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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED

30 JUNE 2023

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

Registered Office:
1 Ordnance Avenue
Lithgow NSW 2790
Phone: 1300 369 900

Postal Address:
PO Box 386
Lithgow NSW 2790

Website: www.familyfirst.com.au

Company Secretary:
Mr Adam Marshall
Mr Darryl Macauley CPA BComm GAICD

Executive Management:

Chief Executive Officer:	Mr Adam Marshall
Chief Finance Officer:	Mr Darryl Macauley CPA BComm GAICD
Head of Lending:	Ms Deepthi Bhaskaran MBA
Head of Risk and Culture:	Ms Andrea Sjovall CIA, MBA

Auditor:
Intentus Chartered Accountants

Internal Auditor:
Mr John Cottee, Step Ahead Business Solutions

Solicitors:
DB Legal Pty Ltd

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

Australian Financial Services & Credit Licence Number: 241068

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FAMILY FIRST CREDIT UNION LIMITED
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DIRECTORS' REPORT

Your directors submit the financial statements of Family First for the year ended 30 June 2023.

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	(Board Chair)
Kathryn Henrietta Grace Dickson	(Deputy Board Chair)
Antony Benetatos	(Risk Committee Chair)
Susanne Lorraine Boss	(Associate Director appointed 26 April 2023)
Peter James Cafe	
James Edward Couper	
Megan Jane Mendham	(Board Appointed Director)
Lynette Safranek	(Audit Committee Chair)

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 Family First 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 Family First's activities during the year.

Operating Results
The profit of the Bank after income tax was $1,436,634 (2022 - $1,099,119).

Review of Operations
Whilst the operating result highlighted above suggests that the year was quite successful in terms of profitability, the 2023 financial year continued to be extremely challenging in light of the economic environment which consisted of rising interest rates, cost of living pressures and overall resourcing shortages. Whilst we were not the only organisation in this industry to be impacted by these factors, management is focussed on balancing the financial side effects with those that may have an impact on service offerings and the overall financial well-being of our members.

Throughout the 2023 financial year, we have seen a significant increase in interest rates as the cash rate increased from 0.85%p.a. at the commencement of the financial year to 4.10%p.a. at the end of the financial year. These increases have had a significant impact on our interest margins which has led to the increase in the operating result recorded for the year. Whilst this has been profitable for the organisation, it has had an adverse impact on our members with an increasing level of hardship being detected through an increase in loans that are falling behind in their repayments. The rise in interest rates are also being felt by cost of living pressures caused by an increase in inflation across the globe. Whilst recent inflationary measures have seen some easing, it may be well into 2024 before we see some relief by the way of downward interest rate movement.

Despite the challenges, Family First was able to achieve some incredible results. Some of the key achievements of Family First’s operations are reflected in the following summary:-

- After tax profit increased by $337,515 or 30.7% to $1,436,634
- Members that utilise us as their main financial institution increased by 2.4% to 826
- Member deposits increased by $1,607,262 or 0.8% to $192,035,563
- Gross loans increased by $8,126,026 or 5.1% to $166,400,293
- Total assets increased by $3,895,647 or 1.8% to $219,584,110
- Capital adequacy increased to 17.6% (2022 – 15.6%)
- Minimum Liquidity Holdings (MLH) increased to 17.8% (2022 – 16.7%)
- Total liquidity decreased to 21.4% (2022 – 21.7%)
- Capital increased by $433,266 or 3.0% to $14,769,201
- Total Risk Weighted Assets decreased by $8,020,517 or 8.7% to $83,702,237
- Operating expenses increased by $261,716 or 5.8% to $4,766,298
- Impairment expenses increased by $29,059 or 299.0% to $19,339
- Interest margin increased by $1,401,489 or 29.3% to $6,182,859

Review of Operations (Continued)
It is of fundamental importance that we continue to meet our key prudential requirements as promulgated by both the Australian Prudential Regulatory Authority (APRA) and the Australian Securities & Investment Corporation (ASIC). The main way of doing this is to comply with all required compliance and legislative obligations but also record metrics that satisfy minimum levels as outlined in these standards. The Family First Board meets regularly to assess the key measures of organisational strength and resilience such as the capital adequacy and liquidity ratios. Throughout the financial year, there have been changes to APRA Prudential Standards in relation to capital and the resultant calculation of the capital adequacy ratio. These changes, along with improved profitability and low levels of asset growth, have had a positive impact on the capital adequacy ratio as at balance date having increased from 15.6% at the end of the previous financial year to 17.6% at the end of the 2023 financial year, well over required levels. Liquidity, based on a percentage of member deposits rose from 19.1% in 2022 to 20.3% in 2023 with MLH levels increasing over the same period from 16.7% to 17.8%, which are well over prudentially required levels.

Your Board and Executive Management team met in early March 2023 to reinforce the following high level strategic objectives which are planned over a 5 year horizon out to June 2028:

1. Brand differentiation
2. Ongoing sustainability
3. Digitalisation of processes
4. Structure and resourcing

As part of this strategic planning session, and in accordance with succession planning policies, a change of leadership of the organisation has occurred with Darry Macauley stepping down as Chief Executive Officer (CEO) and being replaced by Adam Marshall. Adam comes to the organisation with a significant amount of experience in the finance industry having occupied previous senior roles with a focus on sales and transformation. Darryl Macauley will remain in the organisation as part of the management team as the Chief Finance Officer (CFO).

Family First has adopted a 'user pays' method when it comes to fee charging however the system rewards members who have more business with us through a fee rebate scheme based on the relationship balances and length of membership with Family First. Despite this, the level of fees charged increased throughout the 2023 year by an amount of $24,953 in contrast to a reduction in fees that occurred over the 2022 year of $21,661. The level of rebated fees increased throughout the 2023 financial year which amounted to $285,543 (2022: $252,476).

Our role as a socially responsible corporate citizen takes on more meaning given these difficult times with funds raised under our Mental Health Initiative increasing to $62,167 (2022: $58,563). As a result of the funds raised, shortly after the end of the 2023 financial year, we were able to make a further donation to the Rural Adversity Mental Health Program (RAMHP) amounting to $100,000 (2022: $60,000). In addition to this, our annual Community Support Grants Program was also held throughout the year which saw a total of $40,498 (2022: $30,977) donated for many worthwhile initiatives provided by community based organisations and sporting groups through the community.

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

Significant Changes in State of Affairs
There were no significant changes in the state of affairs of Family First 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 Family First, the results of those operations or the state of affairs of Family First.

Likely Developments and Results
There are currently no significant developments expected in Family First's operations.

Information on Directors

Mr Colin Ray Lenton 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
- Associate Director 2004 to 2006

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

Mrs Kathryn Henrietta Grace Dickson GAICD

- Deputy Chair of the Board
- Member of Corporate Governance Committee
- Member of Audit Committee
- Member of 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 GAICD

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

Experience:	Appointed 6 March 2000
Occupation:	Semi-Retired / Manager PC Electrical

DIRECTORS' REPORT
(Continued)

Information on Directors (continued)

Mr James Edward Couper OAM

- Member of Audit Committee
- Associate Director appointed 22 July 2015
- Order of Australia Medal awarded 26 January 2019
- Cross Pro Ecclesia et Pontifice awarded 7 April 2021
- Graduate Diploma in Marketing
- Production Engineering Certificate

Experience: Appointed 17 July 2015
Occupation: Marketing Research Consultant

Mr Antony Benetatos

- Chair of Risk Committee
- Member of Remuneration and Renewal 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

- Chair of Audit Committee
- Member of Remuneration and Renewal Committee
- Member of the Corporate Governance Committee
- Board representative on Community Support Grants Committee
- Diploma Frontline Management
- Graduate Diploma Local Government Management
- Member Local Government Professionals
- Member Australian Institute of Company Directors

Experience: Appointed 27 June 2016
Occupation: Corporate Services Director

Mrs Megan Jane Mendham

- Associate Director 2019 – 2021
- Board Appointed Director - 2021
- Member of Risk Committee
- Board representative on Nominations Committee
- Member of the Corporate Governance Committee
- Bachelor of Education (Early Childhood)

Experience: Appointed 22 July 2019
Occupation: CEO - Community Connections Solutions Australia

DIRECTORS' REPORT
(Continued)

Information on Directors (continued)

Mrs Susanne Lorraine Boss

- Associate Director appointed 2023
- Member of Audit Committee
- Member of the Australian Institute of Company Directors
- Member of the Institute of Chartered Accountants of Australia and New Zealand
- Master of Taxation
- Graduate Diploma Institute of Chartered Accountants
- Bachelor of Financial Administration
- Associate Diploma of Rural Business Administration
- Institute of Public Accountants

Experience:	Appointed 26 April 2023
Occupation:	Consultant

All Directors are required to actively participate in professional development activities promoted by GRC Solutions, 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 Family First Board has responsibility for the overall management and strategic direction of the organisation. 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. Family First 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 Family First 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 Family First 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 Family First 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 Family First. Board appointed Directors also receive remuneration from Family First in the form of Director fees and allowances as do Associate Directors after a qualifying period has passed.

Senior Staff Remuneration

Senior Management are remunerated by way of salary, and in some cases, an incentive payment linked to key performance indicators relevant to the annual Strategic Plan is included in the total remuneration package. All key performance indicators and any incentive payments applicable to Senior Management of Family First are approved by the Board annually following endorsement by the Remuneration & Renewal Committee.

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.

Policies

The Board has endorsed a policy of compliance and risk management to suit the risk profile of Family First'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, inclusive of a Risk Appetite Statement, which stipulates the methodology on how risks will be assessed and also the level of tolerance associated with each material risk within the organisation. The ethical principles adopted by Family First are in accordance with the Customer Owned Banking Code of Practice.

Key Risk Management Policies include:-

- Capital management including ICAAP
- Liquidity
- Credit
- Market
- Operational

Compliance / Risk

Family First resources the risk and compliance areas through the Head of Risk & Culture who is employed on a fulltime basis and which also incorporates the role as Family First's Chief Risk Officer (CRO). The Head of Risk & Culture's responsibilities include improving the overall risk and compliance culture within all levels of the organisation. This includes working with the Senior Management to develop and implement suitable frameworks to support risk management, monitoring and reporting for their areas.

External Audit
The external audit is performed by Intentus Chartered Accountants who are headquartered in the Central West of NSW. The firm of Intentus Chartered Accountants have been auditing mutuals 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, and as such, are engaged on a year to year basis at the Annual General Meeting.

Internal Audit
Family First engages the services of the 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 Family First. The Internal Audit Plan is adopted by the Board upon recommendation by the Audit Committee. The Internal Auditor reports directly to the Audit Committee. The Internal Audit was performed by Mr John Cottee from Step Ahead Business Solutions throughout the 2023 financial year and he will again be responsible for the Internal Audit at Family First throughout the 2024 financial year.

Regulation
Family First is regulated by:

- Australian Prudential Regulation Authority (APRA) for the prudential risk management of the organisation and the protection of deposit holders.
- 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 Family First to 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.

Family First is subject to further regulation in other areas of our business such as the Australian Competition & Consumer Commission (ACCC) who oversees the Consumer Data Right (CDR) Open Banking regulations and the Australian Transaction Reports and Analysis Centre (AUSTRAC) who oversees the Anti Money Laundering & Counter Terrorism Financing (AML / CTF) legislation.

Banking Executive Accountability Regime (BEAR)
In February 2018, Australia introduced the Banking Executive Accountability Regime (BEAR) 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 (WH&S)
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 their security and safety. WH&S policies have been established for the protection of both members and staff and are reviewed regularly for relevance and effectiveness.

Family First has a WH&S committee which includes a member of management and staff from each office. Included in their role is the requirement to perform workplace inspections and hazard assessments. Any items raised are actioned by the WH&S Committee.

All staff have access to an Employee Assistance Program which provides direct contact with specially trained counsellors. In addition to this, WH&S representatives have undergone a Mental Health Awareness and First Aid Course as part of their training and development.

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

	Board	**Corporate Governance Committee**	**Audit Committee**	**Risk Committee**	**Board Nomination Committee**
Number of meetings held:	**8**	**8**	**3**	**3**	**2**
Number of meetings attended:					
Antony Benetatos	7	1 (1)	-	3	1 (1)
Susanne Boss	1 (1)	-	1 (1)	-	-
Peter Cafe	8	-	-	3	
James Couper	7	1 (1)	3	-	-
Kathy Dickson	6	5	2	-	-
Colin Lenton	6	7	-	-	-
Megan Mendham	6	2 (2)	-	3	1 (1)
Lynette Safranek	8	4 (5)	3	-	-

It should also be noted that a number of directors observed meetings where they were not officially committee members and as such, are not reflected in the table shown above. In addition to the meetings highlighted above, some Board members and senior management also attended a Strategic Planning Workshop held on Saturday 4 March 2023. In camera sessions were held at some of the ordinary board meetings held throughout the year. Several Remuneration and Renewal Committee meetings were attended by various directors throughout the year, as well as two Risk Appetite Workshops which were held in August 2022 and April 2023.

DIRECTORS' REPORT
(Continued)

Company Secretary

Both the Chief Executive Officer Mr Adam Marshall and Chief Financial Officer Mr Darryl Macauley act as the 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 Family First 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

Family First 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 Family First.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2023 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 despite the challenges encountered throughout the year. In looking at the financial result for the year, the Board would like to express its gratitude and appreciation for the continued support of its loyal owner members. We would like to welcome Adam Marshall into the organisation as the incoming Chief Executive Officer and the contribution and effort of outgoing Chief Executive Officer Darryl Macauley.

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

C. Lenton

Colin Lenton
Director
Board Chair

Lynette Safranek
Director
Audit Committee Chair

Dated at Lithgow this 18th day of September 2023

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2023 there have been no contraventions of:

i) the auditor independence requirements of the Corporations Act 2001; and

ii) any applicable code of professional conduct in relation to the audit.

intentus

JThomas

Intentus

Jodie Thomas
Registered Company Auditor

23 Sale Street
Orange

18th day of September 2023

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	2023 $	2022 $
ASSETS			
Cash and liquid assets	6	1,280,084	1,833,610
Loans and advances	7.1	166,226,148	158,132,774
Accrued receivables	9	271,954	131,953
Investment securities	10	49,547,157	52,806,294
Property, plant and equipment	11	550,985	580,670
Intangibles	12	231,593	243,899
Deferred tax assets	14.2	160,432	167,892
Other assets	15	1,045,227	1,554,709
Right of use assets	13	270,530	236,662
TOTAL ASSETS		219,584,110	215,688,463
LIABILITIES			
Deposits	16	192,035,563	190,428,301
Payables and other liabilities	17	1,510,100	1,450,842
Tax liabilities	14.1	312,401	54,514
Provisions	18	264,799	263,418
Borrowings	19	8,933,094	8,453,041
Deferred tax liabilities	14.4	123,766	123,766
Lease liabilities	13	291,649	238,477
TOTAL LIABILITIES		203,471,372	201,012,359
NET ASSETS		16,112,738	14,676,104
MEMBERS' EQUITY			
Retained profits		15,463,637	14,027,003
FVOCI reserve	20	-	-
General reserve for credit losses		277,803	277,803
Asset revaluation reserve		371,298	371,298
TOTAL MEMBERS' EQUITY		16,112,738	14,676,104

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

FAMILY FIRST CREDIT UNION LIMITED
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
Interest revenue	4.1	8,887,350	5,282,144
Interest expense	4.1	(2,704,491)	(500,774)
Net interest revenue		6,182,859	4,781,370
Other income	4.2	519,448	952,394
Total operating income		6,702,307	5,733,764
Non-interest expenses			
Administration expenses	4.5	(1,516,713)	(1,308,837)
Branch occupancy expenses		(373,130)	(357,666)
Data processing		(970,867)	(948,324)
Depreciation and amortisation	4.4	(150,675)	(153,611)
Employee benefits expense	4.4	(1,457,233)	(1,476,558)
Impairment losses on loans and advances	4.3	(19,339)	9,720
Loans administration		(177,536)	(156,761)
Marketing		(88,032)	(81,383)
Supervision levies		(32,112)	(21,441)
Total expenses		(4,785,637)	(4,494,861)
Profit before income tax		1,916,670	1,238,903
Income tax expense	5	(480,036)	(139,784)
Profit for the year after income tax		1,436,634	1,099,119
Other comprehensive income			
Movement in reserve for equity instruments at FVOCI (net of deferred tax)	20	-	-
Total other comprehensive income for the year		-	-
Total comprehensive income for the year		1,436,634	1,099,119

The accompanying notes form part of these financial statements

FAMILY FIRST CREDIT UNION LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Retained Earnings	General Reserve for Credit Losses	Asset Revaluation Reserve	FVOCI Reserve	Total
	$	$	$	$	$
BALANCE AT 1 JULY 2021	**12,817,087**	**277,803**	**371,298**	**110,797**	**13,576,985**
Total comprehensive income					
Profit for the year after income tax	1,099,119	-	-	-	1,099,119
Other comprehensive income					
De-recognition of FVOCI asset	110,797	-	-	(110,797)	-
Total comprehensive income	1,209,916	-	-	(110,797)	1,099,119
Transfer from retained earnings to general reserve for credit losses	-	-	-	-	-
BALANCE AT 30 JUNE 2022	**14,027,003**	**277,803**	**371,298**	**-**	**14,676,104**
BALANCE AT 1 JULY 2022	**14,027,003**	**277,803**	**371,298**	**-**	**14,676,104**
Total comprehensive income					
Profit for the year after income tax	1,436,634	-	-	-	1,436,634
Other comprehensive income	-	-	-	-	-
Total comprehensive income	1,436,634	-	-	-	1,436,634
Transfer from retained earnings to general reserve for credit losses	-	-	-	-	-
BALANCE AT 30 JUNE 2023	**15,463,637**	**277,803**	**371,298**	**-**	**16,112,738**

The accompanying notes form part of these financial statements.

FAMILY FIRST CREDIT UNION LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on loans		7,448,006	4,876,112
Interest received on investments		1,458,997	511,193
Dividends received		553	62,874
Other income received		518,895	538,665
Interest paid on members' deposits		(1,902,798)	(630,208)
Interest paid on borrowings		(126,512)	(1,418)
Payments to suppliers and employees		(4,708,555)	(4,074,678)
Net income taxes (paid) / refunded		(214,689)	(219,010)
Net cash from revenue activities	26.2	**2,473,897**	**1,063,530**
Cash from (used in)/other operating activities			
Net decrease / (increase) in SocietyOne loans		40,767	113,433
Net (increase) in members' loan fundings		(8,126,026)	(11,101,668)
Net (decrease) in member shares		(306)	(5,362)
Net increase in member savings		1,607,568	8,529,431
Net movement in deposits to Investment Securities		3,255,570	(5,386,953)
Net increase/(decrease) in members' clearing		(52,857)	(415,103)
Net cash from (used in) operating activities	26.2	**(3,275,284)**	**(7,266,222)**
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	26.2	**(801,387)**	**(6,202,692)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(14,252)	(7,624)
Purchase of intangible assets		(94,431)	(17,881)
Proceeds from the sale of investments		-	720,176
Net cash (used in)/from investing activities		**(108,683)**	**694,671**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in borrowings		480,053	2,000,000
Repayment of lease liabilities (principal)		(127,076)	(149,449)
Net cash from financing activities		**352,977**	**1,850,551**
NET (DECREASE)/INCREASE IN CASH HELD		**(557,093)**	**(3,657,470)**
Cash at beginning of year		1,837,177	5,494,647
CASH AT END OF YEAR	26.1	**1,280,084**	**1,837,177**

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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1. BASIS OF PREPARATION

Reporting Entity

Family First Credit Union Limited trading as Family First Bank ("Family First") is a company limited by shares, incorporated and domiciled in Australia. Family First 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 Family First. The financial statements were authorised for issue on 18 September 2023 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 interpretations 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, except for cash flow information, 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

There were no changes in accounting policies between the current and prior financial years.

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 profit or loss and other 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 Family First 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

The amounts brought to account are included as part of interest revenue.

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 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.

Family First measures loss allowances at an amount equal to lifetime expected credit losses (ECL), except for the following, for which they are measured as 12 months ECL.

- Debt investment securities that are determined to have a low credit risk in considering their credit risk rating (refer Note 27); and

- Other financial instruments on which credit risk has not significantly increased since initial recognition.

Family First considered credit risk to have increased significantly when a loan is 30 days or more in arrears.

Forward-looking approach

The approach to determining the ECL includes forward-looking information.

Family First has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio segment. Consideration has also been given to the level of undue cost and effort involved in utilising complex

Family First has considered other forward-looking considerations such as the impact of future unemployment rates, property prices, regulatory change and external market risk factors, which are deemed to have a material impact and therefore an adjustment has been made to the ECL for such factors. Family First considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by the organisation for other purposes such as strategic planning and budgeting. Periodically Family First carries out stress testing of more extreme shocks to calibrate its determination of other potential scenarios.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Loan impairment (continued)

(i) Provision for impairment (continued)

Forward-looking approach (continued)

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.

Additional information regarding the estimation of the ECL provision at reporting date is contained in Note 8.

Measurement of ECL

Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Family First expects to receive).

Credit risk categorisation

For the purpose of calculating ECLs, assets are categorised into three 'stages' as follows:

Stage 1: no significant increase in credit risk since initial recognition

On initial recognition, and for financial assets where there has not been a significant increase in credit risk since the date of advance, provision is made for losses from credit default events expected to occur within the next 12 months. Expected credit losses (ECL) for these stage 1 assets continue to be recognised on this basis unless there is a significant increase in the credit risk of the asset.

Stage 2: significant increase in credit risk

Financial assets are categorised as being within stage 2 where an instrument has experienced a significant increase in credit risk since initial recognition. For these assets, provision is made for losses from credit default events expected to occur over the lifetime of the instrument. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, Family First uses the criteria of 30 days past due or loans under credit watch as the criteria to identify whether there has been a significant increase in credit risk.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Loan impairment (continued)

(i) Provision for impairment (continued)

Measurement of ECL (continued)

Stage 3: credit impaired (or defaulted) loans

Financial assets are transferred into stage 3 when there is objective evidence that an instrument is credit impaired. Provisions for stage 3 assets are made on the basis of credit default events expected to occur over the lifetime of the instrument. Assets are considered credit impaired when:

- significant financial difficulty of the borrower or issuer;
- a breach of contract as a default or past due event;
- the restructuring of a loan or advance by Family First on terms that Family First would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition is different.

Interest income on stage 3 credit impaired loans is recognised in the income statement on the loan balance net of the ECL provision. The balance sheet value of stage 3 loans reflects the contractual terms of the assets, and continues to increase over time with the contractually accrued interest.

Transfers between stages
Transfers from stage 1 to 2 occur when there has been a significant increase in credit risk and from stage 2 to 3 when credit impairment is indicated as described above. For assets in stage 2 or 3, loans can transfer back to stage 1 or 2 once the criteria for a significant increase in credit risk or impairment are no longer met.

(ii) General reserve for credit losses

In addition to the above specific provision, a general reserve for credit losses is maintained to cover future expected losses not yet identified, which are inherent in its lending activities.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Loan impairment (Continued)

(iii) Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

(iv) Credit-impaired financial assets

At each reporting date, Family First assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by Family First on terms that the organisation would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Loan impairment (Continued)

(v) Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and Family First cannot identify the ECL on the loan commitment component separately from those on the drawn component: Family First presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

(vi) Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when Family First determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Family First's procedures for recovery of amounts due.

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 profit or loss and other comprehensive income.

3.4 Property, plant and equipment

(i) Determination of carrying values

Each class of property, plant and equipment is carried at cost or fair value as indicated 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 Family First and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive Income during the financial period in which they are incurred. Freehold land and buildings are shown at their fair value based on periodic, but at least triennial valuations by external independent valuers, less subsequent depreciation for buildings. In periods when the freehold land and buildings are not subject to an independent valuation, the Directors conduct Directors' valuations to ensure the carrying amount for the land and buildings is not materially different to the fair value. Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the revaluation surplus in equity. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are recognised in profit or loss. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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 profit or loss and other comprehensive income.

(iii) Revaluation of Property

The Head Office property located at 1 Ordnance Avenue Lithgow was last revalued following an independent valuation performed 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 $371,298 (2022: $371,298) representing all previous valuations taken place over 1 Ordnance Avenue Lithgow, net of deferred tax. In November 2022, an independent Real Estate valuation estimated the value of the Head Office property located at 1 Ordnance Avenue Lithgow was between $750,000 and $800,000. Despite this, the Board of Directors believe that the current valuation shown in the accounting records is a reasonable estimate to reflect its current value.

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 Profit or Loss and Other 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 Family First becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that Family First 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 or 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's cash equivalents, loans and advances to members and trade receivables fall into this category of financial instruments as well as negotiable certificates of deposits (NCDs), floating rate notes (FRNs) and term deposits.

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.

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

AASB 9 requires the use of forward looking information to recognise expected credit losses - the **'expected credit loss model' (ECL).** Instruments within the scope of the requirements comprise all financial assets measured at amortised cost and investment debt securities measured at FVOCI. These include cash, receivables, loans and advances to members and investment securities.
Family First considers a broader 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 financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial instruments (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 Family First 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 Family First 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 Family First'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 Family First 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 provisions disclosure.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Employee benefits (Continued)

Contributions are made by Family First 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

At inception of a contract, Family First 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.
- Family First has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- Family First 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.

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, Family First recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Family First 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 Family First'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 Family First's assessment of lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Leases (continued)

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

Family First 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. Family First recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Lessor accounting

When Family First 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 Family First's net investment in the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Income tax

The income tax expense shown in the Statement of Profit or Loss and Other 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 25% (2022: 25%).

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 Family First 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, Family First 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, Family First 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Revenue and expense recognition

Net Interest Income

Interest revenue and interest expense are recognised using the effective interest rate (EIR) method for financial assets and financial liabilities carried at amortised cost. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs that are integral to the lending arrangement are recognised in the income statement over the expected life of the instrument in accordance with the EIR method.

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the re-measurement recognised as part of interest income (financial assets) or interest expense (financial liabilities).

The calculation of EIR does not include ECL. Interest income for financial assets that have become credit impaired subsequent to initial recognition is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying amount after deducting the impairment loss).

Fees and commissions

Fees and commission income include fees other than those that are an integral part of EIR.

Fee income relating to deposit or loan accounts is either:

- transaction based and therefore recognised at a point in time when the transaction takes place, or
- related to performance obligations carried out over a period of time and therefore recognised on a systematic basis over the life of the agreement as the services are provided.

Transaction fees and provision of services are defined within product terms and conditions.

Insurance commission

Upfront commission – revenue in the form of a commission generated on successful placement of an insurance application is recognised at a point in time on inception of the policy.

Renewal commission – Commission income for renewals is recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of a significant reversal in a subsequent period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Revenue and expense recognition (continued)

Dividend income

Dividends are brought to account in profit or loss when the right to receive income is established.

3.14 Impairment of non-financial assets

At each reporting date Family First assesses whether there is any indication that individual non-financial assets are impaired. Where impairment indicators exist, recoverable amount is determined, and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount.

3.15 Accounting estimates and judgements

Management has been involved in the development, selection and disclosure of Family First's critical accounting policies and estimates and the application of these policies and estimates. In particular, information about areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 3.2 and Note 8 - Impairment of loans and advances with regards to the expected credit loss modelling and judgements, including:
    - Determining criteria for significant increase in credit risk: An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, Family First takes into account qualitative and quantitative reasonable and supportable forward-looking information;
    - Choosing appropriate models and assumptions for the measurement of expected credit loss; and
    - Establishing groups of similar financial assets for the purposes of measuring expected credit loss: When expected credit loss is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.
- Note 3.6 and Note 10 - Fair value assumptions used investment securities;
- Note 3.10 and Note 13 - Estimation of the lease term, treatment of options and determination of the appropriate rate to discount the lease payments.
- Note 3.14, Note 11 and Note 12 – impairment and estimated useful lives of property, plant and equipment and intangible assets

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Measurement of fair values

A number of Family First's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, Family First uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and;
- Level 3 – inputs for the asset that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Family First recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Management have made critical accounting estimates when applying Family First's accounting policies with respect to the valuation of land. In accordance with AASB 13 fair value for land should be based on highest and best use and should take into account a number of factors including: physical characteristic e.g. location or size, any legal restriction e.g. zoning and financial feasibility, recent sales evidence for comparable properties, and overall market conditions.

The fair value of the Family First's investment in unlisted equity securities, is based on consideration of sales in a limited market and the investee's net tangible assets.

3.17 New standards applicable for the current year

Family First has adopted all standards which became effective for the first time at 30 June 2023, refer to Note 2 for details of the changes due to standards adopted.

3.18 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. Family First has decided not to early adopt these Standards. Family First'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 Family First and as such have not been reported on.

	2023	2022
	$	$

4. PROFIT FOR THE YEAR

4.1 Interest revenue and expense

	2023 $	2022 $
Interest revenue		
Deposits with investment securities	1,439,344	406,032
Loans to members	7,448,006	4,876,112
	8,887,350	5,282,144
Interest expense		
Member deposits	2,548,300	485,379
Short-term borrowings and lease liabilities	156,191	15,395
	2,704,491	500,774
Net interest income	6,182,859	4,781,370

4.2 Other income

	2023 $	2022 $
Dividends	553	62,874
Fees and commissions		
- Loan fee income	35,425	35,150
- Other fee income	228,857	203,904
Insurance commissions	9,074	16,310
Other commissions	94,464	90,223
Bad debts recovered	2,550	17,074
Gain on sale of shares	-	350,855
Other revenue	148,525	176,004
Government stimulus	-	-
Total other income	519,448	952,394

4.3 Impairment losses on loans and advances

	2023 $	2022 $
Bad debts written off directly against profit	3,138	1,676
Adjustment to provision for impairment	16,111	(7,981)
Provision for impairment of SocietyOne (P2P Loans)	90	(3,415)
	19,339	(9,720)

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 Family First:

	2023 $	2022 $
Depreciation and amortisation (excluding right of use assets)		
Depreciation	43,938	47,513
Amortisation of intangible assets	106,737	106,098
Total depreciation and amortisation	150,675	153,611
Employee benefits expense		
Salaries	1,201,725	1,251,688
Superannuation contributions	122,658	129,163
Other	132,850	95,707
Total employee benefits	1,457,233	1,476,558

4.5 Administration expenses

	2023 $	2022 $
Administration and head office occupancy	23,329	24,936
Board and committee expenses	239,530	223,133
Member chequing	10,395	8,295
Member protection	246,932	247,103
Electronic Payments costs	304,300	265,514
Visacard expenses	314,044	258,164
Other general administration expenses	378,183	281,692
Total administration	1,516,713	1,308,837

4.6 Auditor's remuneration

	2023 $	2022 $
Amounts received or due and receivable by the auditors of Family First:		
Intentus Chartered Accountants		
- Audit of the financial statements	45,018	42,504
- Other regulatory audit services	12,926	12,161
	57,944	54,665

	2023 $	2022 $

5. INCOME TAX

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

	2023 $	2022 $
Prima facie tax on operating profit before income tax @ 25% (2022 – 25%)	479,168	309,726
Tax effect of non-allowable / non taxable items:		
- Entertainment	1,006	628
- Dividends Received	(138)	(132,978)
	480,036	177,376
Tax Effect of:-		
- Change in tax rates on franking credits on dividends received	-	(37,592)
Income tax expense attributable to operating profit	480,036	139,784

5.2 Reconciliation of income tax

	2023 $	2022 $
The income tax expense comprises amounts set aside (utilised) as:		
Provision for income tax attributable to current year		
- Income tax payable	472,576	219,613
- Change in tax rate on franking credits	-	(37,592)
Income tax attributable to future years		
- Deferred tax asset	7,460	(5,305)
	480,036	176,716

6. CASH AND LIQUID ASSETS

	2023 $	2022 $
Cash on hand	410,022	271,510
Cash at bank	870,062	1,562,100
	1,280,084	1,833,610

7. LOANS AND ADVANCES

7.1 Loans and advances

		2023 $	2022 $
Loans to members			
Overdrafts		107,003	100,467
Term loans		166,293,290	158,173,800
Gross loans and advances		166,400,293	158,274,267
Provision for impaired loans	8.1	(181,164)	(189,369)
Net loans and advances		166,219,129	158,084,898
SocietyOne P2P Loans		7,844	48,611
Less: Provision for doubtful debts		(825)	(735)
Net investment in SocietyOne		7,019	47,876
		166,226,148	158,132,774

7.2 Maturity analysis of loans to members

	2023 $	2022 $
Overdrafts	107,003	100,467
Not longer than 3 months	1,093,239	1,712,122
Longer than 3 and not longer than 12 months	3,995,163	4,493,490
Longer than 1 year and not longer than 5 years	19,679,056	22,302,330
Longer than 5 years	141,525,832	129,476,489
	166,400,293	158,084,898

7.3 Concentration of Risk

i) There are 4 members (2022: 4) who individually have loans which represent 10% or more of member's equity. The total exposure as at 30 June 2023 amounts to $6,830,036 (2022: $7,330,958). Family First holds $9,044,000 (2022: $9,445,000) in security against these loans.

ii) Details of the geographical concentration of loans is set out below. This information was derived from records of residential postcodes.

	2023		2022	
	$	%	$	%
Geographical Area				
Lithgow	54,888,834	32.99	56,066,376	35.42
Mudgee	54,249,106	32.60	50,355,989	31.82
Bathurst	48,126,228	28.92	42,605,576	26.92
Blackheath	9,136,124	5.49	9,246,325	5.84

7.4 Credit quality – security held against loans

	2023 $	2022 $
Secured by mortgage over real estate	163,468,959	154,315,571
Secured by goods mortgage	1,892,415	2,650,426
Wholly unsecured	1,038,919	1,308,270
	166,400,293	158,274,267

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:

	2023 $	2022 $
Security held as mortgages against real estate		
- loan to valuation ratio of less than 80%	146,870,280	136,216,076
- loan to valuation ratio of more than 80% but mortgage insured	13,497,935	15,117,984
- loan to valuation ratio of more than 80% but not mortgage insured	3,100,744	2,981,511
	163,468,959	154,315,571

8. IMPAIRMENT OF LOANS

8.1 Provision for impaired loans

	2023 $	2022 $
Total Provision	181,164	189,369
Movement in the provision for impairment		
Balance at the beginning of year	189,369	197,350
Add (deduct):		
Doubtful debt expense	16,111	(7,981)
Bad debts written off against provision	(24,316)	-
Balance at end of year	181,164	189,369
Provision for Impairment of SocietyOne P2P Loans		
Balance at the beginning of year	735	4,150
Add (deduct) movement in provision:	90	(3,145)
Balance at end of year	825	735

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 2023	ECL Allowance 2023	Carrying Value 2023	Gross Carrying Value 2022	ECL Allowance 2022	Carrying Value 2022
	$	$	$	$	$	$
Loans to members						
Mortgage	163,468,959	-	163,468,959	154,315,571	-	154,315,571
Personal	2,824,331	175,171	2,649,160	3,858,229	184,496	3,673,733
Overdrafts	107,003	5,993	101,010	100,467	4,873	95,594
Total	**166,400,293**	**181,164**	**166,219,129**	**158,274,267**	**189,369**	**158,084,898**

An analysis of Family First's credit risk exposure class of financial asset and "stage" without reflecting the effects of any collateral or other credit enhancements is demonstrated in the following tables:

2023

	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$
Loans to members				
Mortgage	160,832,608	2,551,069	85,282	163,468,959
Personal	2,737,342	80,830	6,159	2,824,331
Overdrafts	92,920	11,813	2,270	107,003
Total	**163,662,870**	**2,643,712**	**93,711**	**166,400,293**

2022

	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$
Loans to members				
Mortgage	153,132,315	1,183,256	-	154,315,571
Personal	3,760,535	85,449	12,245	3,858,229
Overdrafts	88,977	8,570	2,920	100,467
Total	**156,981,827**	**1,277,275**	**15,165**	**158,274,267**

8. IMPAIRMENT OF LOANS (continued)

8.2 Amounts arising from ECL (continued)

The tables below represent the reconciliation from the opening balance to the closing balance of the ECL allowance for loans and advances to customers for which impairment requirements under AASB 9 apply, for the current and previous financial years.

2023

	Stage 1 Collective provision 12-month ECL $	Stage 2 Collective provision Lifetime ECL Not credit-impaired $	Stage 3 Collective provision Lifetime ECL Credit impaired $	Specific provision Lifetime ECL Credit Impaired $	Total $
Balance at 1 July 2022	-	37,714	15,165	136,490	189,369
Transfers during the period to different stages:	-	11,350	(513)	(10,837)	-
Net re-measurement of ECL	-	-	-	28,693	28,693
Write-offs	-	(23,540)	(3,138)	-	(26,678)
Loans Paid Out	-	(7,135)	(3,085)	-	(10,220)
Balance at 30 June 2023	**-**	**18,389**	**8,429**	**154,346**	**181,164**

2022

	Stage 1 Collective provision 12-month ECL $	Stage 2 Collective provision Lifetime ECL Not credit-impaired $	Stage 3 Collective provision Lifetime ECL Credit impaired $	Specific provision Lifetime ECL Credit Impaired $	Total $
Balance at 1 July 2021	-	13,004	681	183,665	197,350
Transfers during the period to different stages:	-	24,710	16,160	(40,870)	-
Net re-measurement of ECL	-		-	(6,305)	(6,305)
Write-offs	-	-	(1,676)	-	(1,676)
Loans Paid Out	-	-	-	-	-
Balance at 30 June 2022	**-**	**37,714**	**15,165**	**136,490**	**189,369**

8. IMPAIRMENT OF LOANS (continued)

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

	2023 $	2022 $
Carrying amount		
Individually impaired		
Gross amount	39,874	67,641
Provision for impairment	(26,818)	(52,879)
Carrying amount	**13,056**	**14,762**
Past due but not impaired		
Day in arrears:		
Less than one month	6,139,026	1,491,435
Greater than one month and less than two months	990,432	509,137
Greater than two months and less than three months	195,939	7,451
Greater than three months	322,487	329,038
Carrying amount	**7,647,884**	**2,337,061**
Neither past due nor impaired		
Secured by mortgage	155,890,691	152,033,397
Personal	2,726,140	3,744,438
Overdrafts/revolving credit	95,704	91,730
Carrying amount	**158,712,535**	**155,869,565**
Collective impairment provision	(154,346)	(136,490)
Total carrying amount	**166,219,129**	**158,084,898**

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.

8.4 Assets acquired via enforcement of security

There were nil assets acquired via enforcement through the 2023 year (2022 – nil).

8.5 Loans renegotiated

During the year, Family First renegotiated some loans which were previously past due or impaired. The total value of these loans at 30 June 2023 was $34,791 (2022– $28,025).

	2023 $	2022 $

9. ACCRUED RECEIVABLES

	2023 $	2022 $
Accrued interest on receivables due from investment securities	270,949	127,559
Other accrued income	1,005	4,394
	271,954	131,953

10. INVESTMENT SECURITIES

	2023 $	2022 $
Investment securities at amortised cost		
Deposits held on call	-	3,567
Floating Rate Notes (FRN's)	29,500,000	30,250,000
Government Bonds	10,000,000	10,500,000
Term Deposits (TD's)	8,040,000	11,040,000
Negotiable Convertible Notes (NCD's)	2,000,000	1,000,000
Notice of Withdrawal Accounts (NOW's)	2,074	1,007,644
	49,542,074	52,801,211
Equity securities designated as FVOCI		
TAS	5,081	5,081
Shared Service Partners	1	1
ASL	1	1
	5,083	5,083
Total Value of Investment Securities	49,547,157	52,806,294

Maturity Analysis of Investment Securities

	2023 $	2022 $
At call	-	9,205
Not longer than 3 months	3,502,074	7,752,006
Longer than 3 months and not longer than 12 months	10,000,000	7,040,000
Longer than 1 and not longer than 5 years	36,040,000	36,000,000
Longer than 5 years	-	2,000,000
	49,542,074	52,801,211

Equity securities designated as FVOCI

As at 30 June 2023, Family First holds a total of 5,081 "A" Class Shares in Transaction Solutions Pty Ltd trading as Experteq. 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 (now known as Experteq).

Family First 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 (2022: $1).

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

11. PROPERTY, PLANT AND EQUIPMENT

	2023 $	2022 $
Land at valuation	175,000	175,000
Buildings, at valuation	413,402	413,402
Provision for depreciation	(92,910)	(77,270)
	320,492	336,132
Leasehold improvements, at cost	323,302	309,048
Provision for depreciation	(303,949)	(299,453)
	19,353	9,595
Equipment and furniture, at cost	335,923	335,923
Provision for depreciation	(299,783)	(275,980)
	36,140	59,943
Motor vehicles, at cost	27,499	27,499
Provision for depreciation	(27,499)	(27,499)
	-	-
Net book value of property, plant and equipment	550,985	580,670

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

2023 Reconciliation	Land	Buildings	Leasehold Improvements	Equipment and Furniture	Motor Vehicles
Opening balance	175,000	336,132	9,595	59,943	-
Revaluation	-		-	-	-
Additions	-	-	14,253	-	-
Disposals	-	-	-	-	-
Depreciation expense	-	(15,640)	(4,495)	(23,803)	-
Closing balance	175,000	320,492	19,353	36,140	-

2022 Reconciliation	Land	Buildings	Leasehold Improvements	Equipment and Furniture	Motor Vehicles
Opening balance	175,000	352,393	13,646	79,521	-
Revaluation	-		-	-	-
Additions	-	-	-	7,623	-
Disposals	-	-	-	-	-
Depreciation expense	-	(16,261)	(4,051)	(27,201)	-
Closing balance	175,000	336,132	9,595	59,943	-

The Head Office property located at 1 Ordnance Avenue Lithgow was last revalued throughout the 2019 financial year 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 $371,298 (2022:$371,298). An independent Real Estate valuation performed throughout November 2022 estimated the market value to be between $750,000 and $800,000.Despite this, the Board has chosen to retain the value currently recorded for the property located at 1 Ordnance Avenue Lithgow.

12. INTANGIBLES

	2023 $	2022 $
Member transaction system	824,871	730,440
Accumulated amortisation	(593,278)	(486,541)
	231,593	243,899

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

	2023 $	2022 $
Opening carrying amount	243,899	332,116
Additions	94,431	17,881
Disposals	-	-
Amortisation	(106,737)	(106,098)
Closing carrying amount	231,593	243,899

13. LEASES

Company as a lessee

Family First 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 Bathurst, Lithgow and Mudgee. The remaining term of the leases and any option period varies with each branch as follows (Bathurst 5.59 years, Lithgow 0.75 years and Mudgee 6.62 years). The rentals are subject to an adjustment of CPI for the initial term and any option period subsequently exercised.

Right-of-use assets

	2023 $	2022 $
Balance at beginning of year	236,662	367,745
Additions	164,289	-
Remeasurement	(12,546)	17,144
Depreciation charge	(117,875)	(148,227)
Balance at end of year	270,530	236,662

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
Lease Liabilities – 2023	162,243	137,831	-	300,074	291,649
Lease Liabilities – 2022	105,539	133,981	-	239,520	238,477

Extension options

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

At commencement date and each subsequent reporting date, Family First 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 Family First 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:

	2023 $	2022 $
Interest expense on lease liabilities	28,505	2,143
Depreciation of right-of-use assets	117,875	147,306
	146,380	149,449
Statement of Cash Flows		
Total cash outflow for leases	146,380	149,449

14. TAXATION

14.1 Taxation liabilities

Income tax payable	312,401	54,514

14.2 Deferred Tax assets

Deferred tax asset comprising:		
Tax allowances relating to property, plant & equipment	40,009	41,090
Provision for impairment	46,747	48,776
Employee leave entitlements	66,200	65,855
Other – accruals	7,738	11,718
Leasing transactions	(262)	453
	160,432	167,892

14.3 Deferred Tax Liabilities

Deferred capital gains tax		
Opening balance	123,766	160,698
Adjustment due to Cuscal share buy back	-	(36,932)
Closing balance	123,766	123,766

15. OTHER ASSETS

	2023 $	2022 $
Members' clearing accounts	265,813	853,746
Sundry Debtors	114,808	18,938
Prepayments	221,013	101,059
Premium paid on FRN's / Government Bonds / NCD	369,205	528,859
Unamortised Broker Costs	74,388	52,107
	1,045,227	1,554,709

16. DEPOSITS

	2023 $	2022 $
Call deposits	132,977,939	144,437,521
Term deposits	58,992,702	45,925,552
Withdrawable shares	64,922	65,228
	192,035,563	190,428,301

Maturity analysis

	2023 $	2022 $
At call	133,042,861	144,502,749
Not longer than 3 months	23,156,773	16,397,316
Longer than 3 and not longer than 12 months	31,984,357	26,847,211
Longer than 1 year and not longer than 5 years	3,851,572	2,681,025
	192,035,563	190,428,301

There were no defaults on interest or capital payments on these liabilities in the current or prior year. Member 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 Family First's liabilities (2022: $Nil).

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

	2023		2022	
	$	%	$	%
Geographical Area				
Lithgow	93,708,628	48.81	93,497,824	49.12
Mudgee	45,781,917	23.85	47,015,392	24.70
Bathurst	23,417,813	12.20	22,087,611	11.60
Blackheath	21,775,618	11.34	22,938,282	12.05

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

	2023 $	2022 $
17. PAYABLES AND OTHER LIABILITIES		
Creditors and accruals	428,914	374,909
Members' clearing accounts	296,901	937,691
Accrued interest on members' deposits	782,884	136,208
GST payable	1,401	2,034
	1,510,100	1,450,842
18. PROVISIONS		
Employee entitlements - current	249,585	227,928
Employee entitlements – non current	15,214	35,490
	264,799	263,418
19. BORROWINGS		
Short term borrowings – other	5,500,000	2,000,000
Long term borrowings - RBA	3,433,094	6,453,041
	8,933,094	8,453,041
20. FVOCI RESERVE		
FVOCI Reserve - Shares		
Opening balance	-	110,797
Decrease on de-recognition of shares	-	(110,797)
Closing balance	-	-

Family First 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. Family First 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 Family First, directly or indirectly, including any director (whether executive or otherwise) of that entity.

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

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

	Short-term employee benefits	Post-employment benefits	Other long-term Benefits	Termination benefits
Year ended 30 June 2023				
Directors	159,891	16,789	-	-
Other KMP	581,805	56,337	(4,426)	4,817
Year ended 30 June 2022				
Directors	178,237	16,804	-	-
Other KMP	665,375	60,483	12,344	-

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 2023							
Directors	278,275	6,436	7,000	-	228,042	2	-
Other KMP	991,002	3,173	228,000	-	444,001	3	-
Year ended 30 June 2022							
Directors	40,634	1,468	250,000	-	278,275	2	-
Other KMP	1,111,063	19,352	-	-	991,002	3	-

Family First 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 organisation'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 Family First during the financial year. Interest has been paid on terms and conditions no more favourable to those available on similar transactions to members of Family First.

21.4 Other transactions

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

22. COMMITMENTS AND CONTINGENCIES

22.1 Future capital commitments

At 30 June 2023 Family First has initiated two projects with Experteq as part of an initiative to improve the security posture of its information framework. The capital cost of these project amounts to $123,903 with the amount expended to date totalling $11,470.

22.2 Outstanding loan commitments

The loans approved and contracted by Family First but not funded as at 30 June 2023 amount to $2,675,980 (2022 - $5,604,037). 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. COMMITMENTS AND CONTINGENCIES (Continued)

22.3 Unfunded loan facilities

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

	2023 $	2022 $
Total value of facilities approved	3,189,250	3,456,961
Less: amount advanced	(880,704)	(1,195,882)
Net undrawn value	2,308,546	2,261,079

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

22.4 Amounts available for redraw

Total loan redraw facilities available at year end were $9,460,369 (2022 - $9,739,831).

22.5 Other

In the normal course of business, Family First 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. Family First 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. Family First holds collateral supporting these commitments where it is deemed necessary.

23. CONTINGENT LIABILITIES

23.1 Credit Union Financial Support System

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

As a member, Family First is committed to keep 3% (2022 – 3%) of its total liabilities as deposits with approved ADI's 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 2023 (2022 - $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 (CUFSS) and participating mutuals required Family First 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 tested throughout the 2023 financial year with the tests noted as being successful.

Throughout the 2021 financial year, CUFSS made a further change to its industry support contract to enable participants access to a special loan funding facility funded by the RBA via the total loans outstandings collateral provided from the pool of internal securitisation assets of CUFSS members. This facility would be capped at 3% of the organisations assets and would operate in the same manner as the current RBA Term Funding program, but be limited to, and be administered by, CUFSS using its existing arrangements.

The balance of the debt at 30 June 2023 was $Nil (2022 - $Nil).

There are no other contingent liabilities at balance date or the date of this report.

24. ECONOMIC DEPENDENCY

Family First has an economic dependency on the following suppliers:

Credit Union Services Corporation (Australia) Limited - (Cuscal)
This entity supplies financial banking services to Family First and is an approved Special Service Provider for the provision of financial intermediation services. Family First has invested part of its operating liquid assets with the entity.

This entity supplies Family First 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 Family First 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 organisation's IT system.

Family First 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.

24. ECONOMIC DEPENDENCY (Continued)

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

Transaction Solutions Pty Ltd trading as Experteq
This entity provides computing services to Family First. Family First has a management contract with the organisation to supply computer support staff and services to meet the day to day needs of Family First and compliance with relevant prudential standards relating to information security and data risk.

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

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

Biza.io (Biza)
This entity provides, maintains and supports the Data Holder as a Service (DaaS) relating to the Consumer Data Right (CDR) Open Banking requirements.

25. SEGMENT REPORTING

Family First 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	2023 $	2022 $
Cash on hand and at bank	6	1,280,084	1,833,610
Deposits at call	10	-	3,567
Cash per statement of cash flows		1,280,084	1,837,177

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

	2023	2022
Profit for the year after Income Tax	1,436,634	1,099,119
Non-cash items		
Provision for employee entitlements	1,381	37,050
Provision for taxation	257,887	(36,987)
Depreciation and amortisation	297,055	300,916
Amortisation of premiums paid on FRN's	159,654	139,134
Amortisation of broker costs	(22,281)	4,180
Gain on sale of investment	-	(350,855)
Movements in assets and liabilities		
Movement in accrued interest receivable	(140,001)	(33,973)
Movement on deferred tax liability	-	(36,932)
Movement in SocietyOne provision	90	(3,415)
Movement in sundry debtors	(95,870)	-
Movement in prepayments	(119,954)	(28,067)
Movement in creditors	54,005	118,741
Movement in GST payable	(634)	(1,242)
Movement in accrued interest payable	646,676	(130,852)
Movement in provision for doubtful debts	(8,205)	(7,981)
Movement in deferred tax asset	7,460	(5,306)
Net cash provided from revenue activities	**2,473,897**	**1,063,530**

26. STATEMENT OF CASH FLOWS (Continued)

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

	2023 $	2022 $
Add/(deduct) non revenue operations		
Net movement in SocietyOne loans	40,767	113,433
Net movement in Members' loan balances	(8,126,026)	(10,101,668)
Net movement in member shares	(306)	(5,362)
Net movement in member savings	1,607,568	8,529,431
Net movement in investment securities	3,255,570	(5,386,953)
Net movement in members' clearing	(52,857)	(415,103)
Net cash from operating activities	**(3,275,284)**	**(7,266,222)**
Cash flows from (used in) operating activities	**(801,387)**	**(6,202,692)**

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 Family First.

Family First'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 Family First 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 Family First's Enterprise Risk Management Framework inclusive of both its risk strategy and risk appetite. The Head of Risk & Culture has unfettered access back to the Board, Risk Committee and the Audit Committee. The Head of Risk & Culture's responsibility is to identify, assess, monitor and measure the risk exposures evident in the organisation's operations as well as educate the Board, management and staff of how to deal with risks within the business. The Head of Risk & Culture, along with Senior Management and the Risk Committee, are constantly looking at ways in which risks can be mitigated to ensure that Family First operate within Board approved risk appetite and tolerance levels, embedding a strong risk culture throughout the organisation as well as improving the level of operational resilience.

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.

Family First has undertaken the following strategies to minimise the risks arising from financial instruments.

27.1 Market Risk Policy

The objective of the Family First'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 organisation's financial condition or results. Family First is not exposed to currency risk, and other significant price risk. Family First does not trade in the financial instruments it holds on its books. Family First is exposed only to interest rate risk arising from changes in market interest rates and the relevant timing differences in maturities between assets and liabilities.

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. Family First does not have a treasury operation and does not trade in financial instruments.

Interest rate risk in the banking book
Family First is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities.

Family First'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.

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

Family First 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 Family First is 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 Family First is not to undertake derivatives to match the interest rate risks. Family First'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 2023, with a confidence level of 99% over a 20 day period, Family First is likely to sustain an interest loss on the portfolio no greater than $547,620 (2022 - $498,818) should rates change by 200bps.

Family First 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 Family First 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;
- some non interest rate sensitive 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.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Liquidity Risk

There has been minimal changes to the Family First's exposure to market risk or the way the organisation manages and measures market risk in the reporting period.

Liquidity risk is the risk that Family First 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 Family First maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

Family First 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.

Family First 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 Family First should it be necessary at short notice.

Family First 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 organisation's desired liquidity position is to apply between 14% and 17% 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:

	2023	2022
APRA minimum 9 %		
MLH as at 30 June	17.77%	16.68%
MLH average for the year	16.84%	17.40%
Lowest MLH during the year	15.60%	15.69%
To total member deposits		
As at 30 June	20.27%	19.11%

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 Family First which may result in financial losses. Credit risk arises principally from Family First's loan book and investment assets.

Credit Risk - Loans

The analysis of Family First's loans by class is as follows:

	2023	2022
	$	$
Loans to members		
Mortgage	163,468,959	154,315,571
Personal	2,824,331	3,858,229
Overdrafts	107,003	100,467
Total loans	166,400,293	158,274,267
Provision for impairment	(181,164)	(189,369)
	166,219,129	**158,084,898**

	2023	2022
Loans under SocietyOne P2P lending		
Balance of investment	7,844	48,611
Provision for impairment	(825)	(735)
Net balance of investment	**7,019**	**47,876**

Family First'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 $180,721,948 (2022: $175,737,721). 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 Family First'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).

Family First 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 Family First 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, Family First 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 organisation'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, Family First 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 Family First's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the organisation's Tier 1 regulatory capital (10%) a large exposure is considered to exist. No additional capital is required to be held against these but APRA must be notified. 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 Tier 1 capital base.

Concentration risk – industry

There is no concentration of credit risk with respect to loans and receivables as Family First 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 Family First.

Investments held by Family First are diversely held at a number of counterparties varying from A-1 short term and AAA 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 29 (2022 – 30) counterparties.

Investments with banks and other ADI's	2023 Carrying Value $	2023 Past due Value $	2023 Provision $	2022 Carrying Value $	2022 Past due Value $	2022 Provision $
CUSCAL	3,698,558	-	-	4,416,887	-	-
Major Banks	9,500,000	-	-	11,505,638	-	-
Other rated ADI's	25,713,578	-	-	24,255,574	-	-
Unrated ADI's	1,500,000	-	-	3,685,212	-	-
Government	10,000,000	-	-	10,500,000	-	-
Total	**50,412,136**	**-**	**-**	**54,363,311**	**-**	**-**

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.3 Credit Risk (Continued)

Credit Risk - Guarantees

Family First 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 Family First 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 Family First, Tier 1 Capital comprises of:

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

Tier 2 Capital

Tier 2 Capital is defined under APS 111 Capital Adequacy: Measurement of Capital. For Family First, Tier 2 Capital comprises of the General Reserve for Credit Losses (GRCL).

Capital in Family First is made up as follows:

	2023	2022
	$	$
Tier 1		
Retained earnings	15,463,637	14,027,003
Asset revaluation reserve	371,298	371,298
FVOCI reserve	-	-
Less regulatory adjustments	(1,343,537)	(340,169)
Net Tier 1 capital	14,491,398	14,058,132
Tier 2		
General reserve for credit losses	277,803	277,803
Net Tier 2 capital	277,803	277,803
Total regulatory capital	14,769,201	14,335,935

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.4 Capital Management (Continued)

Capital Resources (Continued)	2023 $	2022 $
Credit risk	76,092,943	80,785,451
Operation risk	7,609,294	10,937,303
Total risk weighted assets	**83,702,237**	**91,722,754**

Under APRA Prudential Standards, Family First 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 2023 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

2023	2022	2021	2020	2019
17.6%	15.6%	14.6%	15.3%	15.8%

The level of capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. To manage Family First's capital, the organisation 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% (2022: 14%). Further a 5 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level. Throughout 2023, Family First decreased its off balance sheet shared loan exposure due to the added capacity in terms of capital to accommodate the growth recorded on balance sheet.

28. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes:

	Note	2023 $	2022 $
Financial assets			
Cash and liquid assets	6	1,280,084	1,833,610
Investment securities	10	49,542,074	52,801,211
Accrued receivables	9	271,954	131,953
Loans to members	7	166,226,148	158,132,774
Total cash and liquid assets		217,320,260	212,899,548
FVOCI investments	10	5,083	5,083
		5,083	5,083
Total financial assets		217,325,343	212,904,631
Financial liabilities			
Payables and other liabilities	17	1,510,100	1,450,842
Deposits from members	16	192,035,563	190,428,301
Borrowings	19	8,933,094	8,453,041
Lease liabilities	13	291,649	238,477
Total carried at amortised cost		202,770,406	200,570,661
Total financial liabilities		202,770,406	200,570,661

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.

2023	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total
	$	$	$	$	$	$	$
LIABILITIES							
Payables and other liabilities	727,216	-	-	-	-	-	727,216
Borrowings	1,002,947	3,272,473	4,683,998	-	-	-	8,959,418
Deposits from members	139,388,978	17,042,711	32,394,545	3,900,967	-	64,922	192,792,123
Lease liabilities	13,520	27,041	121,682	138,191	-	-	300,434
Total On Balance Sheet Financial Liabilities	**141,132,661**	**20,342,225**	**37,200,225**	**4,039,158**	**-**	**64,922**	**202,779,191**
Undrawn commitments (Note 22)	14,495,800	-	-	-	-	-	14,495,800
Total Financial Liabilities	**155,628,461**	**20,342,225**	**37,200,225**	**4,039,158**	**-**	**64,922**	**217,274,991**

2022	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total
	$	$	$	$	$	$	$
LIABILITIES							
Payables and other liabilities	1,314,635	-	-	-	-	-	1,314,635
Borrowings	2,001,849	-	3,802,806	2,673,535	-	-	8,478,190
Deposits from members	150,453,445	10,421,043	26,912,133	2,687,508	-	65,228	190,539,357
Lease liabilities	8,795	17,590	79,154	133,981	-	-	239,520
Total On Balance Sheet Financial Liabilities	**153,778,724**	**10,438,633**	**30,794,093**	**5,495,024**	**-**	**65,228**	**200,571,702**
Undrawn commitments (Note 22)	17,604,947	-	-	-	-	-	17,604,947
Total Financial Liabilities	**171,383,671**	**10,438,633**	**30,794,093**	**5,495,024**	**-**	**65,228**	**218,176,649**

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.

2023	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
	$	$	$	$	$	$	$
ASSETS							
Cash	870,062	-	-	-	-	410,022	1,280,084
Investment Securities	10,542,074	24,000,000	4,000,000	11,000,000	-	-	49,542,074
Loans to members	111,573,449	3,060,502	14,694,954	37,079,232	-	-	166,408,137
Accrued receivables	-	-	-	-	-	271,954	271,954
FVOCI Equity Investments	-	-	-	-	-	5,083	5,083
Total Financial Assets	**122,985,585**	**27,060,502**	**18,694,954**	**48,079,232**	**-**	**687,059**	**217,507,332**

2023	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
LIABILITIES	$	$	$	$	$	$	$
Payables and other liabilities	1,510,100	-	-	-	-	-	1,510,100
Borrowings	1,000,000	3,262,858	4,670,236	-	-	-	8,933,094
Deposits from members	139,307,800	16,826,912	31,984,357	3,851,572	-	64,922	192,035,563
Lease liabilities	13,089	26,178	117,803	134,579	-	-	291,649
	141,830,989	**20,115,948**	**36,772,396**	**3,986,151**	**-**	**64,922**	**202,770,406**
Undrawn Commitments (Note 22)	14,495,800	-	-	-	-	-	14,495,800
Total Financial Liabilities	**156,326,789**	**20,115,948**	**36,772,396**	**3,986,151**	**-**	**64,922**	**217,266,206**

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

2022	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
	$	$	$	$	$	$	$
ASSETS							
Cash	1,562,100	-	-	-	-	271,510	1,833,610
Investment Securities	16,051,211	22,250,000	3,000,000	9,500,000	2,000,000	-	52,801,211
Loans to members	112,667,853	2,593,787	12,167,096	30,894,142	-	-	158,322,878
Accrued receivables	-	-	-	-	-	131,953	131,953
FVOCI Equity Investments	-	-	-	-	-	5,083	5,083
Total Financial Assets	**130,281,164**	**24,843,787**	**15,167,096**	**40,394,142**	**2,000,000**	**408,546**	**213,094,735**

2022	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	Non interest bearing	Total
LIABILITIES	$	$	$	$	$	$	$
Payables and other liabilities	1,450,842	-	-	-	-	-	1,450,842
Borrowings	2,000,000	-	3,782,805	2,670,236	-	-	8,453,041
Deposits from members	150,438,932	10,395,903	26,847,211	2,681,025	-	65,228	190,428,299
Lease liabilities	8,743	17,488	78,700	133,546	-	-	238,477
	153,898,517	**10,413,391**	**30,708,716**	**5,484,807**	**-**	**65,228**	**200,570,659**
Undrawn Commitments (Note 22)	17,604,947	-	-	-	-	-	17,604,947
Total Financial Liabilities	**171,503,464**	**10,413,391**	**30,708,716**	**5,484,807**	**-**	**65,228**	**218,175,606**

31. STANDBY BORROWING FACILITIES

	2023 $	2022 $
Overdraft facility	-	-
Total facility	-	-

32. SECURITISATION

The amount of securitised loans under management as at 30 June 2023 is $Nil (2022: $Nil).

Family First entered into an agreement with Shared Lending Pty Ltd to allow Family First to fund loans off balance sheet by another participant within Shared Lending Pty Ltd which comprises of a number 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 was originated through Family First, 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 2023 is $1,820,822 (2022: $3,473,701).

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 Family First in subsequent financial years.

DIRECTORS' DECLARATION

The Directors of Family First Credit Union Limited ('Family First') declare that:

(a) the financial statements and notes that are set out on pages 14 to 70 are in accordance with the Corporations Act 2001 and:

 (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and

 (ii) give a true and fair view of Family First's financial position as at 30 June 2023 and of its performance, for the financial year ended on that date.

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

Signed in accordance with a resolution of the Directors:

C. Lenton

Colin Lenton
Director
Board Chair

Lynette Safranek
Director
Audit Committee Chair

Dated at Lithgow this 18th day of September 2023

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF FAMILY FIRST CREDIT UNION LIMITED
TRADING AS FAMILY FIRST BANK
ABN 39 087 650 057

Audit Opinion

We have audited the financial report of Family First Credit Union Limited trading as Family First Bank (Family First), which comprises the Statement of Financial Position as at 30 June 2023, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the director's declaration.

In our opinion the accompanying financial report of Family First is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Family First's financial position as at 30 June 2023 and of its performance for the year ended on that date; and

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

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 (including Independence Standards) (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 2023, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal controls as the Directors determine is necessary to enable 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

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JThomas

Jodie Thomas
Registered Company Auditor

23 Sale Street
Orange
Dated: 19th September 2023