

A large, stylized flame graphic in shades of red, orange, and yellow, serving as a background for the title.


FIREFIGHTERS & AFFILIATES CREDIT CO-OPERATIVE LTD

43rd Annual Report

2018



ABN 68 087 651 429
AFSL 240898
Australian Credit Licence 240898

A large, stylized red swoosh graphic that curves upwards from the bottom left towards the bottom right, with a grey shadow underneath.

Firefighters & Affiliates Credit Co-Operative Ltd

ABN 68 087 651 429

Financial Statements

For the Year Ended 30 June 2018

Firefighters & Affiliates Credit Co-Operative Ltd

ABN 68 087 651 429

Contents

For the Year Ended 30 June 2018

General Manager and Secretary

M R Enticott

Registered Office

408 Brunswick Street
Fitzroy, Victoria, 3065
(03) 8417 1777

Lawyers

Wisewould-Mahoneys

Bankers

CUSCAL

Auditors

JTP Assurance

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Firefighters & Affiliates Credit Co-Operative Ltd

ABN 68 087 651 429

Values and Mission Statement

Vision

To be the preferred provider of financial services to our members.

Mission

Firefighters and Affiliates Credit Co-Operative Limited is committed to helping members achieve financial security by providing excellent savings, lending and other financial services.

Values

We see our Co-Operative as being:

- For service to our members, not just for profit;
- Strong, safe and secure;
- Accessible and responsive to the needs of our members;
- A well managed and efficient organisation, providing competitive financial services in a socially responsible way;
- Democratic, with a Board of Directors elected by our members;
- Ethical, friendly and caring in our approach to members; and
- Equitable and open in our dealings with members and staff.

We are autonomous within a strong, mutually supportive network of Credit Unions

Firefighters & Affiliates Credit Co-Operative Ltd

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Chairman's Report

Dear Fellow Members

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

REVIEW OF OPERATIONS

Deposits have increased during the year as competition for rates continue and the low margins on interest rates being paid by our competitors. The demand for loans has improved with our lending rates being reviewed to be more competitive. The effect will see increased lending for the Credit Co-Operative.

Our loss before tax of \$7,000 (2017 \$28,000 profit). Deposits at the 30th June, 2018 were \$59.5m (2017 \$51.6m) which is up 15.31% on last year. Loans outstanding amounted to \$34.6m (2017 \$30.8m) representing an increase of 12.34% over last year. The increase in deposits is welcome but in this low Interest rate environment it adds to the cost of funds.

AVAILABILITY 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:

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

INTEREST RATES

Interest rates have remained steady during the year, however the rate of return has reduced slightly as the major banks have reduced their interest rates on Investments, which we hold with them. During this year as with previous years, 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 surplus this year along with our Industry provider changing their dividend structure and reducing their dividend to us by \$12,000. 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 a flat 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, Michael Enticott and Allan Roberts attended CFA Urban competitions in Bendigo and Mike Enticott and David Whyte attended in Warrnambool As well as Allan Roberts, Michael Enticott and David Whyte attending graduations at the recruit course for the MFB and CFA.

There have been no staff changes 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.

Welcome to Alan Quinton who was appointed at last year's AGM to fill the vacancy following Robyn Allen's retirement, and Susan Rayner was appointed in December 2017 as an Associate Director. During the year their contribution has been of great value to the Co-Operative and the Board. Director Bryan Robertson has elected to retire from the Board at this year's

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AGM after 16 years service, I thank Bryan for his time on the Board. This involvement included being Chairman from 2009 to 2011 and chairing many Board Committees over his time on the Board. He has also been of great assistance in doing minor building repairs and painting when required. His knowledge and experience will be missed. On behalf of the Board, Management and Staff we wish him well for the future.

To my fellow Directors and staff, 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

Firefighters & Affiliates Credit Co-Operative Ltd

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Directors' Report

30 June 2018

The directors present their report on Firefighters & Affiliates Credit Co-Operative Ltd for the financial year ended 30 June 2018.

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

| | |
|--------------------------|--|
| G Bester | Chairman of the Board |
| Qualifications | Former IMG Credit Union Ltd Director and Chairman Director and Secretary North West Dispensaries Friendly Society Ltd Managing Director and Secretary Bester Nominees Pty Ltd |
| Experience | Director since January 2005 |
| Special responsibilities | Ex officio all committees |
| T Hall | |
| Qualifications | Retired BOC employee and former Director and Chairman of IMG Credit Union Ltd |
| Experience | Director since January 2005 |
| Special responsibilities | Chairman: Human Resources Committee |
| J Dullard | |
| Qualifications | Operations Manager Training Delivery, Country Fire Authority Firefighter, Country Fire Authority |
| Experience | Director since September 2016 |
| B Robertson | |
| Qualifications | AFSM. Retired Firefighter, Metropolitan Fire and Emergency Services Board, President Fire Services Museum |
| Experience | Director since November 2002 |
| Special responsibilities | Chairman: Marketing Committee |
| A Roberts | |
| Qualifications | MAMI, Retired Firefighter, Metropolitan Fire and Emergency Services Board. Member Australian Institute of Company Directors. CFA Volunteer 54 years |
| Experience | Director since July 2006 |
| Special responsibilities | Deputy Chairman of the Board Chairman: Finance Committee |
| P Flavelle | |
| Qualifications | B.Business (Acc), CPA, Fellow of Governance Institute of Australia. Current finance consultant and former Executive Manager Financial Accounting Metropolitan Fire & Emergency Services Board. |
| Experience | Director since November 2009 |
| Special responsibilities | Chairman: Corporate Governance Committee |
| P Pereira | |
| Qualifications | Associate Director B.Business, Fire Services Communication Controller, Metropolitan Fire & Emergency Services Board |
| Experience | Associate Director since March 2013 |

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Directors' Report

30 June 2018

A Quinton

Qualifications

MAMI, AICD, Retired Firefighter, Metropolitan Fire and Emergency Services Board

Experience

Director since November 2017

S Rayner

Qualifications

Associate Director

CPA, MAICD

Experience

Associate Director since November 2017

R Allen

Qualifications

Registered Tax Agent, Retired Public Accountant and Fellow of the National Institute of Accountants

Experience

Retired 21/11/17

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

Principal activities

The principal activity of Firefighters & Affiliates Credit Co-Operative Ltd during the financial year was to raise funds from the Co-operative's members to enable it to provide the best possible financial services to its members.

No significant changes in the nature of the Co-Operative's activity occurred during the financial year.

Short term objectives

The Co-Operative's short term objectives are to:

- To continue to provide financial services to our members at the best possible rates we can offer and outstanding personal service.

Long term objectives

The Co-Operative's long term objectives are to:

- To grow the Credit Co-Operative membership base to allow for continued improvements in rates and relevant financial services.
- To become the preferred main financial institution for emergency service personnel.

Strategy for achieving the objectives

To achieve these objectives, the Co-Operative has adopted the following strategies:

- Increased presence in the emergency services sector.
- Continued assessment of financial products.

How principal activities assisted in achieving the objectives

The principal activities assisted the Co-Operative in achieving its objectives by:

Firefighters & Affiliates Credit Co-Operative Ltd

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Directors' Report

30 June 2018

- Increased deposit and loan base allowing for continued growth in service and products.

Performance measures

The following measures are used within the Co-Operative to monitor performance:

- Monthly review by Board and Management of key ratios including deposits, loans, expenses, capital adequacy and liquidity.

Members' guarantee

Firefighters & Affiliates Credit Co-Operative Ltd is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$ NIL for members that are corporations and \$ NIL for all other members, subject to the provisions of the Co-Operative's constitution.

At 30 June 2018 the collective liability of members was \$ NIL (2017: \$ NIL).

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Co-Operative during the year.

Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could 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 and results

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 issues

The Co-Operative's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Rounding of amounts

Firefighters & Affiliates Credit Co-Operative Ltd has applied the relief available to it in ASIC Corporations Instrument 2016/191 and accordingly certain amounts in the financial report have been rounded off to the nearest thousand dollars.

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.

Firefighters & Affiliates Credit Co-Operative Ltd

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Directors' Report

30 June 2018

Meetings of directors

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

| | Directors' Meetings | | Committee meetings |
|-------------|---------------------------|-----------------|--------------------|
| | Number eligible to attend | Number attended | Number attended |
| G Bester | 12 | 12 | 10 |
| T Hall | 12 | 9 | 6 |
| J Dullard | 12 | 9 | 1 |
| B Robertson | 12 | 10 | 2 |
| A Roberts | 12 | 10 | 4 |
| P Flavelle | 12 | 9 | 5 |
| P Pereira | 12 | 7 | 3 |
| A Quinton | 8 | 7 | 5 |
| S Rayner | 7 | 5 | 5 |
| R Allen | 4 | 3 | 3 |

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2018 has been received and can be found on page 8 of the financial report.

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

Director: 

Director: 

Dated this 16th day of OCTOBER 2018



JTP ASSURANCE

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**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 2018 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
Chartered Accountants

GUS SVENSON
Partner

Signed at Melbourne this 22nd day of October 2018

Firefighters & Affiliates Credit Co-Operative Ltd

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Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2018

| | | 2018 000's \$ | 2017 000's \$ |
|---|------|---------------------|---------------------|
| | Note | | |
| Interest Income | 4 | 2,107 | 2,006 |
| Interest Expense | 4 | (743) | (696) |
| Net Interest Income | | 1,364 | 1,310 |
| Other income | 4(a) | 212 | 275 |
| Employee Expenses | | (652) | (637) |
| Administrative expenses | | (205) | (249) |
| Computer expenses | | (245) | (205) |
| Professional Services | | (147) | (148) |
| Depreciation and Amortisation | 5 | (123) | (104) |
| Member Services | | (197) | (211) |
| Bad and Doubtful debts | | (14) | (3) |
| (Loss)/Profit before income tax | | (7) | 28 |
| Deferred tax expense | | (29) | 10 |
| Income tax expense | | - | - |
| (Loss)/Profit from continuing operations | | (36) | 38 |
| (Loss)/Profit for the year | | (36) | 38 |
| Other comprehensive income, net of income tax | | | |
| Revaluation gain on land and buildings | | 506 | - |
| Other comprehensive income for the year, net of tax | | 506 | - |
| Total comprehensive (loss)/income for the year | | 470 | 38 |

The accompanying notes form part of these financial statements.

Firefighters & Affiliates Credit Co-Operative Ltd

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Statement of Financial Position

As At 30 June 2018

| | | 2018 | 2017 |
|-----------------------------------|------|---------------|---------------|
| | | 000's | 000's |
| | Note | \$ | \$ |
| ASSETS | | | |
| Cash and cash equivalents | 8 | 1,735 | 1,868 |
| Financial assets held to maturity | 9 | 25,560 | 21,372 |
| Loans and advances | 10 | 34,623 | 30,804 |
| Trade and other receivables | 13 | 211 | 230 |
| Property, plant and equipment | 11 | 3,174 | 2,681 |
| Deferred tax assets | | 107 | 141 |
| Intangible assets | 12 | 192 | 189 |
| TOTAL ASSETS | | <u>65,602</u> | <u>57,285</u> |
| LIABILITIES | | | |
| Trade and other payables | 14 | 181 | 198 |
| Deposits | 15 | 59,563 | 51,690 |
| Provisions | 17 | 154 | 148 |
| Deferred tax liabilities | | - | 5 |
| TOTAL LIABILITIES | | <u>59,898</u> | <u>52,041</u> |
| NET ASSETS | | <u>5,704</u> | <u>5,244</u> |
| EQUITY | | | |
| Reserves | | 2,873 | 2,377 |
| Retained earnings | | 2,831 | 2,867 |
| TOTAL EQUITY | | <u>5,704</u> | <u>5,244</u> |

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity

For the Year Ended 30 June 2018

| | Asset Revaluation Reserve 000's \$ | General Reserve 000's \$ | Reserve for Credit Losses 000's \$ | Retained Profits 000's \$ | Total 000's \$ |
|--------------------------------|--|-----------------------------------|--|------------------------------------|----------------------|
| Balance at 1 July 2017 | 1,531 | 700 | 146 | 2,867 | 5,244 |
| Net (loss)/ profit | - | - | - | (36) | (36) |
| Movement in reserve | - | - | (10) | - | (10) |
| Other comprehensive income | - | - | - | 506 | 506 |
| Transfer to reserve | 506 | - | - | (506) | - |
| Balance at 30 June 2018 | 2,037 | 700 | 136 | 2,831 | 5,704 |

| | Asset Revaluation Surplus 000's \$ | General Reserve 000's \$ | Reserve for credit losses 000's \$ | Retained Profits 000's \$ | Total 000's \$ |
|--------------------------------|--|-----------------------------------|---|------------------------------------|----------------------|
| Balance at 1 July 2016 | 1,531 | 700 | 146 | 2,829 | 5,206 |
| Net profit | - | - | - | 38 | 38 |
| Other comprehensive income | - | - | - | - | - |
| Balance at 30 June 2017 | 1,531 | 700 | 146 | 2,867 | 5,244 |

The accompanying notes form part of these financial statements.

Firefighters & Affiliates Credit Co-Operative Ltd

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Statement of Cash Flows For the Year Ended 30 June 2018

| | 2018 000's \$ | 2017 000's \$ |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Interest received | 2,115 | 2,010 |
| Other non-interest income received | 212 | 275 |
| Interest paid | (729) | (708) |
| Payments to suppliers and employees | (1,462) | (1,466) |
| Income taxes paid | - | - |
| Net cash provided by/(used in) operating activities | 23 136 | 111 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net (decreases) in loans | (3,841) | (2,932) |
| Purchase of property, plant and equipment | (168) | (274) |
| Proceeds from sale of plant and equipment | 55 | 25 |
| Purchase of investments | (20) | - |
| Net expenditure on investment securities | (3,868) | 2,105 |
| Net cash provided by/(used in) investing activities | (7,842) | (1,076) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net increase in members' deposits | 7,873 | 924 |
| Net cash provided by/(used in) financing activities | 7,873 | 924 |
| Net increase/(decrease) in cash and cash equivalents held | 167 | (41) |
| Cash and cash equivalents at beginning of year | 268 | 309 |
| Cash and cash equivalents at end of financial year | 8 435 | 268 |

The accompanying notes form part of these financial statements.

Firefighters & Affiliates Credit Co-Operative Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2018

The financial report covers Firefighters & Affiliates Credit Co-Operative Ltd as an individual entity. Firefighters & Affiliates Credit Co-Operative Ltd is a for-profit Co-Operative limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of Firefighters & Affiliates Credit Co-Operative Ltd is Australian dollars.

The financial report was authorised for issue by the Directors on October 2018.

Comparatives are consistent with prior years, unless otherwise stated.

The Co-Operative is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and, accordingly amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

1 **Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards 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. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the 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, financial assets and financial liabilities.

2 **Summary of Significant Accounting Policies**

(a) **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting year. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies (continued)

(b) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(c) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Co-Operative becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Impairment of financial assets

At the end of the reporting period the Co-Operative assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets held to maturity

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Co-Operative has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised costs using the effective interest rate method.

(d) Revenue and other income

Loans Interest Revenue

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the members loan account on the last day of each month.

Loan interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

When a loan is classified as non-accrual, the Credit Co-operative ceases to recognise interest and other income earned but not yet received.

Loan interest is not brought to account when the Credit Co-operative is informed that the member has deceased or generally if a loan has been transferred to a debt collection agency or a judgement has been obtained. No interest is charged on loans where repayments are in arrears and the prospects of a contribution from the member are minimal. However, accrued interest may be recovered as part of the recovery of the debt.

All revenue is stated net of the amount of goods and services tax (GST).

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies (continued)

(d) Revenue and other income (continued)

Investment Interest Revenue

Investment Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Fees & Commissions Revenue

Fees and commissions are brought to account on an accrual basis once a right to receive consideration has been attained.

Brokering Services

The Co-operative conducts a loan brokerage program for housing mortgage loans. The Co-operative receives various fee income for services provided. Fee income is recognised on an accrual basis in relation to the reporting period in which the costs of providing the services are incurred.

The Trustee of the program has funded the purchase of housing mortgage loans through the issue of securities. The securities issued by the Trust do not represent deposits or liabilities of the Co-operative. The Co-operative does not guarantee the capital value or performance of the securities, or the assets of the Trust. The Co-operative does not guarantee the payment of interest or the repayment of principal due on the securities. The Co-Operative is not obliged to support any losses incurred by investors in the Trust and does not intend to provide such support. The Co-operative has no right to repurchase any of the loans.

(e) Impairment - Loans & Advances

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. Impairment loss is measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. Impairment losses are recognised in the statement of comprehensive income.

The amount provided for impairment of loans is determined by management and the board. The Prudential Standards issued by APRA enable the minimum provision to be based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears, and the security held. This approach is adopted by the credit Co-Operative. In addition, the board makes a provision for loans in arrears where the collectability of the debts is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. Movements in the general reserve for credit losses are recognised as an appropriation of retained earnings.

Bad debts are written off when identified. If a provision for impairment has been recognised in relation to a loan, write offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write offs for bad debts are recognised as expenses in the Statement of comprehensive income.

(f) Property, plant and equipment

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

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies (continued)

(f) Property, plant and equipment (continued)

Land and buildings

Freehold land and buildings are measured at their fair value, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, less subsequent depreciation. It is the policy of the Credit Co-Operative to have an independent valuation every three years, with annual appraisals being made by the Directors.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation surplus is credited to the asset revaluation reserve included within shareholder's equity unless it reverses a revaluation decrement on the same asset previously recognised in the statement of comprehensive income. A revaluation decrement is recognised in the statement of comprehensive income unless it directly offsets a previous revaluation surplus on the same asset in the asset revaluation reserve. An annual transfer is made from the asset revaluation reserve to retained earnings for the depreciation charge recognised in the statement of comprehensive income relating to the revaluation surplus. On disposal, any revaluation reserve relating to sold assets is transferred to retained earnings.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal. Any decrement in the carrying amount is recognised as an impairment expense in the net profit or loss in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Co-Operative, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

| Fixed asset class | Depreciation rate |
|--------------------------|--------------------------|
| Buildings | 2.5% |
| Motor Vehicles | 25% |
| Office Equipment | 15% |
| Computer Equipment | 27% |
| Leasehold improvements | 2.5% |

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies (continued)

(g) Intangible Assets

Amortisation - Software Licences

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Deposits

Members' deposits are brought to account at cost. Interest on deposits is brought to account on an accrual basis. Interest accrued at balance date is shown as a part of members' deposits.

(i) Payables due to other financial institutions

Payables due to other financial institutions are primarily settlement account balances due to other financial institutions. They are brought to account at the gross value of the outstanding balance. Interest is brought to account in the Statement of financial position when incurred.

(j) Interest-Bearing Liabilities

Borrowings are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

(k) Employee benefits

Provision is made for the Co-Operative's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(l) Provisions

Provisions are recognised when the Co-Operative has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Leases

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Firefighters & Affiliates Credit Co-Operative Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies (continued)

(n) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(o) Adoption of new and revised accounting standards

The Co-Operative has adopted all standards which became effective for the first time at 30 June 2018, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Co-Operative.

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - provisions

As described in the accounting policies, provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes and will vary as further information is obtained.

Key estimates - property held at fair value

An independent valuation of property (land and buildings) carried at fair value was obtained on 20 February 2018. The directors have reviewed this valuation and updated it based on valuation indexes for the area in which the property is located. The valuation is an estimation which would only be realised if the property is sold.

4 Revenue and Other Income

Interest Income and Interest Expense

The following tables show the balance at 30 June 2018 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.

Notes to the Financial Statements

For the Year Ended 30 June 2018

Interest Revenue 2018

Financial Assets Held to Maturity

Loans and Advances

Interest Expense 2018

Customer Deposits

Net Interest Income

Interest Revenue 2017

Financial Assets Held to Maturity

Loans and Advances

Interest Expense 2017

Customer Deposits

Net interest income

(a) Other Income breakup

| Balance 000's \$ | Interest 000's \$ | Weighted Average Rate % |
|------------------------|-------------------------|----------------------------------|
| 25,560 | 582 | 2.57% |
| 34,623 | 1,525 | 4.62% |
| 60,183 | 2,107 | |
| 59,563 | 743 | 1.34% |
| 620 | 1,364 | |
| 23,104 | 688 | 2.38% |
| 30,806 | 1,318 | 4.72% |
| 53,910 | 2,006 | |
| 51,657 | 696 | 1.55% |
| 2,253 | 1,310 | |

| | 2018 000's \$ | 2017 000's \$ |
|--------------------------------------|---------------------|---------------------|
| Other Income | | |
| - Other income | 30 | 39 |
| - Insurance commissions | 14 | 10 |
| - Fee income | 151 | 206 |
| - Other commission | 15 | 20 |
| - Profit on disposal of fixed assets | 2 | - |
| Other revenue | 212 | 275 |

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Notes to the Financial Statements

For the Year Ended 30 June 2018

5 Result for the Year

The result for the year was derived after charging / (crediting) the following items:

| | 2018 000's \$ | 2017 000's \$ |
|---|---------------------|---------------------|
| Other expenses: | | |
| Depreciation | 73 | 76 |
| Amortisation | 50 | 28 |
| Auditors remuneration for auditing the financial report | 27 | 27 |
| Remuneration of the auditor for other services | 7 | 7 |
| Fees for taxation services | 3 | 3 |
| Impairment of receivables: | | |
| - Bad and Doubtful debts | 14 | 3 |

6 Income Tax Expense

(a) The major components of tax expense (income) comprise:

| | 2018 000's \$ | 2017 000's \$ |
|---|---------------------|---------------------|
| Current tax expense | - | - |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | 29 | (10) |
| Income tax expense/ (income) for continuing operations | 29 | (10) |

(b) Reconciliation of income tax to accounting profit:

| | 2018 000's \$ | 2017 000's \$ |
|--|---------------------|---------------------|
| Prima facie tax payable on profit from ordinary activities before income tax at 30% (2017: 30%) | (2) | 8 |
| Add: | | |
| Tax effect of: | | |
| - other non-allowable items | 7 | 10 |
| - Franking credits received | 2 | 3 |
| | 7 | 21 |

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For the Year Ended 30 June 2018

Less:

Tax effect of:

| | | |
|--|---|----|
| - Credit Co-Operative Mutual interest adjustment (small) | 5 | - |
| - Credit Co-Operative tax free threshold adjustment (medium) | - | 13 |
| - Fraking credit offset | 2 | 8 |
| Recoupment of prior year tax losses | - | - |
| Income tax expense/ (income) | - | - |

7 Deferred Tax

| Note | Opening Balance 000's \$ | Charged to Income 000's \$ | Closing Balance 000's \$ |
|--|-----------------------------------|-------------------------------------|-----------------------------------|
| Deferred tax assets | | | |
| Property, plant and equipment | | | |
| - building | 55 | (3) | 52 |
| Provisions | 39 | 11 | 50 |
| Deferred tax assets attributable to tax losses | 38 | 1 | 39 |
| Balance at 30 June 2017 | 132 | 9 | 141 |
| Property, plant and equipment | | | |
| - building | 52 | (43) | 9 |
| Provisions | 50 | 6 | 56 |
| Deferred tax assets attributable to tax losses | 39 | 3 | 42 |
| Balance at 30 June 2018 | 141 | (34) | 107 |

| | Opening Balance 000's \$ | Charged to Income 000's \$ | Closing Balance 000's \$ |
|--|-----------------------------------|-------------------------------------|-----------------------------------|
| Deferred tax liability | | | |
| Deferred tax assets attributable to tax losses | 11 | (6) | 5 |
| Balance at 30 June 2017 | 11 | (6) | 5 |
| Deferred tax assets attributable to tax losses | 5 | (5) | - |
| Balance at 30 June 2018 | 5 | (5) | - |

The Directors estimate of the carried forward tax losses for the year ended 30 June 2018 is \$142,004 (2017: \$128,784).

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Notes to the Financial Statements For the Year Ended 30 June 2018

8 Cash and Cash Equivalents

| | 2018 000's \$ | 2017 000's \$ |
|--------------------------|---------------------|---------------------|
| Cash on hand | 189 | 261 |
| Bank balances | 246 | 7 |
| Cash at bank and in hand | 435 | 268 |
| Deposits at call | 1,300 | 1,600 |
| | 1,735 | 1,868 |

9 Other Financial Assets

(a) Shares held at cost

| | 2018 000's \$ | 2017 000's \$ |
|------------------------------|---------------------|---------------------|
| Shared Lending shares | 20 | - |
| Transaction Solutions Shares | 3 | 3 |
| CUSCAL Commercial Shares | 132 | 132 |
| Total | 155 | 135 |

The shareholding in Shared Lending Pty Ltd, CUSCAL and Transaction Solutions are measured at cost. These companies were created to supply services to the member credit unions and do not have an independent business focus. These shares are held to enable the Credit Co-Operative to receive essential banking and data processing services. The shares are not able to be traded and are not redeemable.

(b) Held-to-maturity investments

| | 2018 000's \$ | 2017 000's \$ |
|---------------|---------------------|---------------------|
| Bonds | 1,006 | 1,008 |
| Bank deposits | 24,398 | 20,229 |
| | 25,404 | 21,237 |

| | 2018 000's \$ | 2017 000's \$ |
|--|---------------------|---------------------|
| Maturity Analysis | | |
| At call | 1,209 | 1,227 |
| Not longer than 3 months | 19,225 | 9,607 |
| Longer than 3 months and not longer than 12 months | 4,970 | 10,403 |
| Total | 25,404 | 21,237 |

Notes to the Financial Statements

For the Year Ended 30 June 2018

10 Loans and Advances

| | 2018 000's \$ | 2017 000's \$ |
|--|---------------------|---------------------|
| Overdrafts | 127 | 139 |
| Loans to members | 33,752 | 29,928 |
| Loans to directors and director related entities | 750 | 740 |
| Gross Loans and Advances | 34,629 | 30,807 |
| Provision for bad and doubtful debts | (6) | (3) |
| Net Loans and Advances | 34,623 | 30,804 |

| | 2018 000's \$ | 2017 000's \$ |
|---|---------------------|---------------------|
| Maturity analysis | | |
| Overdrafts | 127 | 139 |
| Not longer than 3 months | 365 | 1 |
| Longer than 3 and not longer than 12 months | 761 | 261 |
| Longer than 1 and not longer than 5 years | 6,764 | 2,059 |
| Longer than 5 years | 26,612 | 28,347 |
| Total | 34,629 | 30,807 |

Details of loans which represent 10% or more of shareholders equity of the Co-Operative are set out below:

| | 2018 000's \$ | 2017 000's \$ |
|------------------------------|---------------------|---------------------|
| Concentration of risk | | |
| Aggregate Value | 5,019 | 6,546 |

The concentration, which exists, comprises 8 (2017: 5) separate exposures relating to loans to members secured by registered first mortgages over real property.

| | 2018 000's \$ | 2017 000's \$ |
|--|---------------------|---------------------|
| Prescribed provision for impairment | | |
| Opening balance | (3) | - |
| Increase in provision for bad and doubtful debts | (3) | (3) |
| Closing balance | (6) | (3) |

Notes to the Financial Statements

For the Year Ended 30 June 2018

Past Due Loans

Past due loans are loans or similar facilities in arrears which have not been operated within their key terms by the borrower for at least 90 days and which are not impaired loans and included Category One loans in accordance with Prudential Standard Guidance Note AGN 220.1 that are in arrears for at least 90 days and are well-secured.

In the case of loans and advances where the recover of all interest and principal is considered to be reasonably doubtful, provisions for impairment are recognised. Balances without a specific provision for impairment are believed to have adequate security to cover the outstanding balance of the loan. If an impairment provision is required, the loan is included in non-accrual loans. The factors taken into consideration when determining whether a loan is impaired are disclosed in Note 1.

11 Property, plant and equipment

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Freehold Land 000's \$ | Buildings 000's \$ | Plant and Equipment 000's \$ | Total 000's \$ |
|--|---------------------------------|--------------------------|---------------------------------------|----------------------|
| Year ended 30 June 2018 | | | | |
| Balance at the beginning of year | 1,801 | 899 | 439 | 3,139 |
| | Freehold Land 000's \$ | Buildings 000's \$ | Plant and Equipment 000's \$ | Total 000's \$ |
| Additions | - | - | 113 | 113 |
| Write back of accumulated depreciation upon revaluation | - | (176) | - | (176) |
| Revaluation Gain/ (Loss) | 373 | 133 | - | 506 |
| Disposals | - | - | (102) | (102) |
| Closing balance at 30 June 2018 | 2,174 | 856 | 450 | 3,480 |
| Balance at the beginning of the year | - | (164) | (294) | (458) |
| Disposals | - | - | 49 | 49 |
| Write back of accumulated depreciation upon revaluation | - | 176 | - | 176 |
| Depreciation Expense | - | (22) | (51) | (73) |
| Closing balance at 30 June 2018 | - | (10) | (296) | (306) |
| Carrying amount at the end of the year as at 30 June 2018 | 2,174 | 846 | 154 | 3,174 |

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For the Year Ended 30 June 2018

| | Land 000's \$ | Buildings 000's \$ | Plant and Equipment 000's \$ | Total 000's \$ |
|--|---------------------|--------------------------|---------------------------------------|----------------------|
| Year ended 30 June 2017 | | | | |
| Balance at the beginning of year | 1,801 | 899 | 415 | 3,115 |
| Additions | - | - | 75 | 75 |
| Disposals | - | - | (51) | (51) |
| Closing balance at 30 June 2017 | 1,801 | 899 | 439 | 3,139 |
| Balance at the beginning of the year | - | (142) | (266) | (408) |
| Disposals | - | - | 26 | 26 |
| Depreciation Expense | - | (22) | (54) | (76) |
| Closing balance at 30 June 2017 | - | (164) | (294) | (458) |
| Carrying amount at the end of the year as at 30 June 2017 | 1,801 | 735 | 145 | 2,681 |

The land and building was independently revalued at \$3,030,000 in February 2018. The valuation is \$10,000 higher than the written down value at 30 June 2018.

12 Intangible Assets

| | 2018 000's \$ | 2017 000's \$ |
|---|---------------------|---------------------|
| Computer software | | |
| Cost | 638 | 585 |
| Accumulated amortisation and impairment | (446) | (396) |
| Net carrying value | 192 | 189 |

13 Other Assets

| | 2018 000's \$ | 2017 000's \$ |
|----------------|---------------------|---------------------|
| Prepayments | 48 | 62 |
| Accrued income | 111 | 119 |
| Other debtors | 52 | 49 |
| | 211 | 230 |

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14 Trade and Other Payables

| | 2018 000's \$ | 2017 000's \$ |
|--------------------------|---------------------|---------------------|
| Trade payables | - | - |
| Accrued interest payable | 149 | 135 |
| Other accruals | 32 | 63 |
| | <u>181</u> | <u>198</u> |

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

15 Deposits

| | 2018 000's \$ | 2017 000's \$ |
|---------------------------------------|---------------------|---------------------|
| Withdrawable shares at call (members) | 32 | 33 |
| Call deposits | 36,343 | 31,598 |
| Term deposits | 23,174 | 20,041 |
| Dormant funds | 14 | 18 |
| Total deposits | <u>59,563</u> | <u>51,690</u> |

Maturity analysis

| | 2018 000's \$ | 2017 000's \$ |
|---|---------------------|---------------------|
| On call | 40,212 | 31,356 |
| Not longer than 3 months | 9,832 | 9,659 |
| Longer than 3 and not longer than 12 months | 9,519 | 10,675 |
| Longer than 1 and not longer than 5 years | - | - |
| | <u>59,563</u> | <u>51,690</u> |

16 Interest Bearing Liabilities

Standby borrowing facilities

The Co-Operative has an overdraft arrangement with CUSCAL secured by a floating charge over the Co-Operative's assets.

| | 2018 000's \$ | 2017 000's \$ |
|---|---------------------|---------------------|
| As at balance date, the total overdraft facility available was: | 300 | 300 |

Notes to the Financial Statements
For the Year Ended 30 June 2018**17 Provisions**

| | 2018 000's \$ | 2017 000's \$ |
|---------------------------------|---------------------|---------------------|
| Long service leave | 83 | 72 |
| Provision for annual leave | 56 | 58 |
| Provision for employee on costs | 17 | 17 |
| Other provisions | (2) | 1 |
| | <u>154</u> | <u>148</u> |

18 Capital and Leasing Commitments**(a) Contracted Commitments**

At the end of the financial year there are \$Nil (2017: \$Nil) future capital commitments of the Credit Co-Operative.

19 Financial Risk Management

The Co-Operative manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the management of its debt and equity balance.

The Co-Operative's overall risk management plan strategy remains unchanged from the prior year.

The capital structure of the Co-Operative consists of deposits from members, borrowings, cash and cash equivalents and withdrawal shares at call. The Co-Operative is required to adhere to APS110 Capital Adequacy and the key requirements are:

- have an internal capital adequacy assessment process
- maintain minimum levels of capital, at both Level 1 and Level 2 as appropriate
- inform APRA of any significant adverse changes in capital

Financial Risk Management Objectives

The Co-Operative's lending, deposit taking and investing activities expose it to the following risks from the use of financial instruments:

- Credit Risk
- Interest Rate Risk
- Liquidity Risk

The Board of Directors have overall responsibility for the establishment of Firefighters & Affiliates Credit Co-Operative Ltd's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivatives. The Co-Operative does not enter into or trade financial instruments, including derivatives, for speculative purposes.

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Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Firefighters & Affiliates Credit Co-Operative Ltd's activities.

The day-to-day risk management is carried out by Firefighters & Affiliates Credit Co-Operative Ltd's finance function under policies and objectives which have been approved by the Board of Directors. The General Manager has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate risk and assessment of market forecasts for interest rate movements.

Capital Adequacy

The Co-Operative reviews the capital structure on a continual basis as is required by APRA under APS 110 Capital Adequacy. APRA may, in writing, require the Co-Operative to amend its mix of capital.

| | 2018 000's \$ | 2017 000's \$ |
|------------------------------|---------------------|---------------------|
| Tier 1 Capital | | |
| General reserve | 700 | 700 |
| | 2018 000's \$ | 2017 000's \$ |
| Asset Revaluation Reserve | 2,037 | 1,531 |
| Retained Earning/profit | 2,831 | 2,867 |
| Less deductions | (498) | (435) |
| Net Tier 1 Capital | 5,070 | 4,663 |
| Net Tier 2 Capital | 136 | 146 |
| Level 1 capital base | 5,134 | 4,809 |
| Total Risk Weighted Assets | 29,227 | 29,509 |
| Risk based capital ratio (%) | 18 | 16 |

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Co-Operative's short, medium and long term funding and liquidity management requirements. The Co-Operative set out their liquidity risk management based on Prudential Standard APS 210 "Liquidity" issued by APRA.

The Co-Operative managed its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The Co-Operative is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under APRA Prudential Standards. The Co-Operative policy is to apply 13% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked weekly. Should the liquidity ratio fall below this level the management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits and the borrowing facilities available.

The Co-Operative's liabilities have contractual maturities which are summarised below. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Co-Operative can be required to pay. The table includes both interest and principal cash flows:

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| | Not later than 1 month | | 1 to 3 months | | 3 months to 1 year | | 1 to 5 years | |
|-------------------------------|------------------------|---------------|---------------|--------------|--------------------|---------------|--------------|----------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | 000's | 000's | 000's | 000's | 000's | 000's | 000's | 000's |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| CUSCAL overdraft & borrowings | - | - | - | - | - | - | - | - |
| Deposits | 43,096 | 33,008 | 9,832 | 3,856 | 6,603 | 14,826 | - | - |
| Trade Creditors & Accruals | 178 | 198 | - | - | - | - | - | - |
| Total | 43,274 | 33,206 | 9,832 | 3,856 | 6,603 | 14,826 | - | - |

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Co-Operative. The Co-Operative has credit risk management policies, procedures and controls as required by APRA under Prudential Standard APS 220 "Credit Quality". Housing loans to members are secured by mortgages and some personal loans are secured by collaterals. APRA must be consulted in relation to any loans that will expose the Co-Operative to any large exposure.

Credit risk - loans

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The Board's policy is not to exceed a maximum of 75% of the loans in well-secured residential mortgages which carry a 80% Loan to Valuation ratio or less.

The Co-Operative has a concentration in the retail lending for members who comprise employees and family in the Firefighting and BOC Gases industry. This concentration is considered acceptable on the basis that the Co-Operative was formed to service these members, and the employment concentration is not exclusive. Should members leave the industry, the loans continue and other employment opportunities are available to members to facilitate the repayment of the loans.

Credit risk - liquid investments.

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration on one entity. All investments must be with financial institutions with a credit rating in excess of BBB.

Market risk

The Co-Operative's activities expose it primarily to the financial risks of changes in interest rates. Market risk is managed through APRA Prudential Standard APS 116 and associated guidance notes as well as Board policy.

There has been no change to the Co-Operative's exposure to the market risks or the manner in which it manages and measures risk from the previous period.

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(i) Interest rate risk

The Co-Operative is exposed to interest rate risk through its operation of borrowing and lending to its members. The Co-Operative also has significant liquidity investments and borrowings with CUSCAL. The risks are managed by adjusting interest rates charged to members.

The Co-Operative's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for Firefighters & Affiliates Credit Co-Operative at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

The analysis assumed an extreme case of a single impact of plus or minus 200 basis points on interest rates in the market and the probable reaction of the Co-Operative.

| | Carrying Amount 000's \$ | Interest Revenue & Expense 000's \$ | Impact +200 Basis Points 000's \$ | Impact -20 0 Basis Points 000's \$ |
|---|-----------------------------------|---|---|--|
| 2018 | | | | |
| Interest Revenue and Financial Assets | | | | |
| Cash and Cash Equivalents | 1,963 | - | - | - |
| Financial Assets Held to Maturity | 23,597 | 582 | 452 | (452) |
| Loans and Advances | 34,623 | 1,525 | 660 | (660) |
| | 60,183 | 2,107 | 1,112 | (1,112) |
| Interest Expense and Financial Liabilities | | | | |
| Member Deposits | (59,563) | (743) | (1,108) | 1,108 |
| Net | 620 | 1,364 | 4 | (4) |
| | Carrying Amount 000's \$ | Interest Revenue & Expense 000's \$ | Impact +200 Basis Points 000's \$ | Impact -20 0 Basis Points 000's \$ |
| 2017 | | | | |
| Interest Revenue and Financial Assets | | | | |
| Cash & Cash Equivalents | 1,868 | - | - | - |
| Financial Assets Held to Maturity | 21,237 | 619 | 399 | (399) |
| Loans & Advances | 30,804 | 1,387 | 615 | (615) |
| | 53,909 | 2,006 | 1,014 | (1,014) |
| Members Deposits | (51,657) | (696) | (1,028) | 1,028 |
| Net | 2,252 | 1,310 | (14) | 14 |

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20 Members' Guarantee

The Co-Operative is incorporated under the *Corporations Act 2001* and is a Co-Operative limited by guarantee. If the Co-Operative is wound up, the constitution states that each member is required to contribute a maximum of \$ Nil each towards meeting any outstandings and obligations of the Co-Operative.

21 Key Management Personnel Remuneration

The total of remuneration paid to the key management personnel of Firefighters & Affiliates Credit Co-Operative Ltd during the year are as follows:

| | 2018 000's \$ | 2017 000's \$ |
|------------------------------|---------------------|---------------------|
| Short-term employee benefits | 227 | 227 |
| Other long-term benefits | 8 | 8 |
| Post-employment benefits | 40 | 39 |
| | <u>275</u> | <u>274</u> |

The total amount paid for remuneration of the Directors of the Board by way of attendance fees in respect of the financial year was \$33,680 (2017: \$31,000). All remuneration to Directors was approved by the members at the previous Annual General Meeting.

Loans to Directors and other Key Management Persons

The Co-Operative's policy for lending to Directors and management is that all loans are approved and deposits accepted on the same terms and conditions that applied to members for each class of loan or deposit.

All loans disbursed to Directors and other Key Management Personnel were approved on the same terms and conditions applicable to members for each class of loan. There are no loans that are impaired in relation to the loan balances with Directors and management.

There are no benefits or concessional terms and conditions applicable to the close family members of Key Management Personnel. There are no loans that are impaired in relation to the loan balances with related parties of Directors and management.

| | 2018 000's \$ | 2017 000's \$ |
|--|---------------------|---------------------|
| The aggregate value of loans to Directors and other Key Management Personnel as at balance date | 750 | 740 |
| The total value of overdraft credit facilities to Directors and other Key Management Personnel as at balance date | 2 | 40 |
| Net balance available | - | 40 |
| During the year the aggregate value of loans disbursed to Directors and other Key Management Personnel amounted to | 34 | 460 |
| Interest and other revenue earned on loans and overdraft credit facilities to Directors and other Key Management Personnel amounted to | 23 | 22 |
| Total value Term and Savings Deposits from Directors and other Key Management Personnel | 242 | 241 |
| Total interest paid on deposits to Directors and other Key Management Personnel | 5 | 5 |
| | | 31 |

Notes to the Financial Statements**For the Year Ended 30 June 2018****Other Transactions of Directors**

Directors have received interest on deposits with the Co-Operative during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to members of the Co-Operative.

The Co-Operative's policy for receiving deposits from other related parties and in respect of other related party transactions, is that all transactions are approved and deposits accepted on the same term and conditions that apply

to members for each type of deposit.

There are no benefits paid or payable to the close family members of the Key Management Personnel. There are no service contracts to which Key Management Personnel or their close family members are an interested party.

22 Contingencies

In the opinion of the Directors, the Co-Operative did not have any contingencies at 30 June 2018 (30 June 2017:None).

23 Cash Flow Information**(a) Reconciliation of result for the year to cashflows from operating activities**

Reconciliation of net income/ (loss) to net cash provided by operating activities:

| | 2018 000's \$ | 2017 000's \$ |
|--|---------------------|---------------------|
| (Loss)/Profit for the year | (36) | 38 |
| Cash flows excluded from profit/ (loss) attributable to operating activities | | |
| Non-cash flows in profit: | | |
| - amortisation | 50 | 28 |
| - depreciation | 73 | 76 |
| - bad and doubtful debts | 14 | 3 |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in trade and other receivables | 8 | 4 |
| - (increase)/decrease in prepayments | 11 | (19) |
| - (increase)/decrease in deferred tax asset | 34 | (10) |
| - increase/(decrease) in trade and other payables | (17) | (25) |
| - increase/(decrease) in deferred taxes liability | (5) | 2 |
| - increase/(decrease) in employee benefits | 4 | 14 |
| Cashflows from operations | <u>136</u> | <u>111</u> |

24 Events after the end of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which 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.

Firefighters & Affiliates Credit Co-Operative Ltd

ABN 68 087 651 429

Notes to the Financial Statements

For the Year Ended 30 June 2018

25 Statutory Information

The registered office and principal place of business of the company is:

Firefighters & Affiliates Credit Co-Operative Ltd

408 Brunswick Street

Fitzroy VIC 3065

Firefighters & Affiliates Credit Co-Operative Ltd


ABN 68 087 651 429

Directors' Declaration

The directors of the entity declare that:

1. The financial statements and notes, as set out on pages 8 to 33, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the entity.
2. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Director 

Director 

Dated 16th October, 2018



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

Report on the audit of the financial report

Opinion

We have audited the accompanying financial report, being a general purpose financial report of Firefighters & Affiliates Credit Co-operative Limited, which comprises the statement of financial position as at 30 June 2018, 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.

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 company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1, 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 Responsibility for the Audit of the Financial Report* section of our report. We are independent of the company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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 audit opinion.

Responsibilities of the Directors for the Financial Report

The directors of the company 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, 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 has no realistic alternative but to do so.

The directors are responsible for overseeing the company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Further information about our responsibilities can be found at <http://www.auasb.gov.au/Home.aspx>

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



JTP ASSURANCE
Chartered Accountants



GUS SVENSON
Partner

Signed at Melbourne this 22nd day of October 2018

