



ANNUAL REPORT 2019

FIRE SERVICE CREDIT UNION LTD.

ANNUAL FINANCIAL REPORT

For year ended 30 June 2019



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Except Tuesdays 9:30am – 4:45pm
BSB 805-013
ABN: 17 087 651 152
AFSL: 237515
Australian Credit Licence: 237515

Affiliations

Cuscal Ltd
Customer Owned Banking Association
Data Action Pty Ltd
Bridges Personal Investment Services
Allianz Australia Insurance Ltd
Western Union Business Solutions
Mastercard Prepaid Management Services
Shared Lending Pty Ltd

Auditors

KPMG
151 Pirie Street, Adelaide SA 5000

Solicitors

Piper Alderman
70 Franklin Street, Adelaide SA 5000

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Fire Service Credit Union Ltd
Chair's Report
For the year ended 30 June 2019

As the Chair of the Fire Service Credit Union (the Credit Union) I am pleased to present the annual report for the 2018/19 financial year.

The Credit Union continues to provide its members with high quality competitive products and services, this combined with the dedication and commitment of our staff has seen the Credit Union perform well in a very challenging economic environment.

I am pleased to announce that we have achieved an 'after tax' profit of \$135,000 for this reporting year. As reported last year fallout from the Royal Commission is still impacting the Credit Union, with increased compliance and Executive Accountability being just two of the extra challenges required of the staff and Board. We welcome Karen Plunkett into the role of Risk and Compliance Manager.

The Credit Union has met all prudential standards and requirements with sound reports from APRA and external auditors.

Membership has grown in excess of expectations mainly due to the SA Metropolitan Fire Service (MFS) recruiting larger numbers, and this trend should continue for the foreseeable future. I thank all new and existing members for their loyalty and ongoing support; the strength of our Credit Union comes from the strength of our bond.

Once again we have had some people retire this year, as we said goodbye to Annie and Sharen and welcomed three new staff into the fold. The Board recognises the hard work of all the staff ably led by Chief Executive Officer, Tricia Ireland.

We continue to invest in technology to provide the members with a better user experience, there have been advances this year with improvements to the mobile app and further mobile functionality is planned.

Finally I thank my fellow directors for their commitment to ensuring the Credit Union continues to meet the needs of all its members now and into the future.

Mr. Paul Fletcher, AFSM, MLshipMgmt, G.I.FireE
Chair

Fire Service Credit Union Ltd

Directors Report

For the year ended 30 June 2019

The directors present their report together with the financial report of Fire Service Credit Union Ltd ("the Credit Union") for the financial year ended 30 June 2019 and the auditor's report thereon.

1. Directors

The directors and key management personnel of the Credit Union at any time during or since the end of the financial year are:

Paul M Fletcher – Chair

Deputy Chief Officer - SAMFS
Dip Engineering
GIFireE
MLshipMgmt

Appointed to the Board March 2011
Chair of Remuneration Committee
Appointed as Deputy Chair January 2015
Appointed as Acting Chair March 2015
Appointed as Chair October 2015

Jeffrey D Swann – Deputy Chair

Commander – SAMFS
Certificate 4 in Business Management
Diploma of Management

Appointed to the Board March 2011
Member of Audit Committee
Member of Remuneration Committee
Appointed Deputy Chair October 2015

Noel L Johnson – Director

SA Fin (Life Member)
FIPA (Life Member)
Manager of Fire Service Fund

Appointed to the Board in March 2005
Member of Audit Committee
Member of the Risk Committee

Eugene D Holzbauer - Director

Chartered Accountant
Bachelor of Arts Accountancy
Diploma in Financial Services(SMSF Advice Only)
Registered Tax Agent
Registered SMSF Auditor

Appointed to the Board in March 2007
Chair of Audit Committee

Alexander Karapetian - Director

Manager, Health Portfolio Budgets – SA Health
Bachelor of Finance
Graduate Certificate in Finance

Appointed to the Board December 2013
Member of Remuneration Committee
Chair of Risk Committee

Elizabeth Lew - Director

Business Manager
Masters Business Administration
Graduate Diploma in Legal Practice
Bachelor of Laws
Bachelor of Commerce
CPA

Appointed to the Board November 2015
Member of Risk Committee

Gregory Northcott - Director

Senior Firefighter – SAMFS

Appointed to the Board November 2015

Tricia Ireland - Company Secretary

Chief Executive Officer
Diploma of Banking Services Management

Appointed as CEO January 2010

Fire Service Credit Union Ltd
 Directors Report
 For the year ended 30 June 2019

2. Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Credit Union during the financial year were as follows:

Director	Board Meetings		Audit Committee Meetings		Risk Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B
Paul Fletcher	12	12	4	4	-	-	2	2
Jeffrey Swann	11	12	4	4	-	-	2	2
Noel Johnson	11	12	3	4	4	4	-	-
Eugene Holzbauer	11	12	4	4	-	-	-	-
Alexander Karapetian	11	12	-	-	4	4	2	2
Elizabeth Lew	11	12	-	-	3	4	-	-
Gregory Northcott	11	12	-	-	-	-	-	-

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

Fire Service Credit Union Ltd

Directors Report

For the year ended 30 June 2019

3. Corporate Governance Statement

Board of Directors

During the year there was a maximum of 7 directors. The Board has operated within the rules of the Credit Union constitution with 7 directors elected by members. The primary role of the Board of Directors is to protect the interest of the members. It is responsible for the overall conduct of the business by performing its duties in accordance with the approved Board Terms of Reference.

In accordance with these Terms of Reference the Board governance includes:

Strategic planning

The strategic planning direction of the Credit Union is analysed each year and the business plan is prepared and reviewed at Board Planning Days.

Risk management

In conjunction with management, risk management systems are reviewed on a regular basis. Key areas considered include:

- Review and monitor interest rates;
- Ratify loans within a delegated authority;
- Formulate and review risk management policies annually;
- Review remuneration and performance of senior management;
- Monitor the performance of the Credit Union;
- Report against strategic goals; and
- Review and enhance Board reporting.

Approving budgets and capital expenses

Budgets are prepared annually by management and approved by the Board. Performance compared to key indicators is reported by management to the Board on a monthly basis.

Ethical conduct

Ethical conduct is of paramount importance for the Board as this forms the basis of a strong bond with our members and maintains the integrity of the Credit Union.

Fire Service Credit Union Ltd
Directors Report
For the year ended 30 June 2019

3. Corporate Governance Statement (continued)

Audit Committee

The Audit Committee comprises 3 non-executive directors with an independent Chair. The responsibilities of the Audit Committee are to:

- Monitor reporting to the Australian Prudential Regulation Authority (APRA);
- Review risk management systems;
- Oversee the independence of the external auditors;
- Review the findings of the external auditors; and
- Review the annual financial report and recommend Board approval.

Remuneration Committee

The Remuneration Committee comprises 3 non-executive directors. The responsibilities of the Remuneration Committee are to:

- Ensure the Credit Union's remuneration policy is sufficiently robust, effective and capable of contributing to the Credit Union's objectives;
- Making determinations in relation to the application of the remuneration policy;
- Reviewing and making recommendations to the Board on performance assessment processes;
- Making recommendations to the Board on the remuneration of Senior Management; and
- Evaluating the remuneration of material service providers.

Risk Committee

The Risk Committee is responsible for assisting the Board in providing objective non-executive oversight of the implementation and operation of the Credit Union's risk management, taking into account the Credit Union's Risk Appetite Statement, the overall business strategy and management expertise. This includes the establishment, implementation, review and monitoring of risk systems and policies for the following:

- Market and Investment Rate Risk
- Liquidity and Funding Risk
- Credit Risk
- Insurance Risk
- Risks arising from the Credit Union's strategic objectives and business plans
- Fraud Risk
- Data Risk (security and data integrity)
- Reputational Risk
- Operational Risk; and
- Other risks that in isolation or in combination with different risks may have a material impact on the Credit Union.

Fire Service Credit Union Ltd

Directors Report

For the year ended 30 June 2019

3. Corporate Governance Statement (continued)

Ethical Standards

All directors, management and staff are expected to act with the utmost integrity, striving to enhance the credibility and performance of the Credit Union. In this regard the Credit Union directors must abide by a conflicts of interest policy. Where an actual or potential conflict arises, the director must remove themselves from any discussion or decision making with respect to matters where there is such a conflict or potential conflict.

Communication with Members

Members are encouraged to participate in the Annual General Meetings to ensure a high level of accountability.

Annual reports are available from the Credit Union Office and the Credit Union's website (www.fscu.com.au).

A newsletter also provides members with updates to events and services encouraging them to provide feedback to enhance the excellent relationship that the Credit Union currently enjoys.

4. Operating and financial review

The profit after tax of the Credit Union for the year ended 30 June 2019 was \$135k (30 June 2018: \$116k). The Credit Union continues to meet all statutory and regulatory obligations including APRA's liquidity and capital requirements.

5. Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Credit Union that occurred during the financial year under review.

6. Principal activities

The principal activities of the Credit Union during the course of the financial year were the provision of retail financial services to our members and acting as an insurance agent.

There were no significant changes in the nature of the activities of the Credit Union during the year.

7. Dividends

The Credit Union has not paid or declared a dividend out of Share Capital during the year ended 30 June 2019 (2018: nil).

8. Environmental regulations

The Credit Union's operation is not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Credit Union has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they may apply to the Credit Union during the year covered by this report.

9. Likely developments

The Credit Union will continue to provide services to members and does not anticipate any significant developments in the foreseeable future.

10. Directors' interests

During the financial year, no directors of the Credit Union have received or become entitled to receive any benefit other than a benefit included in the aggregated amount of remuneration received or due by directors shown in the financial statements by reason of contract made by the Credit Union or with any director or with a firm of which a director is a member, or with any entity of which a director has a substantial interest.

Fire Service Credit Union Ltd
Directors Report
For the year ended 30 June 2019

11. Indemnification and insurance of officers

The Credit Union holds a Directors' and Officers' insurance policy on behalf of directors for the year ended 30 June 2019, which was paid by the Credit Union with cover amounting to \$1,000,000 (2018: \$1,000,000).

The policy indemnifies directors against damages, legal costs and expenses arising from any claim made against them jointly or separately in relation to their duties as directors of the Credit Union.

The insurance policy does not cover the external auditor.

12. Public disclosure of prudential information

Prudential Standard APS 330 Public Disclosure requires the Credit Union to meet minimum requirements for the public disclosure of information on its risk profile, risk management, capital adequacy, capital instruments and remuneration practices. This information is published on the Credit Union's public website at <http://www.fscu.com.au/about-us-disclosure-documents.html>.

13. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 9 and forms part of the directors' report for financial year ended 30 June 2019.

14. Rounding off

The amounts contained in this report and in the financial statements have been rounded off to the nearest thousand dollars (unless otherwise stated) in accordance with Instrument 2016/191 issued by Australian Securities and Investment Commission dated 24 March 2016, as the Credit Union has total assets greater than \$10,000,000.

This report is made in accordance with a resolution of the directors:



Mr Paul Fletcher, MLshipMgmt, G.I.Fire E.

Chair

Dated at Adelaide this 18th day of September 2019



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Fire Service Credit Union Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Fire Service Credit Union Ltd for the financial year ended 30 June 2019 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.

KPMG

John Evans

Partner

Adelaide

18 September 2019

Fire Service Credit Union Ltd
Annual Report
For the year ended 30 June 2019

Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Interest Revenue	5	2,415	2,213
Interest Expense		(884)	(839)
Net interest income		1,531	1,374
Other revenue	6	246	244
Personnel expenses	7	(697)	(645)
Other expenses	8	(895)	(823)
Profit before income tax		185	150
Income tax expense	9	(50)	(34)
Profit for the year		135	116
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		135	116
Total comprehensive income attributable to:			
Members of the Credit Union		135	116
Total comprehensive income for the year		135	116

The notes on pages 14 to 44 are an integral part of these financial statements.

Fire Service Credit Union Ltd
Annual Report
For the year ended 30 June 2019

Statement of financial position

As at 30 June 2019

	Note	2019 \$'000	2018 \$'000
Assets			
Cash and cash equivalents	10	3,109	6,570
Receivables and other assets		40	108
Investment receivables	11	66	101
Loans and advances	12	44,333	37,244
Investments	13	16,303	19,559
Deferred tax assets	14	53	48
Plant and equipment	15	138	137
Intangible assets	16	25	34
Total assets		64,067	63,801
Liabilities			
Members' deposits	17	58,583	58,526
Trade and other payables	18	346	240
Employee benefits	19	142	129
Income tax payable		21	16
Total liabilities		59,092	58,911
Net assets		4,975	4,890
Equity			
Redeemed preference shares reserve	20	26	25
General credit loss reserve	20	67	60
Retained earnings		4,882	4,805
Total members' funds		4,975	4,890

The notes on pages 14 to 44 are an integral part of these financial statements

Fire Service Credit Union Ltd
Annual Report
As at 30 June 2019

Statement of changes in equity
For the year ended 30 June 2019

	Note	Redeemed preference shares \$'000	General credit loss reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2017		24	53	4,697	4,774
Total comprehensive income for the year					
Profit for the year		-	-	116	116
Total comprehensive income for the year		-	-	116	116
Transfer from retained earnings		1	7	(8)	-
Balance at 30 June 2018		25	60	4,805	4,890
Balance at 1 July 2018		25	60	4,805	4,890
Opening adjustment on initial adoption of AASB 9 (Note 3)		-	-	(50)	(50)
Restated balance as at 1 July 2018		25	60	4,755	4,840
Total comprehensive income for the year					
Profit for the year		-	-	135	135
Total comprehensive income for the year		-	-	135	135
Transfer from retained earnings		1	7	(8)	-
Balance at 30 June 2019		26	67	4,882	4,975

The notes on pages 14 to 44 are an integral part of these financial statements

Fire Service Credit Union Ltd
Annual Report
For the year ended 30 June 2019

Statement of cash flows
For the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Interest received		2,450	2,228
Net increase in loans and advances		(7,141)	(5,129)
Net increase in deposit accounts		57	5,269
Dividends received from investments		4	8
Interest paid to members		(884)	(839)
Fees and commissions received		310	218
Income taxes paid		(50)	(31)
Cash paid to suppliers and employees		(1,408)	(1,557)
Net cash from operating activities	10	(6,662)	167
Cash flows from investing activities			
Acquisition of plant and equipment	15 & 16	(66)	(35)
Disposal		11	-
Net decrease / (increase) in investments		3,256	2,692
Net cash flows from / (used in) investing activities		3,201	2,657
Net cash flows from financing activities		-	-
Net increase (decrease) cash and cash equivalents		(3,461)	2,824
Cash and cash equivalents at beginning of year		6,570	3,746
Cash and cash equivalents at end of year	10	3,109	6,570

The notes on pages 14 to 44 are an integral part of these financial statements

Fire Service Credit Union Ltd
Annual Report
For the year ended 30 June 2019

Notes to the financial statements
For the year ended 30 June 2019

1. Reporting entity

Fire Service Credit Union Ltd (the 'Credit Union') is an entity domiciled in Australia. The address of the Credit Union's registered office is 22 Chancery Lane, Adelaide, 5000.

The Credit Union is a for-profit entity and is primarily involved in the provision of retail financial services to our members, and acting as an insurance agent.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Credit Union complies with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

The financial report was authorised for issue by the directors on 18th September 2019.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency and rounding

These financial statements are presented in Australian dollars, which is the Credit Union's functional currency.

The Credit Union is of a kind referred to in ASIC Instrument 2016/191 dated 24 March 2016 and in accordance with that instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Credit Union.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In particular, significant areas of estimation uncertainty and critical areas where judgement has been applied are as follows:

- loans and advances are carried net of impairment provisions, which are based on the estimated recoverable amount, refer to note 4(a).

Fire Service Credit Union Ltd
Annual Report
For the year ended 30 June 2019

3. Change in accounting policies

Changes in accounting policy - Adoption of AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' (ECL) model for impairment of financial assets. On the application of AASB 9 the financial instruments of the Credit Union were re-classified as follows:

	Original classification AASB 139	New classification AASB 9	Closing balance 30 June 2018 (AASB 139) \$'000	Opening balance 1 July 2018 (AASB 9) \$'000
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	6,570	6,570
Receivables and other assets	Loans and receivables	Amortised cost	108	108
Investment receivables	Held to maturity	Amortised cost	101	101
Loans and advances	Loans and receivables	Amortised cost	37,244	37,194
Investments – interest earning deposits	Loans and receivables	Amortised cost	19,447	19,447
Shares in unlisted entities	Fair value through profit or loss (available for sale)	Fair value through other comprehensive income	112	112
Financial liabilities				
Members' deposits	Amortised cost	Amortised cost	58,526	58,526
Trade and other payables	Amortised cost	Amortised cost	240	240

The following table reconciles the carrying amounts of financial assets under AASB 139 to the carrying amounts under AASB 9 on 1 July 2018.

In thousands of AUD	AASB 139 carrying amount at 30 June 2018	Reclassification	Re-measurement	AASB 9 carrying amount at 1 July 2018
Financial assets				
<i>Amortised Cost</i>				
Cash and cash equivalents	6,570	-	-	6,570
Receivables and other assets	108	-	-	108
Investment receivables	-	101	-	101
Loans and advances	37,244	-	(50)	37,194
Investments – interest earning deposits	19,447	-	-	19,447
<i>Available for sale</i>				
Shares in unlisted entities	112	(112)	-	-
<i>Fair value through OCI</i>				
Shares in unlisted entities	-	112	-	112
<i>Held to maturity</i>				
Investment receivables	101	(101)	-	-
Total financial assets	63,582	-	(50)	63,532

Fire Service Credit Union Ltd
Annual Report
For the year ended 30 June 2019

3. Change in accounting policies (continued)

Initial recognition and measurement

Financial assets and financial liabilities are recognised in the statement of financial position when the Credit Union becomes a party to the contractual provisions of the instrument, which is generally on trade date. Loans and advances are recognised when cash is advanced (or settled) to borrowers. Financial instruments are initially measured at fair value plus transaction costs.

Classification and subsequent measurement

Measurement

Financial instruments measured at amortised cost

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method and less any reduction for impairment.

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in income and expenditure.

Classification for the year ended 30 June 2018 – AASB 139

These policies are only applicable for the year ended 30 June 2018 in respect of the classification of financial assets under AASB 139. Financial assets were classified as either loans and receivables or held-to-maturity investments under AASB 139.

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in income and expenditure through the amortisation process and when the financial asset is derecognised.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Credit Union's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in income and expenditure through the amortisation process and when the financial asset is derecognised.

Classification for the year ended 30 June 2019 – AASB 9

Financial assets are disclosed in the statement of financial position at a carrying amount which reflects the Credit Union's business model for managing assets.

The Credit Union's asset management model is that of holding financial assets with the objective of collecting contractual cash flows and where the contractual terms give rise to cash flows that are solely payments of principal and interest.

These financial instruments are, subsequent to initial measurement, measured at 'amortised cost' using the effective interest rate method or 'cost'.

Financial Liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in income and expenditure through the amortisation process and when the financial liability is derecognised. This remained unchanged from the year ended 30 June 2018 under AASB 139.

Fire Service Credit Union Ltd
Annual Report
For the year ended 30 June 2019

3. Change in accounting policies (continued)

Derecognition of financial instruments

The Credit Union derecognises a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Credit Union is recognised as a separate asset or liability.

The Credit Union removes a financial liability from the balance sheet when the obligation specified in the contract is discharged, cancelled or expires.

AASB 15 Revenue from Contracts with Customers

AASB 15 sets out a new framework for revenue recognition, replacing the principles under the former standards AASB 118 Revenue and AASB 111 Construction Contracts. It requires identification of performance obligations within a contract and an associated transaction price that is allocated to these performance obligations. Revenue is recognised upon satisfaction of these performance obligations, which occurs when a customer obtains control of the goods or services. The control may be transferred at a point in time or over a period of time.

The Credit Union adopted AASB 15 with a transition date of 1 July 2018. As permitted by AASB 15, the Credit Union has not restated its comparative financial statements. On transition, no material adjustment to opening retained earnings was recognised as the amendments to accounting policies did not result in significant changes to the timing or amount of revenue recognised. The Credit Union has utilised the practical expedient of applying the requirements of AASB 15 to portfolios of individual contracts with similar characteristics.

The Credit Union's revenue from contracts with customers primarily consists of other income presented on the Statements of Profit or Loss and Other Comprehensive Income and in Note 6. The impact of the adoption of AASB 15 on this income is outlined below.

Loan, access and other fee income

For the fees to which AASB 15 applies, the Credit Union has assessed that the performance obligations are satisfied either over time or at a point in time. This income will continue to be recognised either at the point it is received or over the periods in which the services are provided.

Insurance fees and commissions

The Credit Union has assessed that the performance obligations are satisfied over time and the income will be recognised over the life of the contract, consistent with the method previously used to recognise this income under AASB 118.

Dividends

Dividends from other investments are recognised when the right to receive the dividend has been established.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Financial instruments

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and deposits held with banks and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

Fire Service Credit Union Ltd
Annual Report
For the year ended 30 June 2019

4. Significant accounting policies (continued)

(a) Financial instruments (continued)

INVESTMENT RECEIVABLES

Investment receivables are held-to-maturity investments and are initially measured at fair value plus transaction costs and subsequently measured at amortised cost, as they are held in a business model with the objective of collecting contractual cash flows. The contractual terms of these investments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investment receivables were classified as held-to-maturity investments under AASB 139 in relation to the year ended 30 June 2018.

RECEIVABLES AND OTHER ASSETS

Receivables and other assets are initially measured at fair value plus transaction costs and are subsequently measured at amortised cost.

Receivables and other assets were classified as loans and receivables under AASB 139 in relation to the year ended 30 June 2018.

SHARES IN UNLISTED ENTITIES

The Credit Union has elected to measure the investments in equity instrument at Fair value through other comprehensive income. All fair value changes are recognised in the investment revaluation reserve and are never reclassified to profit or loss, even on disposal. Dividends on the investment are recognised in profit or loss. The investment in equity instruments do not have a quoted market price in an active market and the Credit Union establishes fair value by using historical arm's length transactions. Investment securities are recognised/derecognised by the Credit Union on the date it commits to purchase/sell the investments.

Investments in equity instrument were classified as available-for-sale under AASB 139 in relation to the year ended 30 June 2018.

LOANS AND ADVANCES

Loans and advances feature contract terms which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the origination of the loan or advance. These costs are amortised over the estimated life of the loan. Subsequently, loans and advances are measured at amortised cost using the effective interest rate method, net of any provision for credit impairment.

Loans and advances were classified as loans and receivables under AASB 139 in relation to the year ended 30 June 2018.

MEMBERS' DEPOSITS

Members' deposits are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost.

TRADE AND OTHER PAYABLES

Interest and other payables are initially recognised at cost and subsequently measured at amortised cost.

4. Significant accounting policies (continued)

(a) Financial instruments (continued)

PROVISION FOR EXPECTED CREDIT LOSSES

AASB 9 requires the Credit Union to recognise 'expected credit losses' on financial instruments. Expected credit losses represent a probability-weighted estimate of the present value of credit losses as a result of default. The Credit Union assesses default to have occurred where a contractual payment is more than 90 days past due. Financial assets to which the expected credit losses model are applied have been categorised as follows:

Stage	Measurement basis
Stage 1	Assets whose credit risk has not increased significantly since initial recognition.
Stage 2	Assets whose credit risk has increased significantly since initial recognition, other than assessed as credit-impaired.
Stage 3	Assets which are credit-impaired.

Expected credit losses on Stage 1 assets represent the portion of lifetime expected credit losses that result from default events that are possible within 12 months after the reporting date.

Expected credit losses on Stage 2 and Stage 3 assets represent lifetime expected credit losses resulting from all possible default events over the expected life of the financial asset.

Financial assets are assessed for significant increases in credit risk on an individual basis based on a variety of factors, including past events, current conditions and forward-looking information at both an individual counterparty level and a collective and macroeconomic level.

Financial assets which become past due by 30 days or more are presumed to have suffered a significant increase in credit risk in the absence of reasonable and supportable information which may rebut this presumption. The Credit Union assesses an amount as past due where a contractual payment has not been met.

Where a financial asset has been externally rated as 'investment grade' the Credit Union has assumed that the asset has not suffered a significant increase in credit risk since initial recognition. This assumption has been applied to the Credit Union's portfolio of held-to-maturity investments where relevant.

Expected credit losses on Stage 1 and Stage 2 financial assets are measured on a collective basis. Financial instruments are grouped by instrument type and on the basis of shared credit risk characteristics.

Measurement of expected credit losses – AASB 9

Expected credit loss calculations are based on historical loss rates, adjusted for current conditions and forward-looking information at both an individual counterparty level and a macroeconomic level.

Expected credit losses are the present value of the difference between all contractual cash flows due to the Credit Union and all the cash flows that the Credit Union expects to receive.

Mortgages over freehold property and other security are held in relation to a portion of the Credit Union's loans receivable. The existence of these security instruments is highly relevant to the estimation of expected credit losses.

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4. Significant accounting policies (continued)

(a) Financial instruments (continued)

Credit-impaired financial assets

A financial asset or a group of financial assets is deemed to be impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

In the case of financial assets carried at amortised cost, loss events may include: significant financial difficulty of the borrower; breach of contract, such as default or past due event; granting of concessions to a borrower due to the borrower's financial difficulty which the Credit Union would not otherwise consider; indications that it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Financial assets are assessed for indicators of impairment at the end of each reporting period. The amount of the impairment loss is measured as the difference between the asset's gross carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Any adjustment is recognised as an impairment gain or loss.

Year ended 30 June 2018 – AASB 139

The amount of any loss is recognised as a provision for impairment.

Year ended 30 June 2019 – AASB 9

The amount of any loss is recognised as part of the provision for expected credit losses.

Write-off of financial instruments

Financial assets are written off where there is no reasonable expectation of recovering the entirety or a portion of the gross carrying amount of a financial asset. The Credit Union generally determines that there is no reasonable expectation of recovery where the counterparty no longer has sufficient assets or cash flows to repay any further amounts, and collateral and guarantees held by the Credit Union to secure the exposure have been exhausted.

Recovery of amounts previously written off (for example, due to continuing enforcement activity) reduce any loan impairment expense recognised for the reporting period.

There was no change to the write-off policy as a result of the adoption of AASB 9.

Renegotiated or modified loans

Where the terms of a loan have been renegotiated or modified and the loan is not derecognised, the Credit Union adjusts the gross carrying amount of the financial asset to reflect the present value of the renegotiated cash flows. Where this occurs, the Credit Union assesses whether there has been a significant increase in credit risk by comparing the risk of default at the reporting date based on the modified contractual terms against the risk of default at the time of initial recognition of the original loan.

Where renegotiation or modification results in an assessment that the risk of default of a financial asset at the reporting date is no longer significantly higher than at the time of initial recognition, expected credit losses are remeasured to an amount equal to 12-month expected credit losses. A decrease in credit risk will ordinarily be assessed to have occurred after a prolonged history of payment performance against the modified contractual terms and consideration of a variety of indicators of financial performance of the borrower.

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4. Significant accounting policies (continued)

(a) Financial instruments (continued)

Collateral and other credit enhancements

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Credit Union. The Credit Union has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Credit Union's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The maximum credit exposure does not take into account the value of any collateral or other security held in the event other entities/parties fail to perform their obligations under the financial instruments in question. The value of collateral held against individual exposures is generally only assessed at the time of borrowing or when a specific review of that exposure is undertaken in accordance with policy.

The Credit Union holds collateral against loans and advances to members in the form of mortgage interests over real property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired.

(b) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit and loss.

(ii) Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Credit Union and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated depreciation rate for the current and comparative years are as follows:

	2019	2018
• fixtures and fittings	15.00%	15.00%
• office machines and furniture	10.00%	10.00%
• motor vehicles	25.00%	25.00%

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

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4. Significant accounting policies (continued)

(c) Intangible assets

Software, website and VISA license costs are recognised at cost less amortisation and impairment losses (refer to note 4(e)).

Amortisation is calculated to allocate the cost of intangible assets less their estimated residual value using the straight line method over their effective useful lives and is generally recognised in profit or loss.

The estimated amortisation rate for the current and comparative years are as follows:

	2019	2018
• Software	20.00%	20.00%
• Website	30.00%	30.00%
• VISA License	20.00%	20.00%

(d) Leased assets

Leases in terms of which the Credit Union assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The Credit Union is not currently engaged in any finance leases.

Other leases are classified as operating leases and the leased assets are not recognised in the Credit Union's Statement of Financial Position. Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

(e) Impairment of non-financial assets

The carrying amount of the Credit Union's assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the Statement of Profit and Loss and Other Comprehensive Income.

(f) Employee benefits

(i) Long service leave

The Credit Union's net obligation in respect of long service leave is the amount of future benefits that employees have earned in return for their service in the current and prior years. The obligation is calculated using expected future increases in wage and salary rates including the related on-costs. The benefit is discounted to determine its present value.

The discount rate is the yield at the reporting date on Australian high quality corporate bonds that have maturity dates approximating the terms of the Credit Union's obligations.

(ii) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave represent the present obligation resulting from employees' service provided to reporting date. For annual leave expected to be settled within 12 months, the provision is calculated at undiscounted amounts based on remuneration wage and salary rates that the Credit Union expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. For annual leave not expected to be settled within 12 months, the provision is calculated based on expected future wage increases including related on costs at expected settlement dates based on historical usage dates and is discounted to its present value.

4. Significant accounting policies (continued)

(f) Employee benefits

(iii) Superannuation

The Credit Union contributes to defined contribution superannuation funds. The Credit Union has no legal or constructive obligation to fund any shortfall in the fund's assets to meet payments due to employees. Employer contributions are based on various percentages of employees' gross salaries. Obligations for contributions are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income when they are due.

(g) Provisions

A provision is recognised if, as a result of a past event, the Credit Union has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(h) Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Credit Union and that revenue can be reliably measured. The principle sources of revenue are interest income, fees and commissions.

(i) Interest revenue

Interest income from loans and advances is recognised as it accrues using the effective interest rate method. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts through the expected life of the loan or advance or, when appropriate, a shorter period, to the gross carrying amount of the loan or advance.

For loans and advances with fixed interest rates, where cash flows are revised for reasons other than credit risk, changes to the future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is recorded as positive or negative adjustment to the carrying amount of the loan or advance on the Statements of Financial Position with a corresponding increase or decrease in the interest revenue calculated using the effective interest method. Included in this calculation are all fees paid or received that are integral to the contract.

For loans and advances with floating rates, periodic re-estimation of cash flows reflect the movements in the market rates of interest which alters the EIR. However, as the loans and advances with floating rates are initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the loan or advance. Fees paid or received that are integral to the contract are included in the re-estimation of the cash flows.

(ii) Dividend income

Dividend income is recognised when the right to receive the dividend has been established, which in the case of unlisted securities is when the dividend is declared.

(iii) Commissions

Insurance fees and commissions are earned by the Credit Union for acting in the capacity as an agent and referring insurance policies on to the relevant providers. The Credit Union's contracted performance obligations include initial referrals, policy renewals and ongoing processing and promotion obligations.

The total consideration to be received under the contract is calculated and allocated to separate performance obligations. Revenue is recognised over time as each performance obligation is completed.

Variable commissions are recognised only at the point that the income is highly probable and not expected to be reversed in future periods. Underlying judgements, estimates and assumptions required in calculated variable commission are reviewed on an ongoing basis. For variable consideration received in advance of the performance obligations being completed or highly probable criterion being met, a contract liability is recognised.

The accounting policy for revenue recognition of insurance fees and commissions for the 2018 comparatives figures differs in that, in accordance with AASB 118 Revenue, this income was recognised in proportion to the stage of completion of the transaction at the reporting date. No revenue was recognised if there were significant uncertainties regarding recovery of the consideration or consideration could not be measured reliably.

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4. Significant accounting policies (continued)

(h) Revenue (continued)

(iv) *Loan, access and other fee income*

For the fees to which AASB 15 applies, the Credit Union has assessed that the performance obligations are satisfied either over time or at a point in time. This income will continue to be recognised either at the point it is received or over the periods in which the services are provided.

Loan fee income is an integral part of the EIR of the loan and as such is recognised over the expected life of the loan. Performance obligations related to access fee income are completed at a point in time when a transaction takes place.

Access fee income is recognised when the performance obligation has been completed.

Performance obligations related to other fee income, predominately service related, are completed over time. Other fee income is recognised over the period that the service is provided. The accounting policy for revenue recognition of access fee income and other fee income for the 2018 comparatives figures differs in that, in accordance with AASB 118 Revenue, this income was recognised in proportion to the stage of completion of the transaction at the reporting date.

(i) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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4. Significant accounting policies (continued)

(j) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Credit Union in the period of initial application. They are available for early adoption at 30 June 2019, but have not been applied in preparing this financial report:

AASB 16 Leases

AASB 16 is effective for the reporting period beginning on 1 July 2019, with early adoption permitted. The standard requires operating leases to be recognised on balance sheet.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Broadly, this standard will require the calculations and recognition of a right-of-use asset and corresponding liability based on the discounted value of committed lease payments. These payments will be replaced by the straight-line amortisation of the right-of-use asset and will reduce the lease liability. As the lease liability will be carried at present value, an interest expense will arise over the period of the lease. The principal component of lease payments will be reclassified in the statement of cash flows from operating to financing activities.

As at the reporting date, the Credit Union has non-cancellable operating leases commitment of \$24k (note 22) and the new requirements are expected to have an impact as the leases are recognised on the Credit Union's Statement of Financial Position.

	2019 \$'000	2018 \$'000
5. Interest revenue		
Interest on loans	1,895	1,692
Interest on investments	520	521
	<u>2,415</u>	<u>2,213</u>
6. Other revenue		
Dividends	4	8
Member fee revenue	74	78
Commissions	168	158
	<u>246</u>	<u>244</u>

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	2019 \$'000	2018 \$'000
7. Personnel expenses		
Wages and salaries	610	561
Superannuation expenses	75	71
Increase in provision for employee benefits	12	13
	<u>697</u>	<u>645</u>
8. Other expenses		
Depreciation and amortisation	62	61
Operating lease rental expense	26	26
Computer system related expenses	249	240
Marketing expenses	13	12
Distribution expenses	209	172
Administration expenses	145	144
Professional fee expenses	116	93
Other Expenses	75	75
	<u>895</u>	<u>823</u>
9. Income tax expense		
Current tax expense		
Current year	54	44
Under/(over) provision of previous year	-	(1)
	<u>54</u>	<u>43</u>
Deferred tax expense		
Origination and reversal of temporary differences	(4)	(5)
Under/(over) provision of previous year	-	(4)
Total income tax expense	<u>50</u>	<u>34</u>
Numerical reconciliation between tax expense and pre-tax accounting profit		
Income tax using the Credit Union's statutory income tax rate of 27.5% (2018: 27.5%)	50	41
Tax effect on permanent differences:		
Add:		
Non-deductible expenses	1	-
Franking credits	1	1
Change in DTA rate	-	-
Less:		
Franking credits	(2)	(3)
Under/(over) provision of previous year	-	(5)
	<u>50</u>	<u>34</u>

For income tax purposes, Credit Unions are classified into 3 categories. Credit Unions with a notional taxable income of \$150,000 and over are taxed at 27.5%. On this basis, for the year ended 30 June 2019, the Credit Union's taxable income is taxed at 27.5%.

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	2019 \$'000	2018 \$'000
10. Cash and cash equivalents		
Bank balances	839	804
Cash deposits	2,140	5,690
Teller cash	130	76
Cash and cash equivalents in the statement of cash flows	<u>3,109</u>	<u>6,570</u>

The Credit Union's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21.

Reconciliation of cash flows from operating activities

Cash flows from operating activities		
Profit for the year	135	116
Adjustments for:		
Depreciation and amortisation	62	59
Provision for impairment	4	1
Operating profit before changes in working capital and provisions	<u>201</u>	<u>176</u>
Change in interest payable	-	-
Change in loans and advances	(7,141)	(5,129)
Change in deposits	57	5,269
Change in income tax payable	5	12
Change in accrued expenses and corporate cheques	105	(162)
Change in investment receivable	35	15
Change in receivable and other assets	68	(18)
Change in provisions for employee benefits	13	13
Change in deferred tax asset	(5)	(9)
Net cash used in operating activities	<u>(6,662)</u>	<u>167</u>

11. Investment receivables		
Interest due from investments	66	101
	<u>66</u>	<u>101</u>

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	2019 \$'000	2018 \$'000
12. Loans and advances		
Overdrafts (including lines of credit)	2,740	3,595
Term loans (excluding lines of credit)	41,653	33,655
Gross loans and advances	44,393	37,250
Provision for impairment	(60)	(6)
Net loans and advances	44,333	37,244
 (a) Loans by purpose	41,831	34,695
Residential loans	2,562	2,555
Personal loans	44,393	37,250
 (b) Loans by security	41,831	34,695
Secured by mortgage	2,562	2,555
Unsecured	44,393	37,250
 (c) Loans by interest rate type	44,393	37,250
Variable rate loans	44,393	37,250
 (d) Loans by geographical location	44,393	37,250
Adelaide and suburban areas	44,393	37,250
 (e) There are no non-accrual loans where interest has been suspended	-	-
 (f) Balance of loans outstanding greater than 90 days on which interest is being charged (2019: No loan - 2018: No loan)	-	-
 (g) The Statement of Financial Position does not take into account unused overdraft limits.	2,799	3,577
 (h) Concentration of loans		
The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:		
South Australia	44,393	37,250
Aggregate value of individual loans which exceed 10% of Total Members Funds in aggregate	6,600	4,352
Number of such loans	12	.8

At 30 June 2019 \$41.627m (2018: \$33.628m) of loans and advances to customers are expected to be recovered more than 12 months after the reporting date.

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	2019 \$'000	2018 \$'000
13. Investments		
Interest earning deposits	16,191	19,447
Shares in unlisted companies	112	112
	<u>16,303</u>	<u>19,559</u>

The Credit Union has elected to measure the investments in equity instrument at Fair value through other comprehensive income. The investment in equity instruments do not have a quoted market price in an active market and the Credit Union establishes fair value by using recent arm's length transactions. Investment securities are classified as level 3 in the fair value hierarchy.

The Credit Union's exposure to credit and interest rate risks related to other investments is disclosed in note 21.

14 Deferred tax asset

Deferred tax assets comprise:

Long service leave	28	26
Annual leave	11	9
Provision for FBT	1	-
Provision for audit fees	9	8
Provision for doubtful debts	3	2
Property, plant and equipment	1	3
	<u>53</u>	<u>48</u>

15. Plant and equipment

	Motor Vehicles \$'000	Office machines & furniture \$'000	Fixtures & fittings \$'000	Total \$'000
Cost or deemed cost				
Balance at 1 July 2017	37	42	160	239
Additions	-	7	28	35
Balance at 30 June 2018	<u>37</u>	<u>49</u>	<u>188</u>	<u>274</u>
Balance at 1 July 2018	37	49	188	274
Disposals	(37)	-	-	(37)
Additions	41	2	-	43
Balance at 30 June 2019	<u>41</u>	<u>51</u>	<u>188</u>	<u>280</u>
Depreciation and impairment losses				
Balance at 1 July 2017	10	36	60	106
Depreciation for the year	9	7	15	31
Balance at 30 June 2018	<u>19</u>	<u>43</u>	<u>75</u>	<u>137</u>
Balance at 1 July 2018	19	43	75	137
Depreciation for the year	10	6	14	30
Disposal	(25)	-	-	(25)
Balance at 30 June 2019	<u>4</u>	<u>49</u>	<u>89</u>	<u>142</u>
Carrying amounts				
At 1 July 2017	27	6	100	133
At 30 June 2018	<u>18</u>	<u>6</u>	<u>113</u>	<u>137</u>
At 1 July 2018	18	6	113	137
At 30 June 2019	<u>37</u>	<u>2</u>	<u>99</u>	<u>138</u>

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16. Intangible assets

	Software \$'000	Website \$'000	VISA License \$'000	Total \$'000
Cost				
Balance at 1 July 2017	73	38	76	187
Addition	2	-	-	2
Balance at 30 June 2018	75	38	76	189
Balance at 1 July 2018	75	38	76	189
Addition	23	-	-	23
Balance at 30 June 2019	98	38	76	212
Amortisation and impairment losses				
Balance at 1 July 2017	46	11	68	125
Amortisation for the year	12	12	6	30
Balance at 30 June 2018	58	23	74	155
Balance at 1 July 2018	58	23	74	155
Amortisation for the year	15	15	2	32
Balance at 30 June 2019	73	38	76	187
Carrying amounts				
At 1 July 2017	27	27	8	62
At 30 June 2018	17	15	2	34
At 1 July 2018	17	15	2	34
At 30 June 2019	25	-	-	25

	2019 \$'000	2018 \$'000
17. Members' deposits		
Call deposits	34,392	36,082
Term deposits	24,156	22,409
Members shares	35	35
	<u>58,583</u>	<u>58,526</u>
(a) <i>Deposits by geographical locations</i>		
South Australia	<u>58,583</u>	<u>58,526</u>

(b) *Concentration of deposits*

There are no members' deposits comprising major concentration of more than 10% of total liabilities.

Due to the nature of the Credit Union's membership base there is significant concentration of deposits held by members of the South Australian Emergency Services.

18. Trade and other payables

Interest payable	157	159
Corporate cheques	104	11
Accrued expenses	85	70
	<u>346</u>	<u>240</u>

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	2019 \$'000	2018 \$'000
19. Employee benefits		
Current		
Liability for annual leave	40	33
Liability for long service leave	96	60
Total employee benefits – current	136	93
Non-Current		
Liability for long service leave	6	36
Total employee benefits – non-current	6	36
Total employee benefits	142	129
20. Reserves		
Redeemed preference share reserve		
Opening balance	25	24
Transfer from retained earnings	1	1
Closing balance	26	25
<p>Under the <i>Corporations Act 2001</i>, redeemable preference shares (members' \$10 shares) may only be redeemed out of the Credit Union's profit or through a new issue of shares for the purpose of the redemption. The Credit Union has therefore transferred the value of the member shares redeemed since 1st July 1999 (the date that the <i>Corporations Act 2001</i> applied to the Credit Union), by transferring the value of those shares from retained earnings to the redeemed preference share capital account.</p>		
General reserve for credit losses		
Opening balance	60	53
Transfer from retained earnings	7	7
Closing balance	67	60

APRA requires Authorised Deposit taking institutions to maintain a General Reserve for Credit Losses in equity. The reserve for credit losses is raised to recognise that loans that are currently not in default have a probability of future loss. The reserve is calculated based on current non-delinquent credit balances and total loans and advances.

21. Financial risk management and financial instruments

Overview

The Credit Union has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- interest rate risk; and
- operational risk.

This note presents information about the Credit Union's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Our approach to risk management is built on formal governance processes and relies on individual responsibility and reporting.

Risk management policies are established to identify and analyse the risks faced by the Credit Union, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Credit Union's activities. The Credit Union, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Credit Union if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Management of credit risk

In relation to loans and advances, the Credit Union has clearly defined credit policies for the approval and management of credit risk. Current credit risk policies incorporate an assessment of a counterparty's repayment capacity and security and specifies acceptable terms and conditions for all types of loan products.

Secured residential loans have a maximum loan-to-security valuation ratio of 80% unless mortgage protection insurance is purchased by the counterparty. Consumer and revolving credit is generally unsecured.

A proactive approach to the identification and control of loan impairment is maintained on a weekly basis and reported to the Board monthly.

Lending policies and limits are reviewed and approved annually by the Board. The Board ensures that any exposures to credit risk, and significant changes in policy remain within the overall risk exposure levels as agreed by the Board.

The Credit Union limits its exposure on its held-to-maturity investments by only investing in funds with authorised deposit taking institutions (ADIs) which are regulated by APRA. All investments are held with institutions with a BBB- or higher credit rating. (Some non-High Quality Liquid Asset (HQLA) are held with unrated ADIs).

APRA has also enforced concentration limits upon the Credit Union in respect of its lending and investment activities under the terms of the Credit Union's financial services licence.

Credit risk exposure

The maximum exposure to credit risk by class of recognised financial assets at balance date is equivalent to the carrying value and classification of those financial assets as presented in the statement of financial position, plus loans approved but not yet advanced and undrawn overdraft facilities.

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21. Financial risk management and financial instruments (continued)

The table below shows the gross credit risk exposures to which the expected credit losses model is applied, grouped by financial asset type and credit risk rating grade. Loans and advances are internally rated based on a variety of factors, including past events, current conditions and forward-looking information at both an individual counterparty level and a collective and macroeconomic level. Debt securities are externally rated in accordance with credit rating grades provided by rating agencies.

2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL Not credit impaired	Stage 3 Lifetime ECL Credit impaired	Total
	\$'000	\$'000	\$'000	\$'000
Loans – Firefighters & other				
Low risk	44,376	-	-	44,376
Moderate risk	-	17	-	17
Higher risk	-	-	-	-
Total	44,376	17	-	44,393
Investment Securities				
AAA to AA-	6,200	-	-	6,200
A+ to A-	1,890	-	-	1,890
BBB+ to BBB-	4,000	-	-	4,000
Not rated	4,101	-	-	4,101
Total	16,191	-	-	16,191
Total gross carrying amount	60,567	17	-	60,584

2018				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL Not credit impaired	Stage 3 Lifetime ECL Credit impaired	Total
	\$'000	\$'000	\$'000	\$'000
Loans – Firefighters & other				
Low risk	37,250	-	-	37,250
Moderate risk	-	-	-	-
Higher risk	-	-	-	-
Total	37,250	-	-	37,250
Investment Securities				
AAA to AA-	5,500	-	-	5,500
A+ to A-	1,890	-	-	1,890
BBB+ to BBB-	4,500	-	-	4,500
Not rated	7,557	-	-	7,557
Total	19,447	-	-	19,447
Total gross carrying amount	56,697	-	-	56,697

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21. Financial risk management and financial instruments (continued)

Exposure to credit risk

The carrying amount of the Credit Union's financial assets represents the maximum credit exposure. The Credit Union's maximum exposure to credit risk at the reporting date was:

	Note	2019 \$'000	2018 \$'000
Investments receivables	13	16,191	19,447
Loans and receivables	12	44,393	37,250
Cash and cash equivalents	10	2,979	6,494
		63,563	63,191

Impairment losses

The ageing of the Credit Union's loans and advances at the reporting date was:

Not past due	44,376	37,006
Past due 0 – 30 days	-	244
Past due above 30 days	17	-
	44,393	37,250

During 2019 the Credit Union wrote off loans totalling Nil (2018: Nil).

The movement in the allowance for impairment in respect of loans and advances during the year was as follows:

Balance at 1 July	6	5
Increase in provision	54	1
Balance at 30 June	60	6

"Non-accrual loans" are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful and there is insufficient security. Unsecured loans are treated as non-accrual once they are 180 days in arrears. The category also includes any credit risk facility for which a specific provision for impairment has been raised.

"Restructured loans" arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms, and the revised terms are not comparable to new facilities. Loans with revised terms are included in non-accrual loans when impairment provisions are required or the collection and recovery of all interest and principal is considered to be reasonably doubtful. There were no restructured loans as at 30 June 2019 (2018: nil).

"Assets acquired through the enforcement of security" are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements. The recoverable value of such assets form part of the net value of loans and advances.

Details of non-financial assets obtained by the Credit Union during the year by taking possession of collateral held as security against loans and advances are shown below:

"Past due loans" are loans which the member fails to make a payment when it is contractually due. Full recovery of both principal and interest is expected. If an impairment provision is required or the collection and recovery of all interest and principal is considered to be reasonably doubtful, the loan is included in non-accrual loans.

There was no impairment loss recognised with respect to held-to-maturity investments during the year (2018: nil).

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For the year ended 30 June 2019

21. Financial risk management and financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Credit Union will not be able to meet its financial obligations as and when they fall due. The Credit Union's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Credit Union's reputation.

The Credit Union ensures that obligations are met day to day in normal market conditions at the lowest costs. Protection against an unexpected outflow of funds is provided for within the liquidity management process and from a stock of High Quality Liquid Assets (HQLA)

The liquidity shortfall could be caused by many factors including:

- The withdrawal of customer deposits; and
- The drawdown of members' borrowings and growth of non-liquid assets.

Management of liquidity risk

Liquidity risk management within the Credit Union considers both the overall Statement of Financial Position and the projected daily liquidity requirements, measuring the combined effects of assets and liability maturity mismatches and the undrawn commitments. It considers the time periods over which the liquidity demands are most strong and financial markets. The Credit Union has a policy to maintain a liquidity ratio of 16% (2018:16%). The day to day management of liquidity is the responsibility of the management of the Credit Union, and reporting is undertaken weekly to the management and is reported monthly to the Board.

Liquidity policy is approved by the Board and is always in excess of the regulatory guidelines. "APRA requires the Credit Union to maintain a minimum holding of 9% of its liabilities in specified high quality liquid assets at all times".

	2019	2018
Liquidity	21.02%	29.40%

30 June 2019

Non-derivative financial liabilities

	Note	Carrying amount \$'000	Contractual cash flows \$'000	12 months or less \$'000	1-5 years \$'000	More than 5 years \$'000	At Call Deposits \$'000
Members' deposits	17	58,583	59,147	24,720	-	-	34,427
Trade and other payables	18	346	346	346	-	-	-
		58,929	59,493	25,066	-	-	34,427

30 June 2018

Non-derivative financial liabilities

	Note	Carrying amount \$'000	Contractual cash flows \$'000	12 months or less \$'000	1-5 years \$'000	More than 5 years \$'000	At Call Deposits \$'000
Members' deposits	17	58,526	58,766	22,649	-	-	36,117
Trade and other payables	18	240	240	240	-	-	-
		58,766	59,006	22,889	-	-	36,117

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21. Financial risk management and financial instruments (continued)

Market risk management

Market risk is the risk of exposure to changes to financial prices affecting the value of positions held by the Credit Union as part of normal trading activities. As the Credit Union does not deal in foreign exchange contracts or commodities, market risk consists solely of interest rate risk.

Interest rate risk management

The management of net interest rate risk is primarily through monitoring the sensitivity of the Credit Union's financial assets and liabilities to standard and non-standard interest rates offered on loans and deposits.

Profile of interest rate risk

At the reporting date the interest rate profile of the Credit Union's interest-bearing financial instruments was:

	Note	2019 \$'000	2018 \$'000
Fixed rate instruments			
Financial assets	13	7,991	11,447
Financial liabilities	17	24,156	22,409
Variable rate instruments			
Financial assets	10, 12 & 13	55,572	51,744
Financial liabilities	17	34,392	36,082

A change of 1% in interest rates at the reporting date would have increased / (decreased) equity and profit and loss by the amounts shown below.

	Profit or loss		Equity	
	1% Increase \$'000	1% Decrease \$'000	1% Increase \$'000	1% Decrease \$'000
30 June 2019				
Financial assets	556	(556)	556	(556)
Financial liabilities	(344)	344	(344)	344
	212	(212)	212	(212)
30 June 2018				
Financial assets	517	(517)	517	(517)
Financial liabilities	(361)	370	(361)	361
	156	(147)	156	(147)

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21. Financial risk management and financial instruments (continued)

Operational risk

Operational risk is the potential risk of financial loss or impairment to reputation resulting from inadequate or failed internal processes and systems, from the actions of people or from external events.

Major sources of operational risk include:

- outsourcing of operations;
- key person risk;
- dependence on key suppliers;
- IT security;
- internal and external fraud;
- implementation of strategy change;
- regulatory non-compliance; and
- process errors and external threats such as the loss of a critical site.

The Credit Union's Chief Executive Officer manages this risk through implementing appropriate controls and loss mitigation actions including insurance. These actions include a balance of policies, procedures and internal controls to ensure compliance with laws and regulations. Risk and control assurance is facilitated by the Chief Executive Officer and reported quarterly to the Board Audit Committee and on an annual basis to the Board.

The Credit Union has a Business Continuity Plan and a process in place to recognise, assess, and report risk if needed.

Capital adequacy

The primary objectives of the Credit Union's capital management are to ensure that the Credit Union complies with externally imposed capital requirements, maintains capital ratios to support the business and to cover risks inherent to its activities.

The management of the capital is a fundamental part of its risk management process, as an essential element of capital is its availability to absorb future, unexpected and unidentified losses.

Effective management of capital risk involves the maintenance of adequate levels of capital. This means having a level suitable for the activities it undertakes.

The Board has a duty to ensure that the Credit Union maintains an appropriate level and quality of capital commensurate with the level and extent of risks to which the Credit Union is exposed from its activities. It does have an Internal Capital Adequacy Assessment Process (ICAAP) and capital management plan.

The Credit Union's capital will have the following characteristics:

- (a) provide a permanent and unrestricted commitment of funds;
- (b) be freely available to absorb losses;
- (c) not impose any unavoidable servicing charge against earnings; and
- (d) rank behind the claims of depositors and other creditors in the event of winding up.

Fire Service Credit Union Ltd
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For the year ended 30 June 2019

21. Financial risk management and financial instruments (continued)

Capital adequacy (continued)

For capital adequacy purposes the Credit Union's capital is assessed in two tiers:

- (a) Tier 1 capital comprises the highest quality component of capital that fully satisfies all the essential characteristics as above.
- (b) Tier 2 capital includes other elements which to varying degrees, fall short of the quality of Tier 1 capital but none the less contribute to the overall strength of the Credit Union as a going concern.

The Credit Union's capital base (the numerator of the capital ratio) is defined as the sum of eligible Tier 1 capital and Tier 2 capital net of all specified deductions and amortisation, subject to the limits that apply under APS 110.

The Credit Union has complied with APRA requirements.

The capital management position is set out by the Board annually and reported monthly.

The Credit Union's capital position as at 30 June 2019 was as follows:

	2019 %	2018 %
Capital Adequacy Ratio	17.98%	17.59%

Capital	2019 \$'000	2018 \$'000
Retained Earnings	4,882	4,805
Reserves	26	25
Common Equity Tier 1 Capital	4,908	4,830
Deferred Tax Assets	(53)	(48)
Intangible assets	(25)	(34)
Investments in banking and financial entities	(112)	(112)
Regulatory Adjustment to Common Equity Tier 1 Capital	(190)	(194)
Tier 1 Capital	4,718	4,636
General Reserve for Credit Losses	67	60
Tier 2 Capital	67	60
Total Capital	4,785	4,696

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21. Financial risk management and financial instruments (continued)

Repricing analysis

The Credit Union's repricing analysis as at 30 June 2019 was as follows:

	Balance Sheet Total \$'000	Floating interest rate \$'000	0-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Over 5 years \$'000	Non- interest bearing \$'000
2019							
Assets							
Cash and cash equivalents	3,109	2,979	-	-	-	-	130
Interest earning deposits	16,191	8,200	7,990	1,500	6,200	500	-
Investment Receivables	66	-	-	-	-	-	66
Loans and advances	44,393	44,393	-	-	-	-	-
Other investments	112	-	-	-	-	-	112
	63,871	55,572	7,990	1,500	6,200	500	308
Liabilities							
Member deposits	58,583	34,392	12,691	11,465	-	-	35
Other liabilities	346	-	-	-	-	-	346
	58,929	34,392	12,691	11,465	-	-	381

2018

Assets							
Cash and cash equivalents	6,570	6,494	-	-	-	-	76
Interest earning deposits	19,447	8,000	10,470	977	-	-	-
Investment Receivables	101	-	-	-	-	-	101
Loans and advances	37,250	37,250	-	-	-	-	-
Other investments	112	-	-	-	-	-	112
	63,480	51,744	10,470	977	-	-	289
Liabilities							
Member deposits	58,526	33,954	11,109	11,300	-	-	35
Other liabilities	240	-	-	-	-	-	240
	58,766	33,954	11,109	11,300	-	-	275

21. Financial risk management and financial instruments (continued)

Fair values

The following methods and assumptions are used to determine the fair values of financial assets and liabilities based on the assumptions in the summary of significant accounting policies at Note 4.

The different levels have been defined as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities (the Credit Union has no such financial instruments)
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3:** inputs for the asset or liability that are not based on observable market data.

The fair value hierarchy applied to each category of financial asset and liability is noted below.

The carrying amount of financial assets and financial liabilities are reasonable approximation of their fair value.

The net fair value estimates were determined by the following methodologies and assumptions:

(i) Cash and cash equivalents (Level 1)

The carrying values of cash and cash equivalents approximate their net fair value as they are either physically held as cash or they are short term in nature or are receivable on demand.

(ii) Receivables and other assets and investment receivables (Level 2)

The carrying values of trade debtors and other receivables is estimated to approximate fair value.

(iii) Loans and advances (Level 3)

The carrying value of loans, advances and other receivables is net of specific provisions for impairment and interest/fees reserved.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of net fair value.

(iv) Investments – interest earning deposits (Level 2)

The carrying values of interest earning deposits have been deemed to be representative of net fair value. The assets will either be held to maturity, cannot be redeemed, or are not interest rate sensitive.

(v) Investments – shares in unlisted companies (Level 3)

Equity investments are not held for trading and the Credit Union has irrevocably elected to designate at fair value through other comprehensive income. The Credit Union established fair value by reference to historical comparable arm's length transactions.

(vi) Member deposits (Level 2)

The net fair value, which includes the value of non-interest-bearing, call and variable rate deposits repricing within six months. The carrying value as at balance date approximates their net fair value as they are either physically held as cash or they are short term in nature or are receivable on demand.

(vii) All other financial liabilities (Level 2)

The carrying value of financial liabilities has been deemed to be representative of their net fair market value.

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21. Financial risk management and financial instruments (continued)

		30 June 2019		
Financial instruments not measured at fair value		Carrying amount	Fair values	Fair value hierarchy
	Note	\$'000	\$'000	\$
Financial assets				
Cash and cash equivalents	10	3,109	3,109	Level 1
Receivables and other assets		40	40	Level 2
Investment receivables	11	66	66	Level 2
Loans and advances	12	44,333	44,333	Level 3
Investments	13	16,191	16,191	Level 2
Shares in unlisted entities	13	112	112	Level 3
Total financial assets		63,851	63,851	
Financial liabilities				
Members' deposits	17	58,583	58,583	Level 2
Trade and other payables	18	346	346	Level 2
Total financial liabilities		58,928	58,928	

		30 June 2018		
Financial instruments not measured at fair value		Carrying amount	Fair values	Fair value hierarchy
	Note	\$	\$	\$
Financial assets				
Cash and cash equivalents	10	6,570	6,570	Level 1
Receivables and other assets		108	108	Level 2
Investment receivables	11	101	101	Level 2
Loans and advances	12	37,244	37,244	Level 3
Investments	13	19,447	19,447	Level 2
Shares in unlisted entities	13	112	112	Level 3
Total financial assets		63,582	63,582	
Financial liabilities				
Members' deposits	17	58,526	58,526	Level 2
Trade and other payables	18	240	240	Level 2
Total financial liabilities		58,766	58,766	

22. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2019 \$'000	2018 \$'000
Less than one year	24	-
One year or later and no later than 2 years	-	26
Later than 2 years	-	29
	24	55

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23. Capital and other commitments

Capital expenditure commitments

The Credit Union has no capital expenditure commitments at 30 June 2019 (2018: nil).

	2019 \$'000	2018 \$'000
Loans pending settlement		
Loans approved yet to be disbursed	-	1,055

Commitments to expenditure on banking system

The Credit Union signed a 5 year contract in 2010 with Data Action for the provision of computer bureau services and computer support. The contract includes a clause agreeing to a 3%p.a. increase. This contract continues on a rolling basis with twelve months' notice.

Based on the most recent financial information provided by Data Action, the bureau fees are likely to be:

	2019 \$'000	2018 \$'000
Within one year	187	179
One year or later and no later than 2 years	-	-
Later than 2 years	-	-
	187	179

24. Contingencies

Details of contingent liabilities and contingent assets where the probability of future payments/receipts is not considered remote are set out below, as well as details of contingent liabilities and contingent assets, which although considered remote, the directors consider should be disclosed.

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Credit Union Financial Support System (CUFSS)

With effect from 1 July 1999, the Credit Union is a party to an Industry Support Contract (ISC) administered by CUFSS Limited. The ISC is certified by APRA under Section 11CB of the Banking Act 1959 (Cth) and is a voluntary financial support scheme whose members are Credit Unions, Mutual Banks and Cuscal Limited. CUFSS is a company limited by guarantee, each member's guarantee being \$100.

As a member of CUFSS, the Credit Union:

- May be required to advance funds up to 3% (excluding permanent loans) of total assets to another Credit Union requiring financial support; and
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

No such direction has, at balance date, been given to the Credit Union.

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25. Related parties

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any Director of the Credit Union.

The following were key management personnel of the Credit Union at any time during the reporting period, and unless otherwise indicated were directors for the entire year:

Mr P Fletcher – Chair	Mr N Johnson – Director
Mr A Karapetian – Director	Mrs T Ireland – Chief Executive Officer and Company Secretary
Mr E Holzbauer – Director	Ms E Lew – Director
Mr J Swann – Deputy Chair	Ms J Driscoll – Finance Officer
Mr G Northcott – Director	

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 7) are as follows:

	2019 \$	2018 \$
Short-term employee benefits	161,693	173,697
Post-employee benefits	29,650	28,609
Annual leave	12,787	15,881
Long service leave	5,649	1,409
	<u>209,779</u>	<u>219,596</u>

Loans to key management personnel

The following loan facilities were conducted by Directors at normal member rates during the year:

Principle and interest loans	337,015	391,325
Lines of credit	19,257	24,625
Balance outstanding	<u>356,272</u>	<u>415,950</u>

The aggregate amount of loans made during the year were:

Principle and interest loans	75,491	76,910
Lines of credit	52,559	62,913
	<u>128,050</u>	<u>139,823</u>

The aggregate amount of loans made during the year includes amount redrawn from existing loans.

The aggregate amount of loan repayments received this year were:

Principle and interest loans	144,439	112,777
Lines of credit	59,339	55,606
	<u>203,778</u>	<u>168,383</u>

Interest charges made during the year were:

Principle and interest loans	14,639	18,285
Lines of credit	1,413	1,535
	<u>16,052</u>	<u>19,820</u>

The key management personnel of the Credit Union and their families conduct loans, savings and investments with the Credit Union at normal member rates and conditions. No conditions were breached during the financial year.

Other key management personnel transactions with the Credit Union

Apart from the details disclosed above, no key management personnel have entered into a material contract with the Credit Union since the end of the previous financial year and there were no material contracts involving Directors' interests existing at the year end.

Fire Service Credit Union Ltd
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26. Dividend franking account

The Credit Union has generated franking credits from the payment of income tax since the 1996 financial year. The total of franking credits adjusted for credits which will arise from the payment of income tax provided for in the financial statements is \$1,592,074 (2018: \$1,590,437).

However, the ability of the Credit Union to utilise these credits is restricted by the rules of the Credit Union, which do not permit the Credit Union to pay dividends. The Credit Union is prevented from distributing the balance of the franking credits.

27. Auditor's remuneration

	2019 \$	2018 \$
Audit services		
Auditors of the Company		
KPMG Australia		
Audit of financial report and other assurance services	59,043	46,240
Other regulatory audit services	9,982	9,400
	<u>69,025</u>	<u>55,640</u>
KPMG Australia		
Taxation services	5,750	5,750
	<u>5,750</u>	<u>5,750</u>

28. Subsequent Events

There have been no events subsequent to balance sheet date which would have a material effect on the Credit Union's financial statements as at 30 June 2019.

Fire Service Credit Union Ltd
Annual Report
For the year ended 30 June 2019

Directors' declaration

In the opinion of the directors of Fire Service Credit Union Ltd ('the Credit Union'):

- (a) the financial statements and notes that are set out on pages 10 to 44, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Credit Union's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and
- (c) there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.



Mr Paul Fletcher MLshipMgmt G.I.Fire E.
Chair

Dated at Adelaide this 18 September 2019



Independent Auditor's Report

To the Members of Fire Service Credit Union Ltd

Opinion

We have audited the **Financial Report** of Fire Service Credit Union Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2019;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Fire Service Credit Union Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.



Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

John Evans

Partner

Adelaide

18 September 2019

