



**FIREFIGHTERS & AFFILIATES
CREDIT CO-OPERATIVE LTD**

**CONCISE
39th ANNUAL REPORT**

2014



ABN 68 087 651 429
AFSL 240898
Australian Credit Licence 240898



**FIREFIGHTERS & AFFILIATES CREDIT CO-OPERATIVE
LIMITED**

ABN 68 087 651 429

**CONCISE REPORT FOR THE
YEAR ENDED 30 JUNE 2014**

Contents	Page
Chairman's report	1-2
Directors' report	3-6
Auditor's independence declaration	7
Concise financial statements	
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the concise financial statements	12-14
Directors' declaration	15
Independent auditor's report	16

The concise financial report is an extract from the full financial report for the year ended 30 June 2014. The financial statements, specific disclosures and other information included in the concise financial report are derived from, and consistent with, the corresponding full financial report of Firefighters & Affiliates Credit Co-operative Limited.

The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financial investing activities of Firefighters & Affiliates Credit Co-operative Limited as the full report.

Copies of the full financial report and auditor's report containing more detailed information, can be obtained free of charge on request by contacting the registered office of Firefighters & Affiliates Credit Co-operative Limited on (03) 8417 1777.

CHAIRMAN'S REPORT

Dear Fellow Members

On behalf of the Board of Directors, I hereby report on the progress of Fire Fighters & Affiliates Credit Co-Operative Ltd over the past year.

REVIEW OF OPERATIONS

The financial result was \$12,000 after tax (2013 \$92,000). The reduction in profit was a result of 2 staff redundancies in the 2013-2014 year

Deposits reduced due to considerable pressure from competition and low margins on interest rates, at the 30th June 2014 deposits were \$44.593m (2013 \$44,611m) which is slightly down on last year.

The demand for loans reduced, as borrowers are being more cautious in the current economic climate, which has an effect on the profitability of the Credit Union. Loans outstanding amounted to \$29.4m (2013 \$29.3m) representing an increase of 1% over last year.

AVAILABILTY OF FUNDS

Liquidity has again increased over the past year and we are in a good position to meet loan demand and service our debts. As always, the ability to provide loans is somewhat restricted by the quantity and quality of loan applications submitted for approval and the receipt of deposit funds from members.

SECURITY DEPOSITS

Funds invested with Firefighters & Affiliates Credit Co-Operative Ltd remain well protected. This is assured because:

- (a) Directors adopt a conservative approach to loan approvals.
- (b) The Credit Co-Operative is a member of the Credit Union Financial Support Scheme (CUFSS).
- (c) It is our policy to maintain a liquidity level consistent or above of the requirements of our regulators.

INTEREST RATES

Interest rates continued to decrease in this Financial Year, but slowed with only 1 decrease in rates during the year, and the strategies to maintain the financial health of the credit co-operative employed by the Board have been successful during this difficult period. It has involved careful monitoring and management of interest rate risk, which has resulted in the Board continually adjusting the Co-Operatives retail interest rates consistent with the market to ensure it remains relative during this difficult climate. The strategies put in place by the Board continue to ensure the Credit Co-Operative remains competitive.

SUMMARY

The volatile economic climate during the year has impeded the Board's ability to achieve a reasonable level of profitability over the past 12 months; however it is expected that the profitability in the coming year will be positive and consistent with maintaining an acceptable financial position. The continual increasing cost of regulatory compliance with all the required financial regulators is also placing an ever increasing burden on profitability and resources.

The Board is concentrating its resources for the year on careful management of balance sheet growth and a mix of assets that ensure a strong capital position is maintained, which includes maintaining a high standard of loan assessment and meeting all the regulatory compliance requirements. Included in this is decreasing interest rate market which requires the Board and management to ensure margins are maintained, resulting in the appropriate income being generated to cover operating costs.

Capital growth during the year is expected to continue however at a slower rate due to smaller profits being generated. I am also pleased to report to members that all prudential standards and requirements are being adhered to and that the Credit Co-Operative has sufficient allocated provisions for bad debts, in accordance with the prudential standards.

During the year David Whyte and Allan Roberts attended CFA Urban Championships in Bendigo, and Allan Roberts, Mike Enticott and David Whyte attended The CFA Junior Championships in Swan Hill. As well as Bryan Robertson, Michael Enticott, Allan Roberts and David Whyte attending graduations at the recruit courses for the MFB and CFA.

As reported last year staff members Mary Dean and Helen McMenamin retired from the Credit Co-Operative and Liz Vella joined the team. There have been no other staff changes, however there has been some temporary internal changes as Mike Enticott commenced four months long service leave in June 2014. This saw Rhonda Kirby appointed Acting General Manager in Mike's absence and David Whyte and the rest of the staff taking on extra duties. On behalf of the Board and members I extend my sincere thank you to everyone for their commitment during this time and during the year.

In December 2013 Director Allan Roberts stepped down as Chairman and on behalf of the Board, management and members, I thank him for his term as Chairman, Associate Director Michelle Field resigned from the Board in February 2014 due to health reasons and the Board thank you for her involvement and wish her well for the future. To my fellow Directors who are committed to the Credit Co-Operative and work hard to ensure that your Co-Operative continues to prosper and provide excellent services to members, Thank you.

The Board appreciates the continued loyalty of its members and assures members that its primary objective remains at all times to serve their best interests.

Gary S Bester
Chairman



DIRECTOR'S REPORT

The Directors of Firefighters & Affiliates Credit Co-operative Limited submit herewith the annual financial report of the Co-operative for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

The names and particulars of the Directors of the Co-operative during or since the end of the financial year are:

G Bester,(Chairman), Director since January 2005
Former IMG Credit Union Director
Ex officio all committees.

W Weir,(Deputy Chairman) AFSM, Director since November 2009
Firefighter, Metropolitan Fire and Emergency Services Board
Chair: Corporate Governance Committee

A Roberts, MAMI, Director since July 2006
Retired Firefighter, Metropolitan Fire and Emergency Services Board
Member : Australian Institute of Company Directors
CFA Volunteer 54 years
Chair: Finance Committee

B D Robertson, AFSM, Director since November 2002
Retired Firefighter, Vice President Fire Services Museum
Chair: Marketing Committee

R Allen, FNIA, Director since April 2007
Registered Tax Agent, Retired Public Accountant and Fellow of the National Institute of Accountants.
Member : Australian Institute of Company Directors
Chair Audit Committee

T Hall, Director since January 2005
Retired BOC employee and former Chairman of IMG Credit Union Ltd
Chair: Human Resources Committee

P Flavelle, Accountant (CPA), and Fellow of Governance Institute of Australia
Director since November 2009
Current finance consultant and former Metropolitan Fire & Emergency Services Board, Executive Manager Financial Accounting of the Finance Division at Eastern Hill.

P Pereira, B.Bus, Associate Director since March 2013
Fire Services Communication Controller

Each Director holds one (1) ordinary share in the Co-operative.

Principal Activity

The principal activity of the Co-operative is to raise funds from the Co-operative's members to enable it to provide best possible financial services to its members.

No significant change in the nature of the activity has occurred during the year.

Operating Results

During the year the Co-operative earned an operating surplus of \$12,000 (2013: \$92,000) after allowing for income tax revenue of \$2,000 (2013: (\$17,000)).

Review of Operations

A review of operations and the results thereof are set out in the report by the Chairman and in the accounts.

Changes in the State of Affairs

There was no significant change in the state of affairs of the Co-operative during the year.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Co-operative, the results of those operations, or the state of affairs of the Co-operative in future financial years.

Future developments

Disclosures of information regarding likely developments in the operations of the Co-operative in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Co-operative. Accordingly, this information has not been disclosed in this report.

Environmental Regulation

The Directors are of the opinion that the Co-operative has complied with all relevant legislation. The Co-operative is not subject to any specific environmental licensing regulations.

Directors' Benefits

During or since the financial year no Director of the Co-operative has received or become entitled to receive, any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the accounts or the fixed salary of a full-time employee of the Co-operative) by reason of a contract made by the Co-operative with any Director, or with a firm of which a Director has a substantial financial interest.

Directors' Meetings

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

	Directors Meetings (Total held: 12)	Committee Meetings attended
P Flavelle	10	1
A Roberts	9	10
R Allen	10	8
B Robertson	12	8
T Hall	12	4
G Bester	12	10
W Weir	6	1
M Field	5	1
P Pereira	7	1

Indemnifying Officer or Auditor

Insurance premiums have been paid to insure each of the Directors and officers of the Co-operative, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer of the Co-operative. In accordance with normal commercial practice disclosure of the premium amount and the nature of the insured liabilities, disclosure of the premium is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the Co-operative.

Proceedings on Behalf of Co-operative

No person has applied for leave of Court to bring proceedings on behalf of the Co-operative or intervene in any proceedings to which the Co-operative is a party for the purpose of taking responsibility on behalf of the Co-operative for all or any part of those proceedings.

Non-audit Services

The board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2014:

Taxation services	\$ 3,000 <hr/> 3,000
-------------------	----------------------------

Auditor's Independence Declaration

The auditor's independence declaration is included on page 9 of the annual report.

Rounding

The Co-operative is a Co-operative of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors


Director
Dated Melbourne: 21/10/14


Director

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE MEMBERS OF FIREFIGHTERS & AFFILIATES CREDIT CO-OPERATIVE LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been:

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

JTP Assurance

JTP ASSURANCE
Chartered Accountants


SAM CLARINGBOLD
Partner

Signed at Melbourne this *27* day of *October* 2014

Statement of comprehensive income for the financial YEAR ENDED 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
Interest revenue	2	2,385	2,618
Interest expense	2	(1,074)	(1,269)
		1,311	1,349
Net interest revenue	2		
Other revenue	3	305	294
Total Operating Income		1,616	1,643
Employee Expenses	4	(713)	(628)
Administration	4	(731)	(723)
Depreciation and Amortisation	4	(161)	(197)
Bad and doubtful debts	4	(1)	(20)
Profit before income tax expense		10	75
Income tax revenue	5	2	17
Net Profit after Income tax expense		12	92
Other Comprehensive Income			
Gain arising on revaluation of land and buildings		-	-
Total Comprehensive Income		12	92

The accompanying notes should be read in conjunction with these financial statements

Statement of financial position as at 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
Assets			
Cash and cash equivalents	6	596	1,193
Accrued receivables	7	78	108
Financial assets held to maturity	8	16,710	16,181
Loans and advances	9	29,390	29,387
Financial assets	10	135	139
Property, plant and equipment	11	2,448	2,464
Intangible assets	12	93	147
Other assets	13	91	93
Deferred Tax Asset	5(d)	160	143
Total Assets		49,701	49,855
Liabilities			
Deposits	14	44,593	44,611
Income Tax payable	5(c)	-	8
Interest bearing liabilities	15	-	-
Trade and other payable	16	170	215
Deferred tax liability	5(d)	5	-
Provisions	17	133	233
Total Liabilities		44,901	45,067
Net Assets		4,800	4,788
Members' fund			
Reserves		2,056	2,056
Retained profits		2,744	2,732
Total Members' Funds		4,800	4,788

The accompanying notes should be read in conjunction with these financial statements

Statement of changes in equity for the financial YEAR ENDED 30 JUNE 2014

	Asset Revaluation Reserve \$'000	General Reserve \$'000	Reserve for Credit Losses \$'000	Retained Profits \$'000	Total \$'000
Balance as at 1 July 2012	1,210	700	146	2,640	4,696
Net profit	-	-	-	92	92
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	-	-
Balance as at 30 June 2013	<u>1,210</u>	<u>700</u>	<u>146</u>	<u>2,732</u>	<u>4,788</u>
Net profit	-	-	-	12	12
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	-	-
Balance as at 30 JUNE 2014	<u>1,210</u>	<u>700</u>	<u>146</u>	<u>2,744</u>	<u>4,800</u>

The accompanying notes should be read in conjunction with these financial statements

Statement of cash flows for the financial YEAR ENDED 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Interest received		2,415	2,618
Other non-interest income received		290	218
Interest paid		(1,106)	(1,269)
General expenses paid		(1,557)	(1,488)
Income tax paid		(18)	25
Net cash provided by operating activities	18(b)	24	104
Cash flows from investing activities			
Net (decreases)/increases in loans		(4)	2,612
Payments for property, plant and equipment and software		(106)	(105)
Proceeds from sales of property, plant and equipment		36	23
Net redemption of investment securities		(129)	(5,373)
Net cash used in investing activities		(203)	(2,843)
Cash flow from financing activities			
Repayment of borrowings		-	-
Net increase in members' deposits		(18)	2,804
Net cash provided by financing activities		(18)	2,804
Net (decrease)/increase in cash held		(197)	65
Add Opening Cash Brought Forward		293	228
Closing Cash Balance	18(a)	96	293

The accompanying notes should be read in conjunction with these financial statements

NOTE 1:

Basis of Preparation

The concise financial report relates to Firefighters & Affiliates Credit Co-operative Limited for the year ended 30 June 2014.

The concise financial report has been prepared in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports* and the *Corporations Act 2001*. The accounting policies adopted have been consistently applied to all financial periods presented unless otherwise stated.

The presentation currency used in this concise financial report is Australian dollars.

The credit union has applied for relief available to it under ASIC Class Order 98/100 and accordingly amounts in this concise financial report have been rounded to the nearest \$1000.

2. INTEREST REVENUE AND INTEREST EXPENSE

The following tables show the balance at 30 June 2014 for each of the major categories of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. Most averages are month end averages.

	Balance \$'000	Interest \$'000	Average Rate %
Interest revenue 2014			
Investment securities	16,710	437	3.48%
Loans and advances	29,390	1,948	5.94%
	<u>46,100</u>	<u>2,385</u>	<u>5.05%</u>
Interest expense 2014			
Customer deposits	44,593	1,074	2.43%
Net interest income	<u>1,507</u>	<u>1,311</u>	<u>2.62%</u>
Interest revenue 2013			
Investment securities	16,181	267	3.84%
Loans and advances	29,367	2,351	6.18%
	<u>45,548</u>	<u>2,618</u>	<u>5.35%</u>
Interest expense 2013			
Customer deposits	44,611	1,269	2.93%
Net interest income	<u>937</u>	<u>1,349</u>	<u>2.42%</u>

3. REVENUE

	<u>2014</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>
Interest revenue	2,385	2,618
Non Interest Income		
Fee income	156	182
Insurance commission	18	19
Other commission	60	67
Bad debts recovered	3	5
Other income	68	21
Total Non interest revenue	<u>305</u>	<u>294</u>
Total Revenue	<u>2,690</u>	<u>2,912</u>

Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the entity.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Director



Director

Dated at Melbourne: 21 11 0 11f

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIREFIGHTERS & AFFILIATES CREDIT CO-
OPERATIVE LIMITED
ABN 68 087 651 429**

Report on the Financial Report

We have audited the accompanying financial report of Firefighters & Affiliates Credit Co-operative Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the credit union are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion the financial report of Firefighters & Affiliates Credit Co-operative Limited is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the credit union's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

JTP Assurance
JTP ASSURANCE
Chartered Accountants


SAM CLARINGBOLD
Partner

Signed at Melbourne this 27th day of October 2014