



FIREFIGHTERS & AFFILIATES CREDIT CO-OPERATIVE LTD

42nd Annual Report

2017

ABN 68 087 651 429
AFSL 240898

**FIREFIGHTERS & AFFILIATES CREDIT CO-OPERATIVE
LIMITED**
ABN 68 087 651 429

**ANNUAL FINANCIAL REPORT
YEAR ENDED 30 JUNE 2017**

General Manager and Secretary

M R Enticott

Registered Office

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

Solicitors

Wisewould-Mahonys

Bankers

CUSCAL

Auditors

JTP Assurance

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VISION 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.

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 Limited over the past year.

REVIEW OF OPERATIONS

The financial result is on budget after allowing for tax adjustments, however the impacts of the demand for housing and personal loans, has this year been one of our highlights with great growth, particularly in the residential housing area following the introduction of the 3.99% housing rate for new business. The Board now looks to members to support the low rate personal loan currently being offered in order to grow that particular portfolio. Deposit growth has remained static this year, together with the continued downwards pressure on interest rates, has also had an effect on profitability of the Credit Co-Operative. The Credit Co-Operative has continued to offer interest rates at market to allow members excellent returns on their investments, whilst at the same time maintaining competitive lending interest rates. Given these factors, the result is considered to be satisfactory despite the current difficult low interest rate environment.

Our surplus for the year was \$ 38,000 after tax (2016: \$35,000). Deposits at the 30 June 2017 were \$51.6m (2016 \$50.7m), which remained static. Loans outstanding amounted to \$30.8m (2016 \$27.8m) an increase of 11.2% over than last year, reflecting the state of the current economic climate, given the Credit Co-Operative is continually striving for increased market share with competitive rates and products suitable to the membership. Asset growth continued with a 1.68% increase for the year with on balance sheet assets now totaling in excess of \$57.3.

AVAILABILITY OF FUNDS

Liquidity has been maintained over the past year and we are in a good position to meet loan demand and service our debts. However with this high liquidity it places pressure on margins. 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 Limited 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 that of the requirements of our regulators.

INTEREST RATES

Interest rates continued to remain low and static in this financial 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 Credit Co-operative's 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 continual increasing cost of regulatory compliance with all the required financial regulators, together with a continued low interest rate market is noted as continually 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 static low interest rate market which requires the Board and management to ensure margins are maintained, resulting in the appropriate income being generated to cover operating expenses.

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 Mike Enticott attended CFA Urban Championships in Bendigo, and also the CFA Junior Championships in Tatura. As well as these attendances Michael Enticott, Allan Roberts and David Whyte continued attending recruit induction nights, recruit courses and graduations for the MFESB and CFA, where presentations to the outstanding recruits are made. Attendance at retirement seminars, continued station visitation, supporting sporting groups, and Firefighters events such as the Melbourne Firefighters Stair Climb in conjunction with Firefighters Charity Fund are well attended by David Whyte representing the Credit Co-operative, with David posting highlights on our Facebook page, in order to keep members informed.

This year saw the Co-operative undertake a major upgrade to its core banking system and internet banking whilst at the same time enhancing fraud control and shortly we will be introducing a mobile app for members as this delivery channel of service is deemed important by the Board for member access to the Co-operative's services.

Director Robyn Allen has elected to retire from the Board at the 2017 AGM, after 10 years of dedicated service to the Co-operative. Her expertise to the Board and Loans Staff will be greatly missed. We also welcome part time staff member, Rhonda Sayers, who will be covering various types of leave of permanent staff, thus ensuring we are at full capacity at all times to meet members needs.

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

The Directors present their report on Firefighters & Affiliates Credit Co-operative Limited for the financial year ended 30 June 2017. The information in the preceding operating and financial review forms part of this directors' report for the financial year ended 30 June 2017 and is to be read in conjunction with the following information.

Directors

The following persons were directors of Firefighters & Affiliates Credit Co-operative Limited during or since the end of the financial year up to the date of this report:

G Bester- Chairman
T Hall- Deputy Chairman
J Dullard
B Robertson
A Roberts
R Allen
P Flavelle
P Pereira (Associate Director)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. Particulars of each director's experience and qualifications are set out later in this report.

Review of Operations

The financial result is on budget after allowing for tax adjustments, however the impacts of the demand for housing and personal loans, has this year been one of our highlights with great growth, particularly in the residential housing area following the introduction of the 3.99% housing rate for new business.

The Board now looks to members to support the low rate personal loan currently being offered in order to grow that particular portfolio. Deposit growth has remained static this year, together with the continued downwards pressure on interest rates, has also had an effect on profitability of the Co-Operative.

The Co-Operative has continued to offer interest rates at market to allow members excellent returns on their investments, whilst at the same time maintaining competitive lending interest rates. Given these factors, the result is considered to be satisfactory despite the current difficult low interest rate environment.

During the year the Co-operative earned an operating surplus of \$38,000 (2016: \$35,000) after allowing for income tax expense/(revenue) of (\$10,000) (2016: \$21,000).

Significant Changes in the State of Affairs

No significant changes in the consolidated group's state of affairs occurred during the financial year.

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 these activities occurred 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.

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 does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to JTP Assurance for non-audit services provided during the year ended 30 June 2017:

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

Information Relating to Directors

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

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

J Dullard Director since September 2016
Operations Officer Development Training, Firefighter, Country Fire Authority

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

P Flavelle, B.Bus (Acc), CPA, and Fellow of Governance Institute of Australia
Director since November 2009
Chair: Corporate Governance Committee
Former Executive Manager Financial Accounting Metropolitan Fire & Emergency Services Board.

P Pereira, B.Bus, Associate Director since March 2013
Fire Services Communication Controller, Metropolitan Fire & Emergency Services Board.

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

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	6
A Roberts	11	7
R Allen	8	8
B Robertson	10	7
T Hall	10	4
G Bester	12	8
P Pereira	10	1
J Dullard	5	2

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the Corporations Act 2001 is set out on page 9.

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.

This directors' report is signed in accordance with a resolution of the Board of Directors

On behalf of the Directors



Director

Dated Melbourne: 19, 9, 2017

Director





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 2017 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

GUS SVENSON
Partner

Signed at Melbourne this *19th* day of *September* 2017

Statement of comprehensive income for the financial YEAR ENDED 30 June 2017

	Note	2017 \$'000	2016 \$'000
Interest revenue	2	2,006	2,101
Interest expense	2	(696)	(768)
Net interest revenue	2	1,310	1,333
Other revenue	3	275	262
Total Operating Income		1,585	1,595
Employee Expenses	4	(637)	(606)
Administration	4	(813)	(800)
Depreciation and Amortisation	4	(104)	(131)
Bad and doubtful debts	4	(3)	(2)
Profit before income tax expense		28	56
Income tax revenue / (expense)	5	10	(21)
Net Profit after Income tax expense		38	35
Other Comprehensive Income			
Gain arising on revaluation of land and buildings		-	321
Total Comprehensive Income		38	356

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

Statement of financial position as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Assets			
Cash and cash equivalents	6	1,868	709
Trade and other receivables	7	119	123
Financial assets held to maturity	8	21,237	24,542
Loans and advances	9	30,804	27,877
Financial assets	10	135	135
Property, plant and equipment	11	2,681	2,707
Intangible assets	12	189	19
Other assets	13	111	92
Deferred Tax Asset	5(d)	141	138
Total Assets		57,285	56,342
Liabilities			
Deposits	14	51,690	50,766
Trade and other payables	16	198	224
Deferred tax liability	5(d)	5	11
Provisions	17	148	135
Total Liabilities		52,041	51,136
Net Assets		5,244	5,206
Members' Funds			
Reserves		2,377	2,377
Retained profits		2,867	2,829
Total Members' Funds		5,244	5,206

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

Statement of changes in equity for the financial YEAR ENDED 30 June 2017

	Asset Revaluation Reserve \$'000	General Reserve \$'000	Reserve for Credit Losses \$'000	Retained Profits \$'000	Total \$'000
Balance as at 1 July 2015	1,210	700	146	2,794	4,850
Net profit	-	-	-	35	35
Other comprehensive income	321	-	-	-	321
Balance at 30 June 2016	<u>1,531</u>	<u>700</u>	<u>146</u>	<u>2,829</u>	<u>5,206</u>
Net profit	-	-	-	38	38
Other comprehensive income	-	-	-	-	-
Balance at 30 June 2017	<u>1,531</u>	<u>700</u>	<u>146</u>	<u>2,867</u>	<u>5,244</u>

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

Statement of cash flows for the financial YEAR ENDED 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Interest received		2,010	2,101
Other non-interest income received		275	264
Interest paid		(708)	(769)
General expenses paid		(1,466)	(1,317)
Income tax paid		-	3
Net cash provided by operating activities	18(b)	111	282
Cash flows from investing activities			
Net (decreases) in loans		(2,932)	(1,297)
Payments for property, plant and equipment and software		(274)	(113)
Proceeds from sales of property, plant and equipment		25	25
Net expenditure on investment securities		2,105	(5,682)
Net cash (used in) investing activities		(1,076)	(7,067)
Cash flow from financing activities			
Net increase in members' deposits		924	6,774
Net cash provided by financing activities		924	6,774
Net (decrease) in cash held		(41)	(11)
Add Opening Cash Brought Forward		309	320
Closing Cash Balance	18(a)	268	309

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

The financial statements cover Firefighters & Affiliates Credit Co-operative Limited as an individual entity, incorporated and domiciled in Australia. Firefighters & Affiliates Credit Co-operative Limited is a company limited by guarantee.

NOTE 1: Significant accounting policies

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

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. The amounts presented in the financial statements have been rounded to the nearest thousand dollars.

The financial statements were authorised for issue on 19th September 2017 by the directors of the company.

(a) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the credit co-operative will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTE 1: Significant accounting policies (cont'd)

(b) Cash and cash equivalents

Cash comprises cash on hand and cash in bank. Bank overdrafts are shown within the interest bearing liabilities in the balance sheet.

(c) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

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

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.

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

GST

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

NOTE 1: Significant accounting policies (cont'd)

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 losses.

Property

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.

NOTE 1: Significant accounting policies (cont'd)

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

The depreciable amount of all plant and equipment including buildings and capitalised leased assets but excluding freehold land, is depreciated over their useful lives to the Credit Co-operative commencing from the time the asset is held ready for use.

Plant and equipment is depreciated on a diminishing and straight-line basis. A summary of the depreciations rates used is:

Buildings	2.5%
Computer Hardware	27.0%
Motor Vehicles	25.0%
Office Furniture and Equipment	15.0%

Assets under \$1,000 are not capitalised.

The asset residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(g) Intangible Assets

Software Licences

Costs relating to software licences have been classified as intangible assets and are amortised over the estimated useful life of the software.

(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.

NOTE 1: Significant accounting policies (cont'd)

- (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 liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made.

Superannuation Contributions – Accumulation Fund
Contributions are made by the Co-operative to employee superannuation funds and are charged as expenses when incurred.
- (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) Comparative Figures**
Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation in the current year.
- (n) Goods and Services Tax (GST)**
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.
- (o) Rounding of Amounts**
The Co-operative has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars (\$'000) unless otherwise stated.

NOTE 1: Significant accounting policies (cont'd)

(p) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Co-operative.

Key estimates — Impairment

The Co-operative assesses impairment at each reporting date by evaluating conditions specific to the Co-operative that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(q) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Credit Co-operative. The Credit Co-operative has decided not to early adopt any of the new and amended pronouncements. The Credit Co-operative's assessment of the new and amended pronouncements that are relevant to the Credit Co-operative but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

The key changes that may affect the Credit Co-operative on initial application of include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for unexpected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of this Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Credit Co-operative's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

2. INTEREST REVENUE AND INTEREST EXPENSE

The following tables show the balance at 30 June 2017 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	Weighted Average Rate %
Interest revenue 2017			
Investment securities	23,104	688	2.38%
Loans and advances	30,806	1,318	4.72%
	<u>53,910</u>	<u>2,006</u>	<u>4.75%</u>
Interest expense 2017			
Customer deposits	<u>51,657</u>	<u>696</u>	<u>1.55%</u>
Net interest income	<u>2,253</u>	<u>1,310</u>	<u>3.20%</u>
Interest revenue 2016			
Investment securities	25,250	652	2.61%
Loans and advances	27,877	1,449	5.31%
	<u>53,127</u>	<u>2,101</u>	<u>5.34%</u>
Interest expense 2016			
Customer deposits	<u>50,732</u>	<u>768</u>	<u>1.66%</u>
Net interest income	<u>2,395</u>	<u>1,333</u>	<u>3.68%</u>

3. REVENUE

	2017 \$'000	2016 \$'000
Interest revenue	2,006	2,101
Non Interest Income		
Fee income	206	194
Insurance commission	10	13
Other commission	20	28
Bad debts recovered	-	-
Other income	39	27
Total Non interest revenue	275	262
Total Revenue	2,281	2,363

4. PROFIT BEFORE TAX

Profit before income tax from continuing operations includes the following specific expenses:

Expenses:

Interest expenses	696	768
Non interest expenses		
(i) Bad and doubtful debts		
Movement in Doubtful debt provision	3	-
Bad debts written off	-	2
	3	2
(ii) Depreciation and amortisation		
- Plant and equipment	54	71
- Buildings	22	22
- Amortisation of software cost	28	38
	104	131
(iii) Employee Expenses		
- Salaries and Wages	480	462
- Superannuation	80	78
- Other employment expenses	77	66
	637	606
(iv) Administration Expenses		
- Occupancy	29	31
- Insurance	50	53
- Professional services	148	131
- Education and promotion	17	33
- Computer	204	207
- Motor vehicle	16	18
- Member services	211	213
- Agency	4	5
- Administration and other expenses	134	109
	813	800

5. INCOME TAX

	2017 \$'000	2016 \$'000
(a) The Prima facie tax on profit before income tax is reconciled to the income tax provided in the financial report as follows;		
Prima facie tax (expense) on operating profit @ 30%	(8)	(17)
Add Tax effect of:		
Others	30	(26)
Medium CU adjustment	(21)	
Under provision of Income Tax in the prior year	-	-
Less Tax effect of:		
Redeemable fully franked dividends	9	9
Recoupment of prior year tax losses	-	13
Income tax expense attributable to profit from operations	10	(21)
(b) The components of tax expense comprise:		
Current tax expense/(income)	-	13
Deferred tax expenses/(income) relating to the origination and reversal of temporary difference	(10)	21
Adjustments recognised in the current year in relation to the current tax of prior year	-	-
Recoupment of prior year tax losses	-	(13)
	(10)	21
(c) Current tax assets and liabilities		
Tax receivables/(payables)	-	-
(d) Deferred tax balances		
Deferred tax balances comprise:		
- Deferred tax assets	141	138
- Deferred tax liabilities	(5)	(11)
	136	127
Net deferred tax balances comprise:		
- Tax Losses carried forward	39	38
- Temporary differences	97	89
	136	127

The Directors estimate of the carried forward tax losses for the year ended 30 June 2017 is \$128,784 (2016: \$125,797).

6. CASH AND CASH EQUIVALENTS

	2017 \$'000	2016 \$'000
Cash on hand	261	197
Cash at bank	7	112
	<u>268</u>	<u>309</u>
At call deposits	1,600	400
Total cash	<u>1,868</u>	<u>709</u>

7. ACCRUED RECEIVABLES

Interest receivable	<u>119</u>	<u>123</u>
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8. FINANCIAL ASSETS HELD TO MATURITY

Certificates of Deposit	<u>21,237</u>	<u>24,542</u>
<u>Maturity Analysis</u>		
At Call	1,227	1,193
Not longer than 3 months	9,607	14,496
Longer than 3 months and not longer than 12 months	10,403	8,853
	<u>21,237</u>	<u>24,542</u>

9. LOANS AND ADVANCES

Overdrafts	139	151
Loans and advances	29,927	27,072
Related parties		
Directors and Director-related entities		
- loans to Directors (refer Note 21)	740	654
Gross loans and advances	<u>30,806</u>	<u>27,877</u>
Provision for bad and doubtful debts	<u>(3)</u>	<u>-</u>
Net Loans and Advances	<u>30,804</u>	<u>27,877</u>

(a) Maturity analysis

Overdrafts	139	151
Not longer than 3 months	1	1
Longer than 3 and not longer than 12 months	261	35
Longer than 1 and not longer than 5 years	2,059	2,342
Longer than 5 years	28,346	25,358
	<u>30,806</u>	<u>27,877</u>

(b) Concentration of Risk

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

Aggregate value	<u>6,546</u>	<u>3,277</u>
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The concentration, which exists, comprises of 5 (2016: 5) separate exposures relating to loans to members secured by registered first mortgages over real property.

	2017 \$'000	2016 \$'000
9. LOANS AND ADVANCES (cont'd)		
(c) Prescribed provision for Impairment		
Opening balance	-	-
Increase in provision for bad and doubtful debts	(3)	-
Bad debts written off	-	(2)
Write back of bad debt provision	-	-
Closing balance	(3)	(2)

As at balance date there were no Non Accrual Loans.

Total loans past due 90 days with interest accruing	-	-
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(d) Impairment of Loans and Advances

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 includes 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 recovery 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 (e).

	2017 \$'000	2016 \$'000
Past due balance	-	-
Aging of past due but not impaired		
Less than 30 days	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
121+ days	-	-

10. OTHER FINANCIAL ASSETS

Cuscal commercial shares	132	132
Transaction Solutions shares	3	3
	135	135

The Shareholding in 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 (refer Note 20). The shares are not able to be traded and are not redeemable.

11. 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	Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Gross Cost				
Balance at 1 July 2015	1,480	899	507	2,886
Additions	321	-	103	424
Disposals	-	-	(195)	(195)
Closing balance as at 30 June 2016	1,801	899	415	3,115
Accumulated Depreciation				
Balance at 1 July 2015	-	(120)	(374)	(494)
Disposals	-	-	179	179
Depreciation expense	-	(22)	(71)	(93)
Closing balance as at 30 June 2016	-	(142)	(266)	(408)
Carrying amount at the beginning of year as at 1 July 2015	1,480	779	133	2,392
Carrying amount at the end of year of year as at 30 June 2016	1,801	757	149	2,707
Gross Cost				
Balance at 1 July 2016	1,801	899	415	3,115
Additions	-	-	75	75
Disposals	-	-	(51)	(51)
Closing balance as at 30 June 2017	1,801	899	439	3,139
Accumulated Depreciation				
Balance at beginning of year	-	(142)	(266)	(408)
Disposals	-	-	26	26
Depreciation expense	-	(22)	(54)	(76)
Closing balance as at 30 June 2017	-	(164)	(294)	(458)
Carrying amount at the beginning of year as at 1 July 2016	1,801	757	149	2,707
Carrying amount at the end of year as at 30 June 2017	1,801	735	145	2,681

The land and building was independently revalued at \$2,700,000 in March 2016. The valuation is \$164,000 higher than the written down value at 30 June 2017. No adjustment has been posted to the financial statements.

	2017 \$'000	2016 \$'000
12. INTANGIBLE ASSETS		
Computer Software	585	386
Accumulated Amortisation	(396)	(367)
	189	19
13. OTHER ASSETS		
GST Receivable	7	4
Other Debtors	42	36
Prepayments	62	52
	111	92
14. DEPOSITS		
Withdrawable shares at call (members)	33	34
Call deposits	31,598	31,017
Term deposits	20,041	19,698
Dormant funds	18	17
	51,690	50,766
<u>Maturity analysis</u>		
On call	31,356	36,997
Not longer than 3 months	9,659	5,863
Longer than 3 and not longer than 12 months	10,675	7,906
Longer than 1 and not longer than 5 years	-	-
	51,690	50,766
15. INTEREST BEARING LIABILITIES		
Standby borrowing facilities	2017 \$'000	2016 \$'000
The Co-operative has an overdraft arrangement with Credit Union Financial Services (Australia) Ltd secured by a floating charge over the Co-operative's assets.		
As at balance date, the total overdraft facility was available, being:	300	300
16. TRADE AND OTHER PAYABLES		
Accounts payable	-	-
Accrued interest payable	135	147
Other accruals	63	77
	198	224

The average credit period on purchases is 30 days. No interest is charged in accounts payable.

The Co-operative has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

17. PROVISIONS

	2017 \$'000	2016 \$'000
Other Provisions	1	2
Employee entitlements	147	133
	<u>148</u>	<u>135</u>

Superannuation commitments

Firefighters Credit Co-Operative Limited

All employees are entitled to benefits on retirement, disability or death. Contributions are paid by the Co-operative as follows:-

- 8% as part of employees' Enterprise Bargain Agreement; plus
- 9.50 % as required by Superannuation Guarantee system.

18. STATEMENT OF CASHFLOWS

a) Reconciliation of Cash

Cash on hand	261	197
Cash at bank	7	112
	<u>268</u>	<u>309</u>
At call deposits	1,600	400
Total Cash	<u>1,868</u>	<u>709</u>

b) Reconciliation of cash flows from operations with profit after income tax.

Net profit after income tax expense	38	35
<i>Non cash flows in profit from operations:</i>		
Depreciation of buildings, plant and equipment	76	93
Amortisation of software cost	28	38
Bad and doubtful debts	3	2
<i>Other non cash items</i>		
Profit on sale of asset	-	(6)
Movement in deferred taxes	(10)	20
<i>Changes in Assets & Liabilities</i>		
<u>Decrease/(increase) in assets:</u>		
Trade and other receivables	4	(31)
Prepayments	(19)	39
<u>(Decrease)/increase in liabilities:</u>		
Trade creditors and accruals	(25)	85
Employee entitlement provisions	14	5
Other Provision	2	2
Income tax payable	-	-
Net cash provided by operating activities	<u>111</u>	<u>282</u>

19 CONTINGENT LIABILITIES

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

	2017 \$'000	2016 \$'000
Approved but undrawn loans and credit limits	2,085	918

20 ECONOMIC DEPENDENCY

The Co-operative has an economic dependency on the following suppliers of services:

- (a) Credit Union Services Corporation (Australia) Limited
This entity supplies the Co-operative rights to Visa Card in Australia and provides services in the form of settlement with Bankers for ATM and Visa Card transactions, cheques, and the production of Visa cards for use by members. This entity also supplies institutional banking services to the Co-operative. The Co-operative has significant liquidity investments with CUSCAL and has also established its borrowing facilities with CUSCAL.
- (b) Cuscal Limited
This company operates the switching computer used to link Visa Debit cards operated through Reditellers and other approved ATM suppliers to the Co-operative's computer systems.
- (c) Transactional Solutions Pty Ltd (TAS).
This company operates the computer facility on behalf of the Co-operative in conjunction with other Credit Unions. The Co-operative has a management contract with the Bureau to supply computer support staff and services to meet the day-to-day needs of the Co-operative and compliance with relevant Prudential Standards.

21 KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

(a) Directors

The names of the Directors of the Co-operative who have held office during the financial year are:

G Bester (Chairman)
T Hall (Deputy Chairman)
R Allen
P Flavell
B Robertson
J Dullard
A Roberts
P Pereira, (Associate Director)

(b) Remuneration of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Co-operative, directly or indirectly, including any director (whether executive or otherwise) of the Credit Co-operative that is considered key management personnel.

Key Management Personnel (KMP) have been taken to comprise the Directors and the two members of the executive management responsible for the day-to-day financial and operational management of the Co-operative.

The aggregate remuneration of *Key Management Personnel* during the year comprising amounts paid or payable or provided for was as follows:

	Directors		Other KMP	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(a) short-term employee benefits	-	-	227	214
(b) post-employment benefits – Superannuation contributions	-	-	39	38
(c) other long-term benefits – net increases in Long Service leave provision	-	-	8	6
(d) The total amount paid for remuneration of the Directors of the Board by way of attendance fees in respect of the financial year	31	31	-	-
Total	31	31	274	258

Remuneration shown as Short Term benefits means (where applicable) wages, salaries and employer superannuation contributions, paid annual leave and paid sick leave and bonuses, value of Fringe Benefits received, but excludes out of pocket expense reimbursements.

All remuneration to Directors was approved by the members at the previous Annual General Meeting of the Co-operative.

21 KEY MANAGEMENT PERSONNEL AND RELATED PARTIES (Cont'd)

(c) 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 the Key Management Personnel. There are no loans that are impaired in relation to the loan balances with related parties of Directors and management.

	2017 \$'000	2016 \$'000
The aggregate value of loans to Directors and other Key Management Personnel as at balance date amounted to:	740	654
The total value of overdraft credit facilities to Directors and other Key Management Personnel as at balance date amounted to	40	40
Net balance available	40	40
During the year the aggregate value of loans disbursed to Directors and other Key Management Personnel amounted to:		
• Term Loans	460	-
Interest and other revenue earned on loans and overdraft credit facilities to Key Management Personnel	22	38
Total value Term and Savings Deposits from Directors and other Key Management Personnel	241	280
Total Interest paid on deposits to Directors and other Key Management Personnel.	5	7

21 KEY MANAGEMENT PERSONNEL AND RELATED PARTIES (Cont'd)

(d) 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 terms 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.

(e) Transactions with Key Management Personnel of the Co-operative

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

22 AUDITORS REMUNERATION

	2017	2016
Auditing the financial report	27,000	26,400
Other Services	7,000	6,600
	34,000	33,000
Taxation services	3,000	3,000
Total	37,000	36,000

23 FINANCIAL INSTRUMENTS

(a) Capital 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 strategy remains unchanged from 2016.

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 APS 110 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; and
- inform APRA of any significant adverse changes in capital.

23 FINANCIAL INSTRUMENTS (Cont'd)

Capital Adequacy

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

	2017 \$'000	2016 \$'000
Capital Adequacy		
Tier 1 Capital		
General Reserves	700	700
Other Reserves	1,531	1,531
Retained and current year's earnings	2,867	2,846
Less deductions	(435)	(289)
Tier 1 Capital (net of deductions)	4,663	4,788
Tier 2 Capital (net of deductions)	146	146
Level 1 capital base	4,809	4,934
Total Risk Weighted Assets	29,509	28,682
Risk based capital ratio	16.30%	17.20%

(a) Financial Risk Management Objectives

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

- Credit Risk
- Interest rate risk
- Liquidity risk

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Co-operative does not enter into or trade financial instruments, including derivatives, for speculative purposes.

(b) 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 the risk from the previous period.

(c) Interest Rate Risk Management

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 its 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.

23 FINANCIAL INSTRUMENTS (Cont'd)

The analysis considered the impact upon net assets and profit and loss on the Co-operative.

2017	Carrying Amount \$'000	Interest Revenue & Expense	Impact +200 Basis Points \$'000	Impact – 200 Basis Points \$'000
Interest Revenue and Financial Assets				
Cash & Cash Equivalents	1,868			
Certificates of Deposits	21,237	619	399	(399)
Loans & Advances	30,804	1,387	615	(615)
	53,909	2,006	1014	(1014)
Interest Expense and Financial Liabilities				
Members Deposits	51,657	696	1028	(1028)
Interest Bearing Liabilities	-	-	-	-
	51,657	696	1028	(1028)
Net	2,252	1,310	(14)	14
2016	Carrying Amount \$'000	Interest Revenue & Expense	Impact +200 Basis Points \$'000	Impact – 200 Basis Points \$'000
Interest Revenue and Financial Assets				
Cash & Cash Equivalents	709			
Certificates of Deposits	24,452	652	361	(361)
Loans & Advances	27,877	1,449	554	(554)
	53,038	2,101	915	(915)
Interest Expense and Financial Liabilities				
Members Deposits	50,732	768	1,014	(1,014)
Interest Bearing Liabilities	-	-	-	-
	50,732	768	1,014	(1,014)
Net	2,306	1,333	(99)	99

(d) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in 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 an 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 & 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 the members to facilitate the repayment of the loans.

23 FINANCIAL INSTRUMENTS (Cont'd)

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 investment must be with financial institutions with a credit rating in excess of BBB.

(e) Liquidity Risk Management

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 Standards 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 liabilities. Refer to note 15 for additional undrawn facilities that the Co-operative has at its disposal to further reduce liquidity risk.

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 the 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.

Liquidity and interest risk tables

The following tables detail the Co-operatives remaining contractual maturity for its non-derivative financial liabilities. 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:

	Weighted average effective interest rate %	Less than 1 month \$'000	1-3 months \$'000	3 months – 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total
2017							
CUSCAL overdraft & borrowings		-	-	-	-	-	-
Deposits	1.37	33,008	3,856	14,826			51,690
Trade creditors & Accruals		198					198
Total Financial Liabilities		33,206	3,856	14,826			51,888
2016							
CUSCAL overdraft & borrowings	-	-	-	-	-	-	-
Deposits	2.61%	37,952	2,102	10,644			50,766
Trade creditors & Accruals		224					224
Total Financial Liabilities		38,176	2,102	10,644			50,990

	2017 '000	2016 '000
24 Commitments		
Capital expenditure commitments	-	230

The directors are aware of future capital expenditure commitments of the Credit Co-operative.

25 Contingent Liabilities and Contingent Assets

The directors are not aware of any contingent liabilities and assets of the Credit Co-operative.

26 Events after the Reporting Period

The directors are not aware of any events occurring after balance date, which will have a material affect on the Credit Co-operative's financial statements for the succeeding year.

Directors' declaration

In accordance with a resolution of the directors of Firefighters & Affiliates Credit Co-operative Limited, the directors of the company declare that:

- 1) The financial statements and notes, as set out on pages 6- 35, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, and
 - (b) Give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date.
- 2) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Director

Director



Dated at Melbourne: 19 9 2017



**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 2017, 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 2017 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

JTP ASSURANCE
Chartered Accountants



GUS SVENSON
Partner

Signed at Melbourne this 19th day of September 2017