accrued receivables	9	59,258	104,608
Investment securities	10	34,955,225	28,389,999
Property, plant and equipment	11	625,355	686,534
Intangibles	12	184,002	187,327
Deferred tax assets	14.2	162,700	138,437
Other assets	15	353,567	356,505
Right of use assets	13	525,235	-
TOTAL ASSETS		172,089,281	157,329,136
LIABILITIES			
Deposits	16	151,416,626	139,564,107
Payables and other liabilities	17	1,697,302	914,118
Tax liabilities	14.1	131,442	179,455
Provisions	18	206,984	183,922
Borrowings	19	5,019,948	4,000,000
Deferred tax liabilities	14.4	167,126	197,081
Lease liabilities	13	530,552	-
TOTAL LIABILITIES		159,169,980	145,038,683
NET ASSETS		12,919,301	12,290,453
MEMBERS' EQUITY			
Retained profits		12,165,831	11,513,074
FVOCI reserve	20	109,320	160,655
General reserve for credit losses		277,803	257,803
Asset revaluation reserve		366,347	358,921
TOTAL MEMBERS' EQUITY		12,919,301	12,290,453

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 2020

	Note	2020 $	2019 $
Interest revenue	4.1	5,912,278	6,061,370
Interest expense	4.1	(1,556,368)	(1,842,776)
Net interest revenue		4,355,910	4,218,594
Other income	4.2	742,225	800,452
Total operating income		5,098,135	5,019,046
Non-interest expenses			
Administration expenses	4.5	(1,170,076)	(1,163,919)
Branch occupancy expenses		(317,491)	(304,635)
Data processing		(722,261)	(675,243)
Depreciation and amortisation	4.4	(163,208)	(173,788)
Employee benefits expense	4.4	(1,445,003)	(1,439,069)
Impairment losses on loans and advances	4.3	(160,650)	(13,637)
Loans administration		(63,818)	(36,030)
Marketing		(116,262)	(158,297)
Supervision levies		(27,174)	(32,670)
Total expenses		(4,185,943)	(3,997,288)
Profit before income tax		912,192	1,021,758
Income tax expense	5	(239,435)	(278,783)
Profit for the year after income tax		672,757	742,975
Other comprehensive income			
Movement in reserve for equity instruments at FVOCI (net of deferred tax)	20	(53,552)	160,655
Impact of change in tax rate on deferred tax recognised in FVOCI Reserve	20	2,217	-
Impact of change in tax rate on deferred tax recognised in Asset Revaluation Reserve		7,426	-
Total other comprehensive income for the year		(43,909)	160,655
Total comprehensive income for the year		628,848	903,630

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 2020

	Retained Earnings	General Reserve for Credit Losses	Asset Revaluation Reserve	FVOCI Reserve	Total
	$	$	$	$	$
BALANCE AT 1 JULY 2018	**10,800,099**	**227,803**	**349,564**	**-**	**11,377,466**
Changes on initial adoption of AASB 9 (net of deferred tax)	-	-	-	160,655	160,655
ADJUSTED BALANCE AT 1 JULY 2018	**10,800,099**	**227,803**	**349,564**	**160,655**	**11,538,121**
Total comprehensive income					
Profit for the year after income tax	742,975	-	-	-	742,975
Other comprehensive income	-	-		-	-
Revaluation of asset (net of deferred tax)	-	-	9,357	-	9,357
Total comprehensive income	742,975	-	9,357	-	752,332
Transfer from retained earnings to general reserve for credit losses	(30,000)	30,000	-	-	-
BALANCE AT 30 JUNE 2019	**11,513,074**	**257,803**	**358,921**	**160,655**	**12,290,453**
BALANCE AT 1 JULY 2019	**11,513,074**	**257,803**	**358,921**	**160,655**	**12,290,453**
Total comprehensive income					
Profit for the year after income tax	672,757	-	-	-	672,757
Other comprehensive income					
Revaluation of FVOCI asset (net of deferred tax)	-	-	-	(53,552)	(53,552)
Impact of change in tax rate on deferred tax recognised in reserves	-	-	7,426	2,217	9,643
Total comprehensive income	672,757	-	7,462	(51,335)	628,848
Transfer from retained earnings to general reserve for credit losses	(20,000)	20,000	-	-	-
BALANCE AT 30 JUNE 2020	**12,165,831**	**277,803**	**366,347**	**109,320**	**12,919,301**

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 2020

	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on loans		5,339,791	5,289,642
Interest received on investments		601,275	786,859
Dividends received		28,440	12,636
Other income received		713,785	787,816
Interest paid on members' deposits		(1,547,774)	(1,703,504)
Interest paid on borrowings		(84,140)	(10,262)
Payments to suppliers and employees		(3,599,329)	(3,868,132)
Net income taxes (paid) / refunded		(311,711)	(267,072)
Net cash from revenue activities	26.2	**1,140,337**	**1,027,983**
Cash from (used in)/other operating activities			
Net decrease / (increase) in SocietyOne loans		365,282	268,744
Net (increase) in members' loan fundings		(9,020,912)	(19,296,567)
Net (decrease) in member shares		(1,350)	(2,692)
Net increase in member savings		11,853,869	19,884,064
Net movement in deposits to Investment Securities		(5,250,000)	(2,196,299)
Net increase/(decrease) in members' clearing		738,952	(63,982)
Net cash from (used in) operating activities	26.2	**(1,314,159)**	**(1,406,732)**
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	26.2	**(173,822)**	**(378,749)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(13,290)	(30,784)
Purchase of intangible assets		(85,414)	(100,659)
Net cash (used in)/from investing activities		**(98,704)**	**(131,443)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in borrowings	26.3	1,019,948	2,000,000
Repayment of lease liabilities (principal)	26.3	(155,769)	-
Net cash from financing activities		**864,179**	**2,000,000**
NET (DECREASE)/INCREASE IN CASH HELD		**591,653**	**1,489,808**
Cash at beginning of year		4,291,618	2,801,810
CASH AT END OF YEAR	26.1	**4,883,271**	**4,291,618**

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 2020

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

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 28 September 2020 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

Leases - Adoption of AASB 16

The Credit Union has adopted AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method from 1 July 2019 and therefore the comparative information for the year ended 30 June 2020 has not been restated and has been prepared in accordance with AASB 117 *Leases* and associated Accounting Interpretations.

Impact of adoption of AASB 16

The impact of adopting AASB 16 is described below.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

Leases - Adoption of AASB 16 (Continued)

Credit Union as a lessee

Under AASB 117, the Credit Union assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Credit Union or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low value assets).

The Credit Union has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases are recognised in the statement of profit or loss and other comprehensive income on a straight line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition, the Credit Union has used the following expedients:

- contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16;
- lease liabilities have been discounted using the Company's incremental borrowing rate at 1 July 2019;
- right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by any prepaid or accrued lease payments;
- a single discount rate was applied to all leases with similar characteristics;
- used hindsight when determining the lease term is the contract contains options to extend or terminate the lease;
- for leases which were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are the same value as the leased asset and liability on 30 June 2019.

Financial statement impact of adoption of AASB 16

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

The Credit Union has recognised right-of-use assets of $686,321 at 1 July, 2019, for leases previously classified as operating leases.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

Leases - Adoption of AASB 16 (Continued)

Financial statement impact of adoption of AASB (continued)

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July, 2019 was 1.01%.

	$
Operating lease commitments in 30 June 2019 financial statements	522,148
Discounted using the incremental borrowing rate at 1 July, 2019	511,500
Add: Variable lease payments linked to an index	45,968
Add: Exercise of option	128,853
Lease liabilities recognised at 1 July, 2019	686,321

Company as a lessor

For the arrangements where the Credit Union is a lessor, there are no significant accounting policy changes on adoption of AASB 16.

The Credit Union has applied AASB 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

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.

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 27.3 details the credit risk management approach for loans.

3. SUMMARY 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.

3. SUMMARY 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

The Head Office property located at 1 Ordnance Lithgow was last revalued following an independent valuation performed back in the 2019 financial year. 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 $366,347 representing all previous valuations taken place over 1 Ordnance Avenue Lithgow , net of deferred tax.

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.

3. SUMMARY 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.

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).

3. SUMMARY 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.

3. SUMMARY 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.

3. SUMMARY 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

For comparative year
Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

For current year
At inception of a contract, the Credit Union assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Credit Union has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Credit Union has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Leases (Continued)

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

At the lease commencement, the Credit Union recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Credit Union believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Credit Union's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Credit Union's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or the remeasurement is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

The Credit Union has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Credit Union recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Leases (Continued)

Lessor accounting

When the Credit Union is a lessor, the lease is classified as either an operating or finance lease at inception date based on whether substantially all of the risks and rewards incidental to ownership of the underlying asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 Revenue from Contracts with Customers.

The lease income from operating leases is recognised on a straight line basis over the lease term. Finance income under a finance lease is recorded on a basis to reflect a constant periodic rate of return on the Credit Union's net investment in the lease.

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 26.0% (2019: 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.

3. SUMMARY 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 2020, 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 Credit Union's assessment of the impact of these new standards and new interpretation is that these are not significant and not likely to impact the financial report of the Credit Union and as such have not been reported on.

	2020 $	2019 $

4. PROFIT FOR THE YEAR

4.1 Interest revenue and expense

Interest revenue		
Deposits with investment securities	572,487	771,728
Loans to members	5,339,791	5,289,642
	5,912,278	6,061,370
Interest expense		
Member deposits	1,472,228	1,812,798
Short-term borrowings	84,140	29,978
	1,556,368	1,842,776
Net interest income	4,355,910	4,218,594

4.2 Other income

Dividends	28,440	12,636
Fees and commissions		
- Loan fee income	49,925	70,225
- Other fee income	254,758	306,071
Insurance commissions	69,954	108,729
Other commissions	104,528	105,879
Bad debts recovered	12,210	17,108
Other revenue	172,410	179,804
Government stimulus	50,000	-
Total other income	742,225	800,452

4.3 Impairment losses on loans and advances

Bad debts written off directly against profit	2,801	17,135
Adjustment to provision for impairment	163,202	(5,628)
Provision for impairment of SocietyOne (P2P Loans)	(5,353)	2,130
	160,650	13,637

	2020 $	2019 $

4. PROFIT FOR THE YEAR (Continued)

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 (excluding right of use assets)		
Depreciation	74,470	93,744
Amortisation of intangible assets	88,738	80,044
Total depreciation and amortisation	163,208	173,788
Employee benefits expense		
Salaries	1,228,716	1,241,327
Superannuation contributions (defined contribution funds)	114,200	115,314
Other	102,087	82,428
Total employee benefits	1,445,003	1,439,069

4.5 Administration expenses

Administration and head office occupancy	25,831	39,583
Board and committee expenses	208,403	204,962
Member chequing	5,479	6,493
Member protection	174,742	170,135
Electronic Payments costs	256,031	298,116
Visacard expenses	205,046	191,699
Other general administration expenses	294,544	252,931
Total administration	1,170,076	1,163,919

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	40,260	39,050
- Other regulatory audit services	11,524	11,220
	51,784	50,270

	2020 $	2019 $

5. INCOME TAX

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

Prima facie tax on operating profit before income tax @ 27.5% (2019 – 27.5%)	250,853	280,983
Tax effect of non-allowable / non taxable items:		
- Entertainment	1,510	1,725
- Dividends Received	(7,821)	(3,474)
- Government Stimulus Received	(13,750)	-
	230,792	279,234
Tax Effect of:-		
- Change in tax rates on franking credits on dividends received	(871)	(451)
- Change in tax rates on deferred tax asset	9,388	-
Under provision of previous years tax liability	126	-
Income tax expense attributable to operating profit	239,435	278,783

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	264,445	274,688
- Change in tax rate on franking credits	(871)	(451)
Income tax attributable to future years		
- Deferred tax asset	(33,653)	4,546
- Impact on change in tax rate on Deferred tax asset	9,388	-
- Under provision in previous years tax liability	126	-
	239,435	278,783

6. CASH AND LIQUID ASSETS

Cash on hand	439,452	344,730
Cash at bank	752,998	1,645,158
	1,192,450	1,989,888

		2020 $	2019 $
7. LOANS AND ADVANCES			
7.1 Loans and advances			
Loans to members			
Overdrafts		136,237	189,416
Term loans		133,686,255	124,612,164
Gross loans and advances		133,822,492	124,801,580
Provision for impaired loans	8.1	(195,440)	(90,107)
Net loans and advances		133,627,052	124,711,473
SocietyOne P2P Loans		412,523	777,805
Less: Provision for doubtful debts		(8,086)	(13,430)
Net investment in SocietyOne		404,437	764,365
		134,031,489	125,475,838

7.2 Maturity analysis of loans to members

Overdrafts	136,237	189,416
Not longer than 3 months	1,498,563	1,556,623
Longer than 3 and not longer than 12 months	4,439,217	4,285,385
Longer than 1 year and not longer than 5 years	21,008,053	21,019,178
Longer than 5 years	106,544,982	97,660,871
	133,627,052	124,711,473

7.3 Concentration of Risk

i) There is one member (2019: nil) who individually has loans which represent 10% or more of member's equity. The total exposure as at 30 June 2020 amounts to $1,624,327 (2019: $Nil). The credit union holds $2,023,750 (2019: $Nil) 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.

	2020		2019	
	$	%	$	%
Geographical Area				
Lithgow	56,452,488	42.18	56,649,957	45.39
Mudgee	45,925,813	34.32	42,967,205	34.43
Bathurst	21,506,571	16.07	14,360,706	11.51
Blackheath	9,937,620	7.43	10,152,287	8.13

	2020 $	2019 $
7.4 Credit quality – security held against loans		
Secured by mortgage over real estate	127,490,400	117,165,472
Secured by goods mortgage	3,856,604	4,449,122
Wholly unsecured	2,475,488	3,186,986
	133,822,492	124,801,580

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:

Security held as mortgages against real estate		
- loan to valuation ratio of less than 80%	114,909,005	105,726,429
- loan to valuation ratio of more than 80% but mortgage insured	9,846,482	9,793,865
- loan to valuation ratio of more than 80% but not mortgage insured	2,734,913	1,645,178
	127,490,400	117,165,472

8. IMPAIRMENT OF LOANS

8.1 Provision for impaired loans

Total provision comprises		
Collective provision	175,751	38,433
Specific provision	19,689	51,674
Total Provision	195,440	90,107
Movement in the provision for impairment		
Balance at the beginning of year	90,107	109,414
Add (deduct):		
Doubtful debt expense	163,203	(5,628)
Bad debts written off against provision	(57,870)	(13,679)
Balance at end of year	195,440	90,107
Provision for Impairment of SocietyOne P2P Loans		
Balance at the beginning of year	13,440	11,310
Add (deduct) movement in provision:	(5,354)	2,130
Balance at end of year	8,086	13,440

8. IMPAIRMENT OF LOANS (continued)

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.

	Gross Carrying Value 2020 $	ECL Allowance 2020 $	Carrying Value 2020 $	Gross Carrying Value 2019 $	Provision for Impairment 2019 $	Carrying Value 2019 $
Loans to members						
Mortgage	127,490,400	-	127,490,400	117,165,472	-	117,165,472
Personal	6,195,855	192,056	6,003,799	7,446,692	88,867	7,357,825
Overdrafts	136,237	3,384	132,853	189,416	1,240	188,176
Total	**133,822,492**	**195,440**	**133,627,052**	**124,801,580**	**90,107**	**124,711,473**

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 2020 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

	2020 $	2019 $
Carrying amount		
Individually impaired		
Gross amount	27,302	48,266
Provision for impairment	(19,689)	(56,674)
Carrying amount	**7,613**	**(8,408)**
Past due but not impaired		
Day in arrears:		
Less than one month	1,760,555	926,744
Greater than one month and less than two months	385,130	23,209
Greater than two months and less than three months	140,528	16,074
Greater than three months	-	198,434
Carrying amount	**2,286,213**	**1,164,461**
Neither past due nor impaired		
Secured by mortgage	125,189,094	116,082,725
Personal	6,195,855	7,324,431
Overdrafts/revolving credit	124,028	181,697
Carrying amount	**131,508,977**	**123,588,853**
Collective impairment provision	(175,751)	(33,433)
Total carrying amount	**133,627,052**	**124,711,473**

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.

8. IMPAIRMENT OF LOANS (CONTINUED)

8.4 Assets acquired via enforcement of security

There were nil assets acquired via enforcement through the 2020 year (2019 – 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 2020 was $13,130 (2019– $210,440).

8.6 Loans impacted by COVID-19

Due to the onset of the COVID-19 pandemic, APRA issued a letter to all Authorised Deposit Taking Institutions (ADI's) advising of capital concessions for up to 6 months of loan repayment deferrals for loans impacted by COVID-19. This was further extended by 4 months in a letter dated 9 July 2020 by APRA with the capital concession to end at 31 March 2021. The total value of loans that have applied and received repayment deferrals under the COVID-19 arrangements at 30 June 2020 was $7,147,911 owed by 26 members which accounts for 5.34% of the total loan portfolio.

	2020 $	2019 $
9. ACCRUED RECEIVABLES		
Accrued interest on receivables due from investment securities	49,333	94,962
Other accrued income	9,925	9,646
	59,258	104,608
10. INVESTMENT SECURITIES		
Investment securities at amortised cost		
Deposits held on call	3,690,821	2,301,730
Floating Rate Notes (FRN's)	20,950,000	15,700,000
Term Deposits (TD's)	9,940,000	9,940,000
	34,580,821	27,941,730
Equity securities designated as FVOCI		
CUSCAL	369,321	443,186
TAS	5,081	5,081
Shared Service Partners	1	1
ASL	1	1
	374,404	448,269
Total Value of Investment Securities	34,955,225	28,389,999
Maturity Analysis of Investment Securities		
At call	3,690,821	2,301,730
Not longer than 3 months	8,250,000	8,500,000
Longer than 3 months and not longer than 12 months	3,750,000	3,000,000
Longer than 1 and not longer than 5 years	18,890,000	14,140,000
	34,580,821	27,941,730

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.

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 had determined that a value of $1.20 per share (30 June 2019) was a reasonable approximation of the fair value based on the abovementioned methodology. Upon further assessment of the fair value of CUSCAL shares at 30 June 2020, given the decline in operating conditions throughout the last quarter of the 2020 Financial Year due to the COVID-19 pandemic, management has determined that a share value of $1.00 was a reasonable approximation of the fair value of a CUSCAL share. A revaluation adjustment of $53,552 net of taxes has been processed to the Fair Value Other Comprehensive Income (FVOCI) Reserve. 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 2020, 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.

11. PROPERTY, PLANT AND EQUIPMENT

	2020 $	2019 $
Land at valuation	175,000	175,000
Buildings, at valuation	413,402	413,402
Provision for depreciation	(29,539)	(10,058)
	383,863	403,344
Leasehold improvements, at cost	302,859	330,117
Provision for depreciation	(289,106)	(319,245)
	13,753	10,872
Equipment and furniture, at cost	270,420	974,183
Provision for depreciation	(217,681)	(876,865)
	52,739	97,318
Motor vehicles, at cost	27,499	27,499
Provision for depreciation	(27,499)	(27,499)
	-	-
Net book value of property, plant and equipment	625,355	686,534

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

11.1 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

2020 Reconciliation	Land	Buildings	Leasehold Improvements	Equipment and Furniture	Motor Vehicles
Opening balance	175,000	403,344	10,872	97,318	-
Revaluation	-	-	-	-	-
Additions	-	-	11,397	1,893	-
Disposals	-	-	-	-	-
Depreciation expense	-	(19,481)	(8,516)	(46,472)	-
Closing balance	175,000	383,863	13,753	52,739	-

2019 Reconciliation	Land	Buildings	Leasehold Improvements	Equipment and Furniture	Motor Vehicles
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	-

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 $366,347 as at 30 June 2020.

12. INTANGIBLES

	2020 $	2019 $
Member transaction system	467,024	1,001,880
Accumulated amortisation	(283,022)	(814,553)
	184,002	187,327

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

12.1 Movement in Intangibles Reconciliation

Opening carrying amount	187,327	166,712
Additions	85,412	100,659
Disposals	-	-
Amortisation	(88,737)	(80,044)
Closing carrying amount	184,002	187,327

13. LEASES

The Credit Union has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

Company as a lessee

The Credit Union has leases over land and buildings.

Information relating to the leases in place and associated balances and transactions are provided below.

Terms and conditions of leases

The building leases relate to branches in Lithgow, Bathurst and Mudgee. The remaining term of the leases and any option period varies with each branch as follows (Lithgow 3.75 years, Bathurst 1.5 years and Mudgee 4.60 years). The rentals are subject to a fixed increase of 3% for the initial term and any option period subsequently exercised.

Right-of-use assets

	Buildings $	Total $
Year ended 30 June 2020		
Balance at beginning of year	-	-
Change due to adoption of AASB 16	686,321	686,321
Depreciation charge	(161,086)	(161,086)
Balance at end of year	525,235	525,235

Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year $	1 – 5 years $	> 5 years $	Total undiscounted lease liabilities	Lease liabilities included in this Statement of Financial Position
2020					
Lease Liabilities	167,835	375,856	-	543,691	530,552

Extension options

A number of the building leases contain options which allow the Credit Union to extend the lease term by up to twice the original non-cancellable period of the lease. The Credit Union includes options in the leases to provide flexibility and certainty to the Credit Unions operations and reduce costs of moving premises however the extension options are exercised solely at the discretion of the Credit Union's.

At commencement date and each subsequent reporting date, the Credit Union assesses where it is reasonably certain that the extension options will be exercised.

There are no potential future lease payments which are not included in lease liabilities as the Credit Union has assessed that the exercise of the option is not reasonably certain.

13. LEASES (Continued)

Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases where the Company is a lessee are shown below:

	2020 $
Interest expense on lease liabilities	6,949
Expenses relating to leases of low-value assets	-
Depreciation of right-of-use assets	161,086
	168,035
Statement of Cash Flows	
Total cash outflow for leases	162,718

	2020 $	2019 $
14. TAXATION		
14.1 Taxation liabilities		
Income tax	131,442	179,455
14.2 Deferred Tax assets		
Deferred tax asset comprising:		
Tax allowances relating to property, plant & equipment	46,165	48,887
Provision for impairment	54,217	29,850
Employee leave entitlements	53,816	50,578
Other – accruals	7,121	9,122
Leasing transactions	1,381	-
	162,700	138,437

14.3 Unrecognised deferred tax assets

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

Capital losses	23,469	23,469

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

14.4 Deferred Tax Liabilities

Deferred capital gains tax		
Opening balance	197,081	-
Tax due on assets held at fair value investments (initial adoption of AASB 9)	-	60,938
Amount taken up on asset revaluation	(20,313)	136,143
Adjustment due to change in tax rate	(9,642)	-
Closing balance	167,126	197,081

	2020 $	2019 $
15. OTHER ASSETS		
Members' clearing accounts	191,555	234,677
Sundry Debtors	18,938	18,938
Prepayments	69,704	79,929
Premium paid on FRN investments	36,513	19,948
Unamortised Broker Costs	36,857	3,013
	353,567	356,505
16. DEPOSITS		
Call deposits	96,155,324	88,301,134
Term deposits	55,190,212	51,190,533
Withdrawable shares	71,090	72,440
	151,416,626	139,564,107
Maturity analysis		
At call	96,226,414	88,373,574
Not longer than 3 months	19,885,203	20,974,369
Longer than 3 and not longer than 12 months	30,655,561	23,135,503
Longer than 1 year and not longer than 5 years	4,649,448	7,080,661
	151,416,626	139,564,107

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.

16.1 Concentration of deposits

i) There are no members who individually have deposits which represent 10% or more of the Credit Union's liabilities (2019: $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.

	2020		2019	
	$	%	$	%
Geographical Area				
Lithgow	75,026,945	49.57	67,448,281	48.33
Mudgee	39,734,616	26.25	35,039,527	25.11
Bathurst	15,454,122	10.21	14,848,291	10.64
Blackheath	16,057,345	10.61	14,415,535	10.33

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

		2020 $	2019 $
17.	**PAYABLES AND OTHER LIABILITIES**		
	Creditors and accruals	334,254	170,664
	Members' clearing accounts	881,244	185,414
	Accrued interest on members' deposits	478,914	554,460
	GST payable	2,890	3,580
		1,697,302	914,118
18.	**PROVISIONS**		
	Employee entitlements - current	189,576	135,001
	Employee entitlements – non current	17,408	48,921
		206,984	183,922
19.	**BORROWINGS**		
	Short term borrowings – other	2,000,000	4,000,000
	Long term borrowings - RBA	3,019,948	-
		5,019,948	4,000,000
20.	**FVOCI RESERVE**		
	FVOCI Reserve - Shares		
	Opening balance	160,655	-
	Increase / (decrease) on revaluation of investment	(73,865)	221,593
	Add/(deduct): deferred tax thereon	20,313	(60,938)
	Impact of change in tax rate on deferred tax recognised in reserve	2,217	-
	Closing balance	109,320	160,655

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.

21. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES

21.1 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
Year ended 30 June 2020				
Directors	147,548	14,017	-	-
Other KMP	481,465	46,418	13,231	-
Year ended 30 June 2019				
Directors	138,793	13,185	-	-
Other KMP	516,406	50,950	1,871	-

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.

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

21.2 Loans to Key Management Personnel

	Balance as at 1 July	Interest charged	New loans funded	Write-off	Balance as at 30 June	Number in group	Amount of impairment loss expense recognised
Year ended 30 June 2020							
Directors	1,171,449	21,721	11,993	-	47,538	1	-
Other KMP	1,314,611	54,577	569,100	-	1,740,936	3	-
Year ended 30 June 2019							
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	-

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.

21.3 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.

21.4 Other transactions

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

22. COMMITMENTS AND CONTINGENCIES

22.1 Future capital commitments

At 30 June 2020 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 $467,140 (2019: $386,405) with the amount expended to date totalling $115,561 (2019 $326,364).

22.2 Future lease rental commitments

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

	2020 $	2019 $
Within 1 year	-	152,615
1 to 2 years	-	152,615
2 to 5 years	-	110,666
	-	522,148

22. COMMITMENTS AND CONTINGENCIES (Continued)

22.3 Outstanding loan commitments

The loans approved and contracted by the credit union but not funded as at 30 June 2020 amount to $2,622,291 (2019 - $1,656,939). 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.

22.4 Unfunded loan facilities

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

	2020 $	2019 $
Total value of facilities approved	3,323,960	3,580,960
Less: amount advanced	(1,019,941)	(1,215,228)
Net undrawn value	2,304,019	2,365,732

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

22.5 Amounts available for redraw

Total loan redraw facilities available at year end were $8,734,388 (2019 - $6,617,791).

22.6 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.

23. CONTINGENT LIABILITIES

23.1 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% (2019 – 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 2020 (2019 - $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 not tested throughout the 2020 financial year as it was felt that participants had enough on their hands dealing with the impacts of COVID-19. It was suggested that this test be rescheduled to a timeframe later in the year. The CUFSS facility was last tested in 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 2020 was $Nil (2019 - $Nil). There are no other contingent liabilities at balance date or the date of this report.

24. 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.

24. 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.

25. 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 16 respectively.

26. 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.

26.1 Reconciliation of cash

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

	Note	2020 $	2019 $
Cash on hand and at bank	6	1,192,450	1,989,888
Deposits at call	10	3,690,821	1,600,435
Cash per statement of cash flows		4,883,271	4,291,618

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

Profit for the year after Income Tax	672,757	742,975
Non-cash items		
Provision for employee entitlements	23,063	(3,981)
Provision for taxation	(48,013)	7,165
Depreciation and amortisation	324,294	173,788
Amortisation of premiums paid on FRN's	(16,565)	(8,620)
Amortisation of broker costs	(33,844)	(3,012)
Movements in assets and liabilities		
Movement in accrued interest receivable	45,350	23,751
Movement on diminution of shares	-	-
Movement in SocietyOne provision	(5,354)	2,130
Movement in sundry debtors	-	-
Movement in prepayments	10,225	(5,375)
Movement in creditors	163,590	(14,762)
Movement in GST payable	(690)	(325)
Movement in accrued interest payable	(75,546)	129,010
Movement in provision for doubtful debts	105,333	(19,307)
Movement in deferred tax asset	(24,263)	4,546
Net cash provided from revenue activities	**1,140,337**	**1,027,983**

26. STATEMENT OF CASH FLOWS (Continued)

	2020 $	2019 $

26.2 Reconciliation of net cash provided by operating activities to operating profit after tax (Continued)

Add/(deduct) non revenue operations		
Net movement in SocietyOne loans	365,282	268,744
Net movement in Members' loan balances	(9,020,912)	(19,296,567)
Net movement in member shares	(1,350)	(2,692)
Net movement in member savings	11,853,869	19,884,064
Net movement in investment securities	(5,250,000)	(2,196,299)
Net movement in members' clearing	738,952	(63,982)
Net cash from operating activities	**(1,314,159)**	**(1,406,732)**
Cash flows from (used in) operating activities	**(173,822)**	**(378,749)**

26.3 Changes in liabilities arising from financing activities

	2019 $	Adjustment on adoption of AASB 16	Cash inflows / (outflows)	2020 $
Borrowings	4,000,000	-	1,019,948	5,019,948
Lease liabilities	-	686,321	(155,769)	530,552
Total liabilities from financing activities	4,000,000	686,321	864,179	5,550,500

	2018 $	Cash inflows / (outflows)	2019 $
Borrowings	2,000,000	2,000,000	4,000,000
Total liabilities from financing activities	2,000,000	2,000,000	4,000,000

27. 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.

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.

27.1 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.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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.

The level of mismatch on the banking book is set out in Note 30. The table set out at Note 30 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 30 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 2020, 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 $297,765 (2019 - $159,684).

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

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

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

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 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 31 describes the borrowing facilities, if any, as at balance date. These facilities are in addition to the liquidity support from CUFSS.

The maturity profile of the financial liabilities, based on the contractual repayment terms, are set out in Note 29. The ratio of minimum liquidity holding assets (MLH over the past year is set out below:

	2020	**2019**
APRA minimum 9 %		
MLH as at 30 June	15.65%	15.41%
MLH average for the year	16.21%	16.02%
Lowest MLH during the year	15.30%	15.31%
To total member deposits		
As at 30 June	17.56%	17.17%

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.3 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:

	2020 $	2019 $
Loans to members		
Mortgage	127,490,400	117,165,472
Personal	6,195,855	7,446,692
Overdrafts	136,237	189,416
Total loans	133,822,492	124,801,580
Provision for impairment	(195,440)	(90,107)
	133,627,052	124,711,473
Loans under SocietyOne P2P lending		
Balance of investment	412,523	777,805
Provision for impairment	(8,086)	(13,440)
Net balance of investment	404,437	764,365

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 $147,692,187 (2019: $136,116,300). Further details are shown in Note 7, Note 22 and Note 29.

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).

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.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.3 Credit Risk (Continued)

Credit Risk - Loans (Continued)

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.

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.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.3 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.

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 21 (2019 – 20) counterparties.

Investments with banks and other ADI's	2020 Carrying Value $	2020 Past due Value $	2020 Provision $	2019 Carrying Value $	2019 Past due Value $	2019 Provision $
CUSCAL	4,810,743	-	-	4,864,951	-	-
Major Banks	7,000,000	-	-	7,000,000	-	-
Other rated ADI's	18,190,821	-	-	12,351,730	-	-
Unrated institutions – ADI's	5,332,254	-	-	5,370,207	-	-
Total	**35,333,818**	**-**	**-**	**29,586,888**	**-**	**-**

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.3 Credit Risk (Continued)

Credit Risk - Guarantees

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

27.4 Capital Management

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

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

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

Capital Resources

Tier 1 Capital

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:

	2020 $	2019 $
Tier 1		
Retained earnings	12,165,831	11,513,074
Asset revaluation reserve	366,347	358,921
FVOCI reserve	109,320	160,655
Less regulatory adjustments	(564,451)	(574,882)
Net Tier 1 capital	12,077,047	11,457,768
Tier 2		
General reserve for credit losses	277,803	257,803
Net Tier 2 capital	277,803	257,803
Total regulatory capital	12,354,850	11,715,571

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.4 Capital Management (Continued)

Capital Resources (Continued)	2020 $	2019 $
Credit risk	71,745,218	66,313,737
Operation risk	8,714,346	7,847,760
Total risk weighted assets	**80,459,564**	**74,161,497**

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

2020	2019	2018	2017	2016
15.3%	15.8%	16.8%	16.2%	17.5%

The level of capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. To manage the Credit Union's capital the Credit Union reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the board and the regulator if the capital ratio falls below 15%. 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.

28. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes:

	Note	2020 $	2019 $
Financial assets			
Cash and liquid assets	6	1,192,450	1,989,888
Investment securities	10	34,580,821	27,941,730
Accrued receivables	9	59,258	104,608
Loans to members	7	134,031,489	125,475,838
Total cash and liquid assets		169,864,018	155,512,064
FVOCI investments	10	374,404	448,269
		374,404	448,269
Total financial assets		170,238,422	155,960,333
Financial liabilities			
Payables and other liabilities	17	1,697,302	914,118
Deposits from members	16	151,416,626	139,564,107
Borrowings	19	5,019,948	4,000,000
Lease liabilities	13	530,552	-
Total carried at amortised cost		158,664,428	144,478,225
Total financial liabilities		158,664,428	144,478,225

29. 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.

2020	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total
	$	$	$	$	$	$	$
LIABILITIES							
Payables and other liabilities	1,218,388	-	-	-	-	-	1,218,388
Borrowings	-	2,005,401	-	3,050,168	-	-	5,055,569
Deposits from members	103,822,618	12,390,463	30,921,575	4,689,794	-	71,090	151,895,540
Lease liabilities	14,151	28,302	125,382	375,856	-	-	543,691
Total On Balance Sheet Financial Liabilities	**105,055,157**	**14,424,166**	**31,046,957**	**8,115,818**	**-**	**71,090**	**158,713,188**
Undrawn commitments (Note 22)	13,660,698	-	-	-	-	-	13,660,698
Total Financial Liabilities	**118,715,855**	**14,424,166**	**31,046,957**	**8,115,818**	**-**	**71,090**	**172,373,886**

2019	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total
	$	$	$	$	$	$	$
LIABILITIES							
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
Total On Balance Sheet Financial Liabilities	**95,530,488**	**16,331,853**	**25,386,091**	**7,157,354**	**-**	**72,440**	**144,478,226**
Undrawn commitments (Note 22)	10,640,462	-	-	-	-	-	10,640,462
Total Financial Liabilities	**106,170,950**	**16,331,853**	**25,386,091**	**7,157,354**	**-**	**72,440**	**155,118,688**

30. 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.

2020	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
	$	$	$	$	$	$	$
ASSETS							
Cash	752,998	-	-	-	-	439,451	1,192,449
Investment Securities	16,330,821	18,000,000	250,000	-	-	-	34,580,821
Loans to members	114,552,911	1,071,194	4,540,212	14,070,698	-	-	134,235,015
Accrued receivables	-	-	-	-	-	59,258	59,258
FVOCI Equity Investments	-	-	-	-	-	374,404	374,404
Total Financial Assets	**131,636,730**	**19,071,194**	**4,790,212**	**14,070,698**	**-**	**873,113**	**170,441,947**

2020	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
LIABILITIES	$	$	$	$	$	$	$
Payables and other liabilities	1,697,302	-	-	-	-	-	1,697,302
Borrowings	-	2,000,000	-	3,019,948	-	-	5,019,948
Deposits from members	103,756,657	12,283,870	30,655,561	4,649,448	-	71,090	151,416,626
Lease liabilities	13,539	27,077	121,847	368,089	-	-	530,552
	105,467,498	**14,310,947**	**30,777,408**	**8,037,485**	**-**	**71,090**	**158,664,428**
Undrawn Commitments (Note 22)	13,660,698	-	-	-	-	-	13,660,698
Total Financial Liabilities	**119,128,196**	**14,310,947**	**30,777,408**	**8,037,485**	**-**	**71,090**	**172,325,126**

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

2019	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
	$	$	$	$	$	$	$
ASSETS							
Cash	1,645,158	-	-	-	-	344,730	1,989,888
Held to maturity	16,441,730	11,500,000	-	-	-	-	27,941,730
Loans and receivables	114,010,065	2,879	2,757,570	8,808,871	-	-	125,579,385
Accrued receivables	-	-	-	-	-	104,608	104,608
Investments	-	-	-	-	-	448,269	448,269
Total Financial Assets	**132,096,953**	**11,502,879**	**2,757,570**	**8,808,871**	**-**	**897,607**	**156,063,880**
LIABILITIES							
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
	96,032,768	**16,156,853**	**25,135,503**	**7,080,661**	**-**	**72,440**	**144,478,225**
Undrawn Commitments (Note 22)	10,640,462	-	-	-	-	-	10,640,462
Total Financial Liabilities	**106,673,230**	**16,156,853**	**25,135,503**	**7,080,661**	**-**	**72,440**	**155,118,687**

31. STANDBY BORROWING FACILITIES

	2020 $	2019 $
Overdraft facility	-	-
Total facility	-	-

32. 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 2020 is $Nil (2019: $Nil).

The Credit Union has entered into an agreement with Shared Lending Pty Ltd to allow the Credit Union to fund loans off balance sheet by another participant within Shared Lending Pty Ltd which comprises all of mutual financial institutions. The credit risk is split between both parties in the same proportion to which the loan balance has been shared. If the loan has originated through this Credit Union, the institution sharing the loan pays an ongoing fee for the provision of this loan. This facility was entered into given the ability to manage both capital and liquidity levels more precisely as well credit risk components within our lending portfolio.

The amount of loan balances outstanding under the shared lending arrangement as at 30 June 2020 is $49,232 (2019: $Nil).

33. 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 66 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 2020 and of its performance, for the financial year ended on that date; and

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

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

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

Signed in accordance with a resolution of the directors:

Colin Lenton
Director
Chair

Jim Couper
Director
Audit Committee Chair

Dated at Lithgow this 28th day of September 2020

intentus
CHARTERED ACCOUNTANTS

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 2020, 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 2020 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 2020, 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Home.aspx This description forms part of our auditor's report

intentus

intentus

328 Stewart Street
Bathurst
Dated: 29 September 2020

Leanne Smith

Leanne Smith
Director