



# **ANNUAL REPORT 2019**

**CREDIT UNION AUCKLAND**  
**Trading as NZCU AUCKLAND**



## **ANNUAL GENERAL MEETING**

**Monday 16 September 2019**

**Danish House, 6 Rockridge Avenue, Penrose at 7.00pm**

### **Agenda:**

- Welcome to Members and guests
- Apologies
- Confirmation of Minutes of the Annual General Meeting held 24 September 2018
- Matters arising from the Minutes of the previous Annual General Meeting
- Receipt and adoption of:
  - a) Chairman's Report
  - b) Chief Executive's Report
  - c) Treasurer's Report & Approval of Annual Financial Statements
  - d) Trustees' Report
- Ordinary Resolution for approval of incorporation
- Special Resolution for approval of proposed replacement Rules
- Specific Business
  - Confirmation of Directors' Fees
  - Appointment of External Auditors
- Election of Officers
- General Business
- Drinks and food

## Chairman's Report



It is my pleasure to present the 54<sup>th</sup> Annual Report to Members of Credit Union Auckland (CUA) on behalf of your Directors. CUA was built on a foundation of Member commitment and best governance practices. We are affiliated to the NZ Association of Credit Unions (trading as Co-op Money NZ) who in turn are affiliated to the World Council of Credit Unions (WOCCU).

Belonging to these two organisations allows us to keep abreast of International and NZ wide trends to give our Members the best returns on their savings and lowest possible rates on loans. As every Member is an owner (shareholder) of their Credit Union we truly are 'people helping people'. This means after statutory fees and charges and our modest operating costs, the surpluses are returned to our Members. We have a proud 54 year history of adhering to this Credit Union philosophy. The Credit Union is your Credit Union and one that you can rightly be proud to recommend to extended families, friends and colleagues.

### **Financial:**

Last December we converted to the new Oracle Flexcube banking system which was promised to be a like for like operating system to our old 25-year-old FACTS system. As this was a major transaction your Board of Directors committed significant time over many extra meetings to ensure management made as seamless as possible conversion. I can report that the conversion of NZCU Auckland was the smoothest of all conversions. I would like to thank all Members for their support during this conversion period when there was the odd hiccup. The conversion programme came with unexpected cost overruns and delays both of which have given rise to the significant loss this year. Unfortunately, again we have not been able to collect our traditional Insurance commissions and Dividends. Nonetheless, our Capital Adequacy is at 15.83% with our Reserves at \$3.460m. Total Assets increased by over \$1.2m to \$22.079m.

### **Governance:**

During the past year our Board has met monthly with many additional Board meetings as required. All Directors have worked and debated hard in the interests of Members. We hold an annual strategic planning day and continue to meet as required with our fellow Credit Unions on a regular basis. To handle the workload your Board has a number of sub-committees that Directors participate in such as Audit, Risk and Compliance, Learning and Capabilities, Nomination and the Trustees. This past year has also seen a number of meetings with Government agencies as compliance regulations seem to be under constant change.

For balance and best practice the Board of Directors have an independent Chair (myself) and 2 other Independent Directors with a total complement of 8 Directors.

**Future:**

We are very conscious that we still have not found a new home for our Airport Members. We would appreciate all the help we can get to find this new home for them. As earlier reported, we have converted over to Oracle Flexcube, the latest banking software, which will position us well for the future. At the end of this calendar year we are required to convert your Credit Union into an incorporated entity. This will not affect our services or support to Members, but rather make it simpler for Government Departments to oversee Credit Unions.

We will continue surveying our Members to ensure we meet your needs. Please do participate in these surveys as they help us shape our future and only take a few minutes of your time. By listening to our Members we will continue to be successful whilst following our guiding principles of:

- Encouraging thrift amongst Members
- Providing loans to Members at lowest rates
- Paying the best possible interest rates on your savings
- Offering Budget and savings advice and help

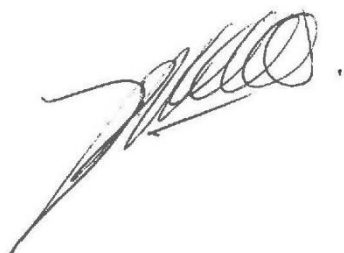
**Acknowledgements:**

The success of your Credit Union would not be possible without such a dedicated CEO and staff, who have had a most challenging year with the system and legislative changes. The Board sincerely thanks them all.

It would be remiss of me not to also thank my dedicated team of Directors for their commitment and time given so freely, especially for the additional meetings we have had throughout the year.

I particularly want to thank John Stevenson who retires from the Board this year after serving you for 17 years. He first joined the Credit Union in 1997 and became an Associate Director in 2002. Among his many contributions, he has been elected as a Trustee for the last 10 years and his presence on the Board will be missed. We wish John and Marion the very best in their retirement and travelling throughout the country.

Thank you again Members for attending tonight and it has been a privilege to serve you over the last 12 months.

A handwritten signature in black ink, appearing to read 'Doug McLaren', with a stylized flourish extending downwards and to the left.

**Doug McLaren**  
Chairman

## Chief Executive's Report



Thank you again for this opportunity to talk to you tonight. As I predicted last year, these last 12 months have been intensely busy with great change for everyone and, on many occasions, very frustrating.

While the financial result does not look very positive, there are many factors that have gone into our year which have impacted on the Balance Sheet. The strong positive factor is that over many years we purposely built a strong Balance Sheet so that we could make good decisions for the Credit Union and its Members without having to worry about the financial implications. As I said last year, we continue to be driven by the belief that supporting Member benefits is the best way to manage our business.

As our Chairman has already stated, our loss for the year of \$309,458 was greater than we had budgeted for but in light of the unexpected compliance issues required of us by the RBNZ, not unsatisfactory. We continued our objectives of keeping Dividends paid on savings significantly higher than the banks and other financial institutions, while at the same time remaining very competitive with our interest rates on loans. Members continue to demonstrate faith in us by increasing our Savings by \$1.501m (9.18%). Unfortunately, our Loans could not keep pace and the book fell by \$655k (4.23%).

A major event of the year was the transition to a new banking computer platform. The actual transition on the weekend of 1<sup>st</sup> December went well and unlike many other such projects, the impact on Members at the time was negligible. For this I am extremely grateful to our staff for the long hours and hard work put in before the day to make sure that everything went as smoothly as possible. It is also fair to say that day-to-day operation of the system since then has not been without its challenges. We continue to experience unexpected difficulties and it has been a case of working on each one as it arises to ensure the right "fix" is put in place. Unfortunately, over the last 10 months, this has taken up too much of our time when we should have been concentrating more on our core business of making loans.

It will not have gone unnoticed by many of you that the Credit Union Movement suffered a number of setbacks over the last 12 months and media reports have highlighted the failure of another Auckland Credit Union. I want to assure every Member that we remain financially strong with a very competent Board and staff. While it may take us longer than we would like to get back to profitability, we will remain committed to providing tangible benefits to Members that improve their financial wellbeing.

Another part of this same issue has been the initiative driven by the RBNZ to ensure that in the event of failure by our business services provider, we would have access to alternatives. We have been an active participant in this "Step-In Rights" project which is now close to fulfilment. This has been a costly exercise and unbudgeted. The cost accounts for all of the over budget loss we experienced for the financial year.

On the positive side, we again enjoyed our annual School Scholarship presentations in March and met another wonderful 20 Primary and Secondary pupils from our family of Members. From everyone's perspective, this remains one of the most enjoyable evenings of the year.

As we have discussed at length over the last few years, the new legislation passed last year has come into effect and is one of the major agenda items tonight. You will be asked to vote on a number of resolutions in compliance with the amended Friendly Societies & Credit Unions Act and I urge you all to vote in favour of each of them to ensure our survival. Unfortunately, we have no choice but to comply. The alternative would mean that your Credit Union would be de-registered and would have to close down – something nobody wants.

I want to say a big thank you to my staff who work tirelessly for the benefit of Members. All day, every day, they have the interests of Members at heart when doing their jobs and I applaud them for it. The next 12 months will be one of re-building and concentrating on serving Members as we would want to and I ask all Members for their support to make this happen.

Again as always, I have the same message to every Member – please say very loudly to your friends, family and workmates that you bank with NZCU Auckland and get a better deal than anywhere else.

Thank you.

A handwritten signature in black ink, appearing to read 'Rob Collins', written over a horizontal line.

**Rob Collins**  
**Chief Executive**

## Treasurer's Report



I am pleased to present the audited annual financial statements of Credit Union Auckland trading as NZCU Auckland for the year ended 30 June 2019. These have again been prepared under the International Financial Reporting Standards adopted in New Zealand.

We have continued to monitor our risk profile as required under the FMCA and made appropriate amendments to the Product Disclosure Statement as required. We also maintained our registration under the Financial Services Providers Act 2008.

Despite your Credit Union not having a good year profit-wise we were able to keep Dividends on Shares above the market and interest on Loans less than other lenders. For those of you with savings in the Credit Union, our better rates meant that we paid you more than you would otherwise get from the banks. Alternatively, for those of you with Loans, our lower interest rates gave you a considerable benefit and help for your household budget through lower repayments.

As reported already tonight, the Operating Loss for the full year was \$309,458 (2018 Profit \$44,760). While this Loss was greater than budget, I am comfortable that we maintain a very strong Balance Sheet. We are one of the financially strongest Credit Unions in New Zealand with a very high Capital Adequacy Ratio of 15.83%.

Even with a Loss for the year, and for the 15<sup>th</sup> year in a row, Total Assets increased to \$22.079m – again our highest end of year result ever.

In summary, your Board is very happy with the financial position of the Credit Union. We have managed to expand the business and grow the Assets again which provides continuing benefits of real value to you – our Members.

I move to approve the Annual Financial Statements as shown in the Annual Report.

A handwritten signature in black ink, appearing to read 'Lionel Pereira'. The signature is fluid and cursive, written on a white background.

**Lionel Pereira**  
Treasurer

## Trustees' Report



On behalf of my fellow Trustees, Doug McLaren and Derek Railey, I am pleased to report on our activities for the financial year ended 30 June 2019.

Trustees are elected by the Members and all assets belonging to the Credit Union are vested in the Trustees for the use and benefits of the Members.

Trustees are responsible for ensuring that the Credit Union fulfils all statutory duties required of them. Trustees supervise all the loans made to Members and can review all applications to determine whether the security offered by the Members is enough and terms of the loan comply with lending policy.

During the 2018/19 year the Credit Union advanced \$7.201 million to Members which was a decrease 14.86% over the previous year. However, our loan book only dropped by 4.2%. The drop in the amount of loans was partly due to the introduction of the new computer system. Issuing of loans under the new computer system has proved to be a lot more difficult than predicted. We are hoping that the issuing of loans will improve in the future.

The overall impaired loans and delinquencies remains at a satisfactory level. This continues the pleasing trend of previous years as economic conditions improved and the Trustees are appreciative of the work done by our Collections Manager.

One of the resolutions that Members will be asked to vote on at this year's AGM will be for the incorporation of the Credit Union. If the Credit Union is incorporated (and we urge you to vote in favour of the resolutions) the role of the Trustees will disappear. As an incorporated body the assets will be owned by the Credit Union and managed by the Board of Directors. A separate Board committee may be set up to continue the role previously carried out by the Trustees.

I wish to thank my fellow Trustees for their contribution during the past year.

A handwritten signature in black ink that reads "G. J. Carl". The signature is written in a cursive, slightly slanted style.

**Greg Carl**  
**Chairman of Trustees**



# CREDIT UNION AUCKLAND

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FOR THE YEAR ENDED 30 JUNE 2019

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# CREDIT UNION AUCKLAND

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
<b>TOTAL OPERATING REVENUE</b>		<u><u>2,967,139</u></u>	<u><u>3,145,077</u></u>
Interest revenue	3(a)	1,778,640	1,848,002
Interest expense	3(b)	(497,838)	(454,305)
<b>Net Interest Revenue</b>		<u>1,280,802</u>	<u>1,393,697</u>
Other revenue	3(c)	1,188,499	1,297,075
Total revenue		<u>2,469,301</u>	<u>2,690,772</u>
<b>OTHER EXPENSES</b>			
Bad and doubtful loans	3(d)	67,009	87,093
Employee benefits	3(e)	1,212,976	1,129,024
Occupancy - operating leases		296,368	244,466
Depreciation and amortisation	3(f)	92,322	83,747
Loss on disposal of assets / intangible assets	11(c)	-	41,322
Other administration expenses	3(g)	1,110,084	1,082,130
		<u>2,778,759</u>	<u>2,667,782</u>
(Deficit) / surplus		<u>(309,458)</u>	<u>22,990</u>
<b>OTHER COMPREHENSIVE REVENUE</b>			
<b>Items that will not be reclassified subsequently to the profit and loss</b>			
Transfer from building revaluation reserve to accumulated comprehensive revenue	4	-	21,770
Total other comprehensive revenue		-	21,770
<b>TOTAL COMPREHENSIVE REVENUE</b>		<u><u>(309,458)</u></u>	<u><u>44,760</u></u>

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements

# CREDIT UNION AUCKLAND

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Note	Accumulated Comprehensive Revenue \$	Building Revaluation Reserve \$	Total \$
<b>Balance at 1 July 2018</b>		3,769,445	-	3,769,445
Deficit		(309,458)	-	(309,458)
<b>Other comprehensive revenue</b>				
Other comprehensive revenue	4	-	-	-
Total other comprehensive revenue		-	-	-
Total comprehensive revenue		(309,458)	-	(309,458)
<b>Balance at 30 June 2019</b>	4	<b>3,459,987</b>	-	<b>3,459,987</b>
<b>Balance at 1 July 2017</b>		3,724,685	21,770	3,746,455
Surplus		22,990	-	22,990
<b>Other comprehensive revenue</b>				
Transfer from Revaluation Reserve	4	21,770	(21,770)	-
Total other comprehensive revenue		21,770	(21,770)	-
Total comprehensive revenue		44,760	(21,770)	22,990
<b>Balance at 30 June 2018</b>	4	<b>3,769,445</b>	-	<b>3,769,445</b>

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements

# CREDIT UNION AUCKLAND

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 \$	2018 \$
<b>MEMBERS' FUNDS</b>			
Accumulated comprehensive revenue	4	<u>3,459,987</u>	<u>3,769,445</u>
<b>TOTAL MEMBERS' FUNDS</b>		<b><u>3,459,987</u></b>	<b><u>3,769,445</u></b>
<b>ASSETS</b>			
Cash and cash equivalents	5	5,660,889	4,301,200
Deposits over 3 months	6	800,000	400,000
Trade and other receivables	7	101,390	81,224
Loans to members	8	14,594,335	15,217,416
Co-op Money NZ Capital Notes	10	358,566	358,566
Property, plant and equipment	11	320,181	387,460
Intangible assets	11	<u>243,573</u>	<u>93,633</u>
<b>TOTAL ASSETS</b>		<b><u>22,078,934</u></b>	<b><u>20,839,499</u></b>
<b>LIABILITIES</b>			
Trade and other payables	12	494,859	477,562
Employee entitlements		275,780	244,752
Members' deposits	13	<u>17,848,308</u>	<u>16,347,740</u>
<b>TOTAL LIABILITIES</b>		<b><u>18,618,947</u></b>	<b><u>17,070,054</u></b>
<b>NET ASSETS</b>		<b><u>3,459,987</u></b>	<b><u>3,769,445</u></b>

These financial statements are authorised for and on behalf of the Board by:

G. J. Coll  
Director

11/09/2019

Raymond Conry  
Director

11/09/2019

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

# CREDIT UNION AUCKLAND

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		1,767,179	1,848,130
Fees and commissions received		1,190,307	1,300,507
Bad loans recovered		7,479	5,734
Other income		-	6,612
Interest paid		(493,023)	(439,452)
Payments to suppliers and employees		(2,586,554)	(2,350,015)
<b>Net cash (used in) / provided by operating activities</b>	<b>23</b>	<b>(114,612)</b>	<b>371,516</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net movement in members' loans		548,716	(957,035)
Increase in deposits over 3 months	<b>6</b>	(400,000)	(100,000)
Payments for property, plant and equipment & intangibles	<b>11</b>	(174,983)	(431,091)
Proceeds from sale of property, plant and equipment & intangibles	<b>11</b>	-	40,838
<b>Net cash used in investing activities</b>		<b>(26,267)</b>	<b>(1,447,288)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net increase in members' deposits		1,500,568	1,563,202
<b>Net cash provided by financing activities</b>		<b>1,500,568</b>	<b>1,563,202</b>
Total net increase in cash and cash equivalents held		1,359,689	487,430
Cash and cash equivalents at the beginning of the year		4,301,200	3,813,770
<b>Cash and cash equivalents at the end of the year</b>		<b>5,660,889</b>	<b>4,301,200</b>
Represented by:			
Cash and cash equivalents	<b>5(a)</b>	1,085,406	1,466,200
Deposits under 3 months	<b>5(b)</b>	4,575,483	2,835,000
<b>Total cash and cash equivalents</b>		<b>5,660,889</b>	<b>4,301,200</b>

The attached notes to the financial statements form part of and should be read in conjunction with the financial statements.

# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 1 GENERAL INFORMATION

#### *Reporting entity*

The Credit Union is a financial institution that is registered as a credit union under the Friendly Societies and Credit Unions Act 1982 (the Act) and licenced by the Reserve Bank of New Zealand under the Non Bank Deposit Takers Act 2013. The purpose of the Credit Union is to promote savings among its members and to use those savings for their mutual benefit. It operates primarily in the greater Auckland area in New Zealand and is incorporated in New Zealand with its registered office at 695 Great South Road, Penrose, Auckland. As the Credit Union is providing a community and social benefit, it is designated as a public benefit entity. The Credit Union is not a public entity defined in the Public Audit Act 2001 and hence is a not-for-profit public benefit entity for the purposes of complying with Generally Accepted Accounting Practice (GAAP).

The Credit Union is restricted in its borrowings and members contribute to the Credit Union by way of share subscriptions. The shares cannot be transferred or sold. Members are able to withdraw their funds subject to certain conditions. The Credit Union makes loans to members or invests funds on the members' behalf. Interest and other income are received by the Credit Union and interest is paid to depositing members in the form of interest on shares.

The Credit Union operates predominantly in one industry, being the investment of members' funds.

#### *Trust Deed*

The Credit Union has appointed the Supervisor (Covenant Trustee Services Limited) as the statutory trustee of the offer of shares as detailed in the Disclose Register for the purposes of the Financial Markets Conduct Act 2013 (FMCA 2013). The Supervisor's appointment and the parties' respective rights and obligations are recorded in the Trust Deed dated 4 December 2013 as modified by a Deed of Variation dated 7 October 2016.

The Supervisor is appointed to act in the interests of the members of the Credit Union, by monitoring the compliance by the Credit Union of its obligations under the FMCA 2013, the Trust Deed and the Act. The Supervisor is under a duty to exercise reasonable diligence to ascertain whether or not the Credit Union has committed any breach of the Trust Deed or any of the conditions of issue of the shares, in which case the Supervisor must do all things it is empowered to do to cause any breach of those terms to be remedied (except if it is satisfied that the breach will not materially prejudice the members); and has sufficient assets to meet its obligations to members, as they fall due.

### 2 STATEMENT OF ACCOUNTING POLICIES

The following are the material accounting policies adopted by the Credit Union in the preparation of the financial statements. Except where stated, the accounting policies have been consistently applied to all periods presented.

#### *(a) Basis of preparation*

The Credit Union is a reporting entity for the purpose of the FMCA 2013. The financial report is a general purpose financial report which has been prepared in accordance with part 7 of the FMCA 2013 and the Act.

These financial statements were authorised for issue by the Directors on 11th September 2019.

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with Public Benefit Entity Standards ("PBE Standards") and authoritative notices that are applicable to entities that apply PBE Standards as appropriate for Tier 1 not-for-profit public benefit entities. The Credit Union is a Tier 1 not-for-profit public benefit entity.

The application of PBE Standards required management to make judgements, estimates and assumptions about the carrying values of assets and liabilities not readily available from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The measurement base adopted is historical cost, modified by the fair value measurement of financial instruments at fair value through profit or loss. The accounting policies adopted are consistent with those of the previous financial year. Comparative information has been reclassified or restated to ensure consistency with presentation in the current reporting period. These reclassifications and restatements have no impact on total Comprehensive Revenue and Expense.

The presentational and functional currency is New Zealand dollars and figures are rounded to the nearest dollar unless otherwise stated.

#### *(b) Revenue recognition*

##### *Interest revenue on loans*

Interest revenue on loans is calculated on the daily loan balance outstanding and is charged at each payment date. This is the effective interest method which allocates the interest over the term of the loans to which they relate. Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

##### *Investment revenue*

Investment interest revenue is recognised on an effective interest method which allocates the interest over the period that it relates to. Dividends on the Capital Notes issued by Co-op Money NZ (formerly New Zealand Association of Credit Unions) are recorded as income once an entitlement to the income is notified to the Credit Union.

##### *Fees and commissions revenue*

Fees and commissions are recognised on an accrual basis when the service has been provided.

#### *(c) Expense recognition*

##### *Interest expense*

Interest on members' shares is recognised as an expense in the period that it relates to using the effective interest method, which allocates the interest expense over the term of the members' shares to which they relate.

##### *Other expenses*

Other expenses are recorded in the period to which they relate.

# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### *(d) Income Tax*

No amounts have been provided for income tax as the Credit Union's income from members is exempt under section CW 44 of the Income Tax Act 2007. Income derived other than from members does not result in a taxable profit.

### *(e) Goods & Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- In the case of receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

### *(f) Leases*

Leases of property, plant and equipment are operating leases as the substantial risks and benefits incidental to ownership of the asset, are retained by the legal owner. Lease payments for operating leases are charged as expenses in the periods in which they are incurred on a straight line method.

### *(g) Cash and cash equivalents*

#### *Cash and cash equivalents*

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts repayable on demand.

#### *Deposits at Co-op Money NZ*

Deposits at Co-op Money NZ are initially recognised at fair value and subsequently measured at amortised cost, less any impairment losses.

### *(h) Trade and other receivables*

These amounts represent amounts due for interest owing and other services performed by the Credit Union prior to the end of financial period which are not received. The amounts are expected to be received within a year of recognition. They are initially recorded at fair value and subsequently measured at amortised cost less any impairment provision.

### *(i) Loans to members*

Loans to members are loans which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost, using the effective interest method, less provision for impairment.

### *(j) Impairment of loans*

An assessment is made at each balance date whether there is objective evidence that loans are impaired. A loan is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loan and can be reliably estimated. Objective evidence that a loan receivable is impaired includes observable data that comes to the attention of the directors about the following loss events:

- significant financial difficulty of the member;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- a concession granted to the borrower that the lender would not otherwise consider for economic or legal reasons relating to the borrower's financial difficulty; or
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

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

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Credit Union determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Revenue and Expense. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient the Credit Union may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Credit Union's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### **(j) Impairment of loans (continued)**

Future cash flows for a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Credit Union and historical loss experience for assets with credit risk characteristics similar to those in the Credit Union. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets reflect and are directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Credit Union and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Credit Union to reduce any differences between loss estimates and actual loss experience.

Loans which are known to be uncollectible are written off against the related allowance for impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the previously recognised impairment loss is reversed by adjusting the allowance amount, with the reversal being recognised in the Statement of Comprehensive Revenue and Expense.

The various components of impaired assets are as follows:

- *Individually impaired loans* are loans and advances for which there is reasonable doubt that the Credit Union will be able to collect all amounts of principal and interest in accordance with the terms of the agreement and for which an individual assessment of impairment is made.
- *Collectively assessed loans* are loans and advances that are not individually assessed for which a collective assessment of impairment is made based on the length of time the loan is in arrears.
- *Restructured loans* are loans where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member.
- *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.
- *Past-due loans* are loans or similar facilities in arrears when a member has failed to make payment when contractually due which are not impaired loans. 90 day past due loans are loans which have not been operated by the member within its' key terms for at least 90 days and which are not impaired loans.

### **(k) Co-op Money NZ Capital Notes**

Investments in Co-op Money NZ Capital Notes provide equity to enable Co-op Money NZ to provide essential services to the Credit Unions. They are held as "available-for-sale assets" under PBE IPSAS 29. This classification recognises that they do not meet the definition of "loans and receivables" or "held-to-maturity" investments because they do not have a fixed or determinable interest or dividend rates attached to them.

### **(l) Property, plant and equipment**

Freehold buildings are measured at their fair value, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, less subsequent accumulated depreciation and impairment losses. The revaluation is undertaken by an independent valuer with sufficient frequency (currently each three years) to ensure that the carrying value does not differ materially from its fair value.

All plant and equipment is stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Revenue and Expense during the financial period in which they are incurred.

The buildings, plant and equipment are depreciated on a straight line basis. Depreciation of buildings, plant and equipment is calculated using rates which are estimated to expense the cost of the assets over their useful lives. The rates are as follows:

- Buildings - 5% per annum on cost
- Motor Vehicles - 20% per annum on cost
- Leasehold Improvements - Term of Lease
- Plant, Equipment & Computer Equipment - 20-33% per annum on cost

Assets purchases less than \$200 are not capitalised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial reporting period for any impairment in value.

### **(m) Impairment of non-financial assets**

An asset's carrying amount other than those measured at Fair Value, is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Revenue and Expense.



# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### **(n) Intangible assets**

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

### **Intangible asset amortisation**

Intangible assets are amortised over their useful lives to the Credit Union commencing from the time the asset is held ready for use.

Intangible assets are amortised on a straight-line basis. A summary of the rates used is:

- Computer Software - 10-50%
- Other Intangible Assets - 20%

Included in Computer Software is banking Software Costs for the Oracle Flexcube Software which is being amortised over 10 years.

### **(o) Impairment testing of assets (excluding property, plant and equipment and loans)**

At each reporting date, the Credit Union reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Revenue and Expense.

### **(p) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Credit Union prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **(q) Employee benefits**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for employee entitlements is carried at the present value of the estimated future cash flows. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made if material.

### **(r) Members' deposits**

Members' deposits are the members' shares in the Credit Union. For the purposes of financial reporting, members' shares are recognised as debt instruments. They are recorded initially at fair value and subsequently at amortised cost. All payments of dividends on these shares are recorded as interest payments. Members have the right to one vote at the meetings of the Credit Union, regardless of the number of shares held. Interest on deposits is recognised on an accrual basis and is presented as a part of trade and other payables.

### **(s) Financial instruments recognition**

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

#### **Financial assets at fair value through surplus or deficit**

A financial asset is classified in this category only when the Credit Union becomes a party to the contractual provisions of the financial asset and if acquired principally for the purpose of selling in the short term or if so designated by management. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Statement of Comprehensive Revenue and Expense in the period in which they arise.

#### **Loans and receivables**

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

#### **Available-for-sale financial assets**

Co-op Money NZ Capital Notes held as available-for-sale assets are initially recognised at the amount of consideration paid, which is their fair value at the date of acquisition.

Dividend income from available-for-sale assets is separately recognised in the Statement of Comprehensive Revenue and Expense as part of other income when the Credit Union's right to receive payments is established (ex-dividend date).

Available-for-sale financial assets are normally carried at fair value less impairment losses in subsequent periods with changes in fair value being recognised in the Statement of Comprehensive Income as part of other comprehensive income less impairment losses. However, as the Capital Notes are equity instruments, do not have a quoted market price in an active market and the fair value cannot be measured reliably, they are measured at cost price in terms of the accounting standard PBE IPSAS 29.

The Credit Union assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of Capital Notes classified as available-for-sale, in addition to the indicators described under note 2(j), a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investment is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value is recognised in the Statement of Comprehensive Revenue and Expense.

#### **Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation using the effective interest rate method. This category includes members' deposits and trade and other payables. Members' deposit meet the definition of financial liabilities under PBE IPSAS 29. They are secured by a first ranking registered Trust Deed over the Credit Union's assets and revenue.

# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### **(t) Statement of Cash Flows**

Definitions of terms used in the Statement of Cash Flows:

*Cash* includes coins and notes, demand deposits and other highly liquid investments with original maturities of three months or less and includes at call borrowings such as bank overdrafts, used by the Credit Union as part of its day-to-day cash management.

*Investing Activities* are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets. They include loans to members and repayments of loans by members.

*Financing Activities* are those activities relating to changes in the size and composition of the capital structure of the Credit Union.

*Operating Activities* include all transactions and other events that are not investing or financing activities.

Certain cash flows have been netted in order to provide more meaningful disclosure as many of the cash flows are received and disbursed on behalf of members and reflect the activities of the members rather than those of the Credit Union. These include members' loans and borrowings.

### **(u) Critical estimates, judgements and assumptions in applying the accounting policies**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. This has an impact on the one critical estimate, being the impairment provision for doubtful loans (refer to note 9).

The Credit Union makes estimates and assumptions concerning the future when assessing the impairment provision on loans. The Credit Union reviews its loan portfolio to assess impairment at least monthly. The impairment provision is adjusted based on evidence relating to borrowers' circumstances including the period that the loans are in arrears. The resulting accounting estimates will seldom equal the related actual results and there is a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Also the Credit Union has used judgement concerning the future discounted cash flows of the Co-op Money NZ Group when assessing whether there is any impairment loss on the Co-op Money NZ Base Capital Notes.

### **(v) Standards issued but not yet effective**

The following accounting standards which may impact the Credit Union have been issued but are not yet effective for the Credit Union.

#### **PBE IFRS 9 Financial Instruments.**

PBE IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. PBE IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through Other Comprehensive Revenue and Expense ('OCRE') and fair value through surplus or deficit. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through surplus or deficit with the irrevocable option at inception to present changes in fair value in OCRE not recycling.

The expected loss impairment model will apply to debt instruments measured at amortized cost or fair value through other comprehensive revenue and expense, lease receivables, and certain written loan commitments and financial guarantee contracts. The loan loss allowance will be for either 12-month expected losses or lifetime expected losses (the latter applies if credit risk has increased significantly since initial recognition). A different approach applies to purchased or originated credit-impaired financial assets, and there are some simplifications and/or accounting policy choices in relation to trade receivables and lease receivables.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive revenue and expense for liabilities designated at fair value through surplus or deficit. PBE IFRS 9, although based on NZ IFRS 9, has incorporated PBE specific differences that currently exist between the requirements in NZ IAS 39 and PBE IPSAS 29 (e.g. requirements for concessionary loans and guidance on initial recognition of financial assets arising from non-exchange transactions).

Alignment to existing PBE Standards has also been addressed - e.g. there is no PBE Standard-equivalent for NZ IFRS 13 Fair Value measurement, therefore the current fair value guidance in PBE IPSAS 29 has been incorporated into PBE IFRS 9.

PBE IFRS 9 has an effective date for annual periods beginning on or after 1 January 2021, with early application permitted. Management is in the process of assessing the impact the adoption of PBE IFRS 9 will have on the Credit Union's financial statements.

# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 3 REVENUE AND EXPENSES

	2019	2018
	\$	\$
<b>(a) Interest revenue</b>		
Interest on loans	1,673,886	1,734,545
Interest on investments	104,754	113,457
<b>Total interest revenue</b>	<b>\$1,778,640</b>	<b>\$1,848,002</b>
<b>(b) Interest expense</b>		
Interest on members call shares	227,668	213,449
Interest on members term shares	268,819	240,821
Interest other	1,351	35
<b>Total interest expense</b>	<b>\$497,838</b>	<b>\$454,305</b>
<b>(c) Other Revenue</b>		
Fee Income - ATM	234,440	362,071
Fee Income - Loan application fees	278,288	312,514
Fee Income - Cost recovery fees	471,040	392,150
Commissions earned	190,896	204,143
Other fees charged	13,835	8,370
Gain on Disposal of Property, Plant and Equipment	-	11,215
Other income	-	6,612
<b>Total other revenue</b>	<b>\$1,188,489</b>	<b>\$1,297,075</b>
<b>(d) Bad and doubtful loans</b>		
Bad loans written off	106,423	70,247
Movement in provision for loan impairment	(32,058)	22,583
Bad loans recovered	(7,356)	(5,737)
<b>Total bad and doubtful loans</b>	<b>\$67,009</b>	<b>\$87,093</b>
<b>(e) Employee benefits</b>		
Salaries and wages	1,173,256	1,083,263
Kiwisaver contributions	22,897	23,594
Other staff costs	16,823	22,167
<b>Total employee benefits</b>	<b>\$1,212,976</b>	<b>\$1,129,024</b>
<b>(f) Depreciation</b>		
Land and Buildings	-	208
Leasehold improvements	28,578	12,097
Plant and equipment	27,893	34,630
Motor vehicles	12,757	14,024
<b>Total depreciation</b>	<b>69,228</b>	<b>60,959</b>
<b>Amortisation expense</b>		
Intangible assets - computer software	23,094	22,788
<b>Total amortisation expense</b>	<b>23,094</b>	<b>22,788</b>
<b>Total depreciation and amortisation expense</b>	<b>\$92,322</b>	<b>\$83,747</b>

# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 3 REVENUE AND EXPENSES (continued)

	2019	2018
	\$	\$
<b>(g) Other administration expenses</b>		
AML / CFT audit	-	6,670
Auditors' remuneration		
External audit - PricewaterhouseCoopers	50,211	37,998
Register compliance assurance - PricewaterhouseCoopers	1,785	1,725
ATM Costs /Accesscard	172,681	203,387
Advertising and marketing	59,685	100,358
Bank and cash delivery charges	69,815	69,645
Data processing costs / IT	282,547	199,034
Directors' fees	35,770	35,700
Directors' expenses and training	3,610	4,690
Donations made / community support	9,309	10,100
Lending and debt recovery costs	46,654	51,807
Loyalty fee rebate	4,827	16,507
Training and seminars	5,081	1,288
Office and administration	247,833	216,944
Other occupancy costs	40,049	42,154
Other sundry expenses	80,227	84,123
<b>Total other administration expenses</b>	<b>\$1,110,084</b>	<b>\$1,082,130</b>

#### (h) Interest rates

Interest is paid to depositing members and relates to the Credit Union's ability to pay the interest. At times during the period the Credit Union may offer depositors special accounts that have a pre-set interest rate. Interest rates to members' deposits at 30 June were (% per annum):

	2019	2018
<b>Call Shares</b>		
Everyday Account	0.00%	0.00%
Goal Saver	1.50%	1.50%
Billpay Account	0.00%	0.00%
Loyalty Saver	1.50-2.50%	1.50-2.50%
Christmas Saver	4.00%	4.00%
Success Saver	2.00-3.00%	2.25-3.25%
Minimum Shareholding Account (discontinued 2019)	N/A	0.00%
Jimmy J Junior Account	3.00%	3.00%
<b>Term Shares</b>		
I3 Term Deposit (3 months)	2.50-2.75%	2.50-2.75%
I6 Term Deposit (6 months)	2.75-3.25%	2.75-3.50%
I9 Term Deposit (9 months)	2.75-3.45%	2.75-3.50%
I12 Term Deposit (12 months)	3.00-3.45%	3.00-3.75%
I18 Term Deposit (18 months)	3.00-3.45%	3.00-4.00%
I24 Term Deposit (24 months)	3.00-3.45%	3.00-4.00%
I60 Term Deposit (60 months) - (discontinued 2019)	N/A	4.00%

# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 4 RESERVES

Reserves as at 30 June 2019

	Accumulated Comprehensive revenue \$	Building revaluation reserve \$	Total reserves \$
Balance brought forward	3,769,445	-	3,769,445
Deficit	(309,458)	-	(309,458)
Balance carried forward	3,459,987	-	3,459,987
Reserve % to total assets	15.67%	0.00%	15.67%

Reserves as at 30 June 2018

	Accumulated Comprehensive revenue \$	Building revaluation reserve \$	Total reserves \$
Balance brought forward	3,724,685	21,770	3,746,455
Surplus	22,990	-	22,990
Transfer from building revaluation reserve	21,770	(21,770)	-
Balance carried forward	3,769,445	-	3,769,445
Reserve % to total assets	18.09%	0.00%	18.09%

#### Building Revaluation Reserve

On 30 June 2017 the Airport branch closed and the building was subsequently sold for removal. The building realised \$29,623 after costs of removal and a loss on disposal of \$17,669 has been recognised in the Statement of Comprehensive Revenue and Expense. Further to this, the Building Revaluation Reserve of \$21,770 has been transferred to Retained Earnings and the transfer has been recognised under Other Comprehensive Revenue in the Comprehensive Statement of Revenue and Expense for the year ended 30 June 2018.

### 5 CASH AND CASH EQUIVALENTS

#### (a) Cash and bank balances

	Average Interest Rates p.a.	2019 \$	2018 \$
Cash on hand	0.00%	221,916	125,856
Bank balances	0.25%	863,490	1,340,344
		<u>1,085,406</u>	<u>1,466,200</u>

#### (b) Deposits under 3 months

Call deposits at Co-op Money NZ	0.00%	-	615,000
Term deposits at Co-op Money NZ - Settlement Bond	1.65%	455,483	-
Term deposits at Westpac	2.80%	4,120,000	2,220,000
		<u>4,575,483</u>	<u>2,835,000</u>
Total cash and cash equivalents		<u>5,660,889</u>	<u>4,301,200</u>

The Credit Union does not hold tradable securities. Effective interest rates are the original contracted values. All balances are available within 3 months. The deposits with Co-op Money NZ's central banking facility are excess funds held on behalf of the Credit Union. Co-op Money NZ minimises its exposure to credit risk by maintaining a diversified portfolio with the majority of investments with deposits in banks and money market securities. Movements in market rates will not affect the recorded value of these investments. The Credit Union is required to keep a minimum of deposits with Co-op Money NZ for card settlements as at 30 June 2019: \$455,483 (30 June 2018: \$438,167).

# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 6 DEPOSITS OVER 3 MONTHS

Deposits over 3 months	Average Interest Rates p.a.	2019 \$	2018 \$
Term deposits at Westpac (over 3 months)	3.15%	800,000	400,000
		<u>800,000</u>	<u>400,000</u>

### 7 TRADE AND OTHER RECEIVABLES

	2019 \$	2018 \$
Accrued interest	51,040	39,579
Sundry debtors	23,570	23,178
Prepayments	26,780	18,467
	<u>101,390</u>	<u>81,224</u>

All trade and other receivables are due within 1 year.

### 8 LOANS TO MEMBERS

Loans are made in accordance with the lending policy of the Credit Union and are repayable on demand. A provision for impairment has been made at the end of the reporting period. Bad loans are written off against the provision for impairment and the provision is adjusted accordingly. Loans to members current balance as at 30 June 2019 are \$5,356,126 (30 June 2018: \$5,643,627) and the non current balance as at 30 June 2019 are \$9,488,585 (30 June 2018: \$9,856,224).

#### (a) Loans to members

	2019	2018
Neither past due nor impaired	13,431,612	14,270,872
Past due but not impaired		
1 to 30 days	912,828	856,084
31 to 60 days	64,903	35,115
61 to 90 days	38,840	2,608
Over 90 days	-	-
Impaired loans		
Impaired individually	396,528	335,172
<b>Gross loans</b>	<u>14,844,711</u>	<u>15,499,851</u>
<b>Loss:</b>		
Allowance for individually impaired loans	237,707	270,430
Allowance for collectively impaired loans	12,669	12,005
	<u>250,376</u>	<u>282,435</u>
<b>Net loans to members</b>	<u>14,594,335</u>	<u>15,217,416</u>

#### (b) Credit quality - security dissection

Secured by first mortgage over real estate	4,897,727	4,774,486
Secured by second mortgage over real estate	37,381	46,719
Secured by members' shares in the Credit Union	1,784,056	1,941,595
Partially secured by motor vehicle and other collateral	8,012,641	8,716,946
Unsecured loans	112,906	20,105
	<u>14,844,711</u>	<u>15,499,851</u>

It is impracticable to provide a valuation of the collateral security held against loans because of the large number of loans that the Credit Union has at any one time. A breakdown of the quality of the security on a portfolio basis is as follows.

Security held as mortgage against real estate is on the basis of:		
- loan to valuation ratio of less than 80%	4,445,865	4,275,574
- loan to valuation ratio of more than 80%	489,243	545,631
	<u>4,935,108</u>	<u>4,821,205</u>

# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 8 LOANS TO MEMBERS (continued)

<i>(c) Credit quality - concentration of loans</i>	2019	2018
(i) Loans to individual or related groups of members which exceed 10% of equity	40.93%	26.95%
(ii) Loans to members concentrated to individuals employed in any particular industry	Nil	Nil
(iii) Loans to members concentrated in the greater Auckland area which is the common bond of the Credit Union are:	97.89%	95.91%
(iv) Loans drawn down by member type:		
Loans to natural persons	\$	\$
Residential loans and facilities	4,935,108	4,821,205
Personal loans and facilities	9,909,603	10,678,646
	<u>14,844,711</u>	<u>15,499,851</u>

### 9 IMPAIRMENT OF LOANS TO MEMBERS

<i>(a) Total Provision for impairment</i>	2019	2018
	\$	\$
Opening balance	282,435	259,852
(Decrease) / Increase in provision for impairment for the year	(32,059)	22,583
Balance carried forward	<u>250,376</u>	<u>282,435</u>

#### *(b) Key assumptions in determining the provision for impairment*

In the course of the preparation of these financial statements the Credit Union has determined the likely loss on loans which have not maintained loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances.

In identifying the impairment likely from these events the Credit Union is required to estimate the potential impairment. This can be based on the individual circumstances of the member (individually impaired loans) or based on the length of time the loan is in arrears but not impaired (collectively assessed loans). The impairment provision on collectively assessed loans is based on the following formula:

Period of Impairment	% of balance
31 days to 90 days	20%
91 days to 180 days	40%
181 days to 270 days	60%
271 days to 365 days	80%
Over 365 days	100%

This provision is checked to historical write-offs and an additional provision is made if necessary.

#### *(c) Individually Impaired loans*

	Individually Impaired Loans \$
<b>Gross individually impaired loans</b>	
Carrying Amount at 1 July 2018	335,172
Additions to Class	243,368
Written Off	(98,269)
Deletions from Class	(83,743)
Carrying Amount at 30 June 2019	<u>396,528</u>
<b>Allowance for individually impaired loans</b>	
Impairment at 1 July 2018	270,430
Additions to Class	108,811
Written Off	(88,390)
Deletions from Class	(53,144)
Impairment at 30 June 2019	<u>237,707</u>
Net Provisioned Loans at 30 June 2019	<u>158,821</u>

# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 9 IMPAIRMENT OF LOANS TO MEMBERS (continued)

#### (c) Individually Impaired loans (continued)

	Individually Impaired Loans \$
<b>Gross individually impaired loans</b>	
Carrying Amount at 1 July 2017	410,189
Additions to Class	87,749
Written Off	(70,247)
Deletions from Class	(92,519)
Carrying Amount at 30 June 2018	<u>335,172</u>
<b>Allowance for individually impaired loans</b>	
Impairment at 1 July 2017	247,378
Additions to Class	93,299
Written Off	(70,247)
Deletions from Class	-
Impairment at 30 June 2018	<u>270,430</u>
Net Provisioned Loans at 30 June 2018	<u><u>64,742</u></u>

#### Loans with enforcement of security

There were no loans where real estate was acquired through the enforcement of security at 30 June 2019 (June 2018 Nil). There were loans where other assets were acquired through the enforcement of security at 30 June 2019 of \$15,500. (June 2018 \$2,500). All 90 day past due assets are included in the individually impaired loan category.

#### (d) Interest and other revenue recognised and foregone

	2019	2018
	\$	\$
Interest revenue on individually impaired loans recognised	35,992	30,502
Interest foregone on individually impaired loans	20,425	20,284

### 10 CO-OP MONEY NZ CAPITAL NOTES

	2019	2018
	\$	\$
Co-op Money NZ Capital Notes	358,566	358,566
Total available-for-sale investments	<u>358,566</u>	<u>358,566</u>

Co-op Money NZ Capital Notes are non-current assets.

Co-op Money NZ Capital Notes are classified as "available-for-sale" financial assets and are issued by the Co-op Money NZ Business Services Division as Trust Base Capital Notes (Capital Notes). These represent monies invested with the Co-op Money NZ Business Services Division Trust. The Capital Notes constitute unsecured obligations of the Co-op Money NZ Business Services Division Trust and rank equally and without priority or preference among themselves. Capital Notes may only be sold or transferred to another Credit Union that is a member of the Co-op Money NZ Business Services Division Trust and with the consent of the Co-op Money NZ Business Services Division Trust Board of Directors.

The Credit Union's investment in these Capital Notes enables Co-op Money NZ to provide the Credit Union with essential services such as the core operating system, data processing and support, banking services, Accesscard and text banking services, a central bank and "treasury" function, debit card facilities, and insurance products.

There is no active market for these securities which have no guaranteed rate of return. Due to the variability in the rate of return and estimation uncertainty related to other intrinsic benefits obtained from holding the notes, the Credit Union has concluded that the variability in any discounted cash flow fair value estimate would be too significant and too judgemental to utilise as a reliable measure of fair value. The Credit Union thus measured Capital Notes at cost less impairment under the exemption in PBE IPSAS 29 Financial Instruments: Recognition and Measurement. At reporting date the Credit Union has no intention to dispose of the Capital Notes in the foreseeable future.

Dividends are payable on a six monthly basis subject to the profitability of the Co-op Money NZ Business Services Division Trust. No dividend were received for the year ended 30 June 2019 (30 June 2018: Nil).

The Credit Union reviews the Capital Notes for impairment at each reporting date. In determining whether an impairment loss should be recorded, the Credit Union makes judgments as to whether there is observable data indicating that there is a measurable decrease in the estimated future cash flows after taking into consideration the benefit of the services the Credit Union obtains from Co-op Money NZ through the receipt of discounted services. The Directors are aware that certain other credit unions that merged into Credit Union Baywide have impaired their Capital Notes. However based on the key assumptions below, the Directors have determined that there is no objective evidence of impairment and that the unimpaired cost remains an appropriate carrying amount of the Capital Notes as at 30 June 2019.

The key assumptions in determining the recoverable amount include the Directors' assessment of the availability of an alternative service provider for the core operating system, and another credit union having the right to step in and continue with the provision of these essential services.

Impairment losses are recognised in the statement of comprehensive revenue and expense.



# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 11 PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS

<i>(a) Classes of property, plant &amp; equipment</i>	2019 \$	2018 \$
<i>Leasehold improvements</i>		
At cost	741,802	742,031
Accumulated depreciation	(499,368)	(470,815)
	<u>242,434</u>	<u>271,216</u>
<i>Plant &amp; equipment</i>		
At cost	445,334	443,157
Accumulated depreciation	(394,616)	(366,699)
	<u>50,718</u>	<u>76,458</u>
<i>Motor vehicles</i>		
At cost	80,393	80,393
Accumulated depreciation	(53,364)	(40,607)
	<u>27,029</u>	<u>39,786</u>
<b>Total property, plant &amp; equipment</b>	<u><b>320,181</b></u>	<u><b>387,460</b></u>

<i>(b) Classes of intangible assets</i>	2019 \$	2018 \$
<i>Software</i>		
At cost	384,169	211,135
Accumulated depreciation	(140,596)	(117,502)
	<u>243,573</u>	<u>93,633</u>
<i>Other intangible assets</i>		
At cost	20,000	20,000
Accumulated depreciation	(20,000)	(20,000)
	<u>-</u>	<u>-</u>
<b>Total intangible assets</b>	<u><b>243,573</b></u>	<u><b>93,633</b></u>

Other intangible assets is an NZCU license purchased for \$20,000, the cost of which has been amortised over 5 years.

#### *(c) Movements in carrying amounts*

Reconciliation of the carrying amounts of each class of property, plant and equipment between the beginning and end of each period:

	Land and Buildings \$	Leasehold Improvements \$	Plant & Equipment \$	Motor Vehicles \$	Total \$
<b>2019</b>					
Balance at 1 July 2018	-	271,216	76,458	39,786	387,460
Additions	-	-	1,949	-	1,949
Transfers	-	(204)	204	-	-
Disposals	-	-	-	-	-
Gain on disposal	-	-	-	-	-
Loss on disposal	-	-	-	-	-
Depreciation expense	-	(28,578)	(27,893)	(12,757)	(69,228)
Carrying amount at 30 June 2019	<u>-</u>	<u>242,434</u>	<u>50,718</u>	<u>27,029</u>	<u>320,181</u>
<b>2018</b>					
Balance at 1 July 2017	47,500	1,075	82,097	13,268	143,940
Additions	-	282,238	28,991	40,542	351,771
Transfer on amalgamation	-	-	-	-	-
Disposals	(29,623)	-	(122)	(11,093)	(40,838)
Gain on disposal	-	-	122	11,093	11,215
Loss on disposal	(17,669)	-	-	-	(17,669)
Depreciation expense	(208)	(12,097)	(34,630)	(14,024)	(60,959)
Carrying amount at 30 June 2018	<u>-</u>	<u>271,216</u>	<u>76,458</u>	<u>39,786</u>	<u>387,460</u>

All property, plant and equipment are non current assets.

# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 11 PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS (continued)

#### (c) Movements in carrying amounts (continued)

Reconciliation of the carrying amounts of each class of intangible assets between the beginning and end of each period:

2019	Software
	\$
Balance at 1 July 2018	93,633
Additions	173,034
Disposals	-
Loss on disposal	-
Amortisation expense	(23,094)
Carrying amount at 30 June 2019	<u>243,573</u>
2018	
Balance at 1 July 2017	60,754
Additions	79,320
Disposals	-
Loss on disposal	(23,653)
Amortisation expense	(22,788)
Carrying amount at 30 June 2018	<u>93,633</u>

All intangible assets are non current assets.

#### (d) Revaluations

The Building was sold for removal during the previous year and a loss on disposal of \$17,669 was recognised. As a consequence the balance remaining in Building Revaluation Reserve of \$21,770 was transferred to Retained Earnings and is shown as other comprehensive income in the Comprehensive Statement of Revenue and Expense.

### 12 TRADE AND OTHER PAYABLES

	2019	2018
	\$	\$
Accrued interest payable	71,614	66,799
Resident withholding tax	7,097	6,202
GST provision	6,567	7,430
Sundry creditors and accrued expenses	263,125	258,095
Accesscard - ATM and EFTPOS card settlement	146,456	139,036
	<u>494,859</u>	<u>477,562</u>

Trade and other payables are current liabilities.

# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 13 MEMBERS' DEPOSITS

	2019	2018
	\$	\$
<b>Call shares</b>		
Savings accounts	6,363,664	5,606,059
Christmas account	1,558,951	1,492,350
Loyalty account	2,613,713	2,718,931
Total call shares (all current liabilities)	<u>10,536,328</u>	<u>9,817,340</u>
<b>Term shares</b>		
<b>Original maturity terms</b>		
0-3 months	2,834	31,855
4-6 months	438,477	444,834
7-9 months	835,013	163,891
10-12 months	2,196,970	2,450,540
Greater than 12 months	3,838,686	3,439,280
Total term shares	<u>7,311,980</u>	<u>6,530,400</u>
<b>Total members' deposits</b>	<u>17,848,308</u>	<u>16,347,740</u>

Deposits from members are accepted on the basis of a fixed value of \$1 per share. Deposits not in whole dollars are deemed to be advance subscriptions for shares. Dividends not paid in cash, and reinvested by members, are deemed to be subscriptions for shares and add to the members' share balance in the Credit Union. The Directors believe the reported values reflect fair value.

Members' shares are secured by a first ranking equitable assignment by way of security over the whole of the Credit Union's present and future undertaking, property, assets and revenues, including the proceeds received for the subscription shares and unpaid capital (if any). The equitable assignment by way of security was granted in favour of Covenant Trustee Services Limited, the Supervisor of the Credit Union, under the Trust Deed which has been registered with the Registrar of Friendly Societies and Credit Unions.

As a consequence of and in addition to the first ranking equitable assignment by way of security, the Credit Union has granted to the Supervisor a security interest in all its present and after-acquired personal property and the Supervisor has registered a financing statement under the Personal Property Securities Act (PPSA) in respect of the same.

### 14 COMMITMENTS

#### (a) Future capital commitments

	2019	2018
	\$	\$
As at balance date, the Credit Union has contracted to purchase property, plant and equipment and software to the value of:	-	43,038

#### (b) Operating lease commitments

As at balance date, the Credit Union has entered into the operating lease agreements for the premises of all of its branches in the greater Auckland area.

Non-cancellable operating leases contracted for but not capitalised in the financial statements, payable:

Not longer than 1 year	210,186	182,194
Longer than 1 and not longer than 5 years	460,834	211,613
Longer than 5 years	228,978	263,861
	<u>899,998</u>	<u>657,668</u>

The property leases are for varying terms, with rent payable a month in advance. They are non-cancellable except for the Penrose lease which can be cancelled with 6 months' notice. An option exists to renew the lease for some of the branches and usually new leases would be renegotiated at the end of the existing leases.

#### (c) Outstanding loan commitments

Loans and credit facilities approved but not paid out at the end of the financial period:

Loans approved but not paid out	79,966	540,568
Undrawn overdraft	29,017	23,653
	<u>108,983</u>	<u>564,221</u>

# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 15 CONTINGENT LIABILITIES

There are no material contingent liabilities at 30 June 2019 (30 June 2018: Nil).

### 16 STANDBY BORROWING FACILITIES

The Credit Union has a gross borrowing facility (as an overdraft facility) with Co-op Money NZ at 30 June 2019 of \$900,000 (30 June 2018 \$900,000). There are no borrowings against this facility. The Credit Union requested that the overdraft facility to be cancelled in July 2019 and this has been confirmed. The interest rate is 9.4% per annum (30 June 2018: 9.4%) and the penalty rate is 14.1% per annum (30 June 2018: 14.1%) in case of default. There are no material terms of use.

### 17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board has endorsed a policy of compliance and risk management to match the risk profile of the Credit Union.

Key risk management policies encompassed in the overall risk management framework include:

- Market risk and hedging policy management
- Credit risk management
- Liquidity risk management
- Capital adequacy management

The Credit Union has undertaken the following strategies to minimise the risks arising from financial instruments:

#### ***Market Risk and Hedging Policy***

The Credit Union is not exposed to currency risk, and other price risk. The Credit Union does not trade in the financial instruments it holds on its books.

The Credit Union is exposed to interest rate risk arising from changes in market interest rates.

The policy of the Credit Union to manage the risk is to maintain a balanced "on book" strategy by ensuring the net interest rate gaps between members' loans and members' shares are not excessive. The measured gap in each 3 month range is to be maintained between 8.0% and 11.00% of the difference between interest on loans and members deposits. The gap is measured monthly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposit liabilities to rectify the imbalance within acceptable levels. The Credit Union's exposure to interest rate risk is set out in Note 19 which details the contractual interest rate change profile.



# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following tables summarise the sensitivity of the Credit Union's financial assets and liabilities to 1% movement in interest rates on the Credit Union's financial position and results. The 1% movement is used because management believes that this is the reasonably possible change to Official Cash Rate within the next 12 months.

	2019 - Interest rate risk			2018 - Interest rate risk		
	Carrying amount \$	-1% Profit & equity \$	+1% Profit & equity \$	Carrying amount \$	-1% Profit & equity \$	+1% Profit & equity \$
<b>Financial assets</b>						
Co-op Money NZ and bank deposits	6,819,455	(12,221)	12,221	5,059,766	(23,139)	23,139
Loan receivables - Fixed interest	-	-	-	-	-	-
Loan receivables - Variable interest	14,844,711	(148,447)	148,447	15,499,851	(154,999)	154,999
		(160,668)	160,668		(178,138)	178,138
<b>Financial liabilities</b>						
Members' deposits	17,848,308	105,363	(105,363)	16,347,740	98,173	(98,173)
		105,363	(105,363)		98,173	(98,173)
<b>Total (decrease) / increase</b>		<b>(55,305)</b>	<b>55,305</b>		<b>(79,965)</b>	<b>79,965</b>

The Credit Union performs sensitivity analysis to measure market risk exposures. The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing on the banking book of the Credit Union for the next 12 months. In doing the calculation the assumptions applied were that:

- The interest rate change would be applied equally over the loan products;
- The rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period;
- The term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposits with similar terms and rates applicable;
- All loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
- The value and mix of call savings to term deposits will be unchanged; and
- The value and mix of personal loans to mortgage loans will be unchanged.

There has been no change to the Credit Union's exposure to market risk or the way the entity manages and measures market risk in the reporting period.

#### **Credit Risk - Loans**

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Credit Union. The majority of members are concentrated in the greater Auckland area so there is a major credit risk with respect to loans and receivables if there was to be a disaster affecting this area. The Credit Union minimises this risk by having a large number of customers. The credit policy is that loans are only made to members that are credit worthy.

The Credit Union has established policies or procedures over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of exposure over the value to individual borrowers, non mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairments of loans;
- Debt recovery procedures; and
- Review of compliance with the above policies.

Regular reviews of compliance are conducted as part of the internal audit scope.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The Board policy is to maintain loans secured by first mortgage up to a maximum of 40% of the total loans book.

The Credit Union will limit unsecured credit to any one member individually or jointly to a maximum of \$50,000. Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days if not rectified. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action prior to being 90 days in arrears.

The significant accounting assumptions are related to the determination of the provision for impairment of loans are set out in Note 2(j) and Note 2(u).

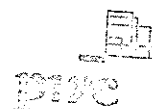
#### **Credit Risk - Liquid Investments**

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when members fail to settle their loan obligations to the Credit Union.

There is a concentration of credit risk with respect to investment receivables with the placement of investments in Co-op Money NZ. The credit policy is that investments are only made to institutions that are credit worthy.

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration on one entity.

The Board policy is to place all its investments with the New Zealand registered banks being Westpac NZ which has a credit rating of AA- (Fitch) or Co-op Money NZ, an association set up to support the member Credit Unions. Co-op Money NZ has a credit rating of B+ Outlook Stable (Fitch) and invests principally in bank deposits and money market securities.



# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### *Credit Risk - Equity Investments*

The Credit Union does not have investments in equity investments other than the Co-op Money NZ Capital Notes measured at cost less impairment (refer note 10).

#### *Liquidity Risk*

Liquidity risk is the risk that the Credit Union may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments. It is the policy of the Board of Directors that the Credit Union maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The Credit Union manages liquidity risk by:

- Continuously monitoring forecast and actual daily cash flows;
- Reviewing the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities;
- The Credit Union has a standby borrowing facility with Co-op Money NZ to provide support to the Credit Union if necessary at short notice; and
- Regularly monitoring loan repayments and comparing to forecast cash flows.

The Credit Union's policy has a Trust Deed requirement under section 7.2(b) to maintain a Liquidity Coverage Ratio (LCR) of at least 1.2 or more, 30 June 2019 LCR was 1.61 (30 June 2018: 1.61). This ratio is monitored and reported to management, the Credit Union Board and its Supervisor and Trustees on a regular basis. Should the Liquidity Coverage Ratio fall below this level, the management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits or borrowing facilities available.

The maturity profile of the financial liabilities, based on the contractual repayment terms, is set out in the specific note 18. Whilst there is liquidity deficiency for the within one month period of \$7,921,774 as at 30 June 2019 (30 June 2018: \$7,208,571), based on the contractual arrangements, the Directors can manage any potential mismatch and meet its obligations as they fall due, due to the continued reinvestment of shares at historical levels, the liquidity support facility and as all loans to members are repayable on demand. In addition, the profile assumes that all members' shares are repaid when they mature. In the ordinary course of business, the Credit Union normally retains the members deposits which are due within 1 month ensuring that it does not need to demand repayment of the members' loans.

The ability to demand repayment of all members' loans provides the Credit Union with ready access to funds if some or all members' shares required repayment. The Credit Union also has the right at any time to require a sixty day notice period for repayment of members' shares and has an undrawn overdraft facility of \$900,000 with Co-op Money NZ (refer to note 16).

#### *Capital Management*

The Credit Union is regulated under the Friendly Societies and Credit Union Act 1982 and licensed by the Reserve Bank of New Zealand under the Non Bank Deposit Takers Act 2013. There is a statutory requirement over the minimum reserves required to be maintained. The Credit Union operates under a Trust Deed which requires the minimum reserves to be held by the Credit Union to be 10% of total tangible assets. The Credit Union reserves as at the end of the reporting period are stated in note 4.

The Credit Union's capital is determined as follows:

	2019	2018
	\$	\$
<b>Tier 1</b>		
Accumulated revenue	3,459,987	3,769,445
General reserves	-	-
<b>Total Tier 1 reserves</b>	<u>3,459,987</u>	<u>3,769,445</u>
<b>Tier 1 capital ratio</b>	15.85%	18.17%
<b>Tier 2</b>		
Tier 2 reserves	-	-
<b>Total Tier 2 reserves</b>	<u>-</u>	<u>-</u>
<b>Tier 2 capital ratio</b>	0.00%	0.00%
<b>Total Tier 1 and 2 reserves</b>	<u>3,459,987</u>	<u>3,769,445</u>
<b>Tier 1 and 2 capital ratio to total tangible assets</b>	15.85%	18.17%

In addition, the Credit Union must comply with the "Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010" which came into effect on 1 December 2010. These regulations require a minimum of 10% capital ratio (equity to risk weighted assets) and the Credit Union will meet the requirements of these regulations. This covenant is covered in section 7.2 (b) (i) of the Trust Deed.

As at 30 June 2019, the Credit Union's capital ratio was 15.83% (30 June 2018: 18.69%).

To manage the Credit Union's capital, which can be affected by excessive growth and by changes in total assets, the Credit Union regularly reviews the capital adequacy ratio and monitors major movements in the asset levels. Policies have been implemented to require reporting to the board and the trustee if the capital ratio falls below 12%. Further, an annual capital budget projection of the capital level is maintained to address how strategic decisions or trends may impact on the capital level.

# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 18 MATURITY PROFILE OF FINANCIAL LIABILITIES

Monetary liabilities have differing maturity profiles depending on the contractual term, and in the case of loans the repayment amount and frequency. The associated table shows the period in which different monetary liabilities held will mature and be eligible for renegotiation or withdrawal. Future interest payable represent the expected future interest cash flows arising from the contractual obligations of the underlying monetary liabilities respectively. Actual cash flows may differ significantly from the contractual cash flows presented below as a result of changes in market conditions and future actions of the Credit Union and its counterparties.

The Credit Union does not manage its liquidity risk on the basis of the information below.

<i>As at 30 June 2019</i>	Within 1 month	1-3 months	3 - 6 months	6 - 12 months	1-2 years	2 - 5 years	Over 5 years	Total
<b>Monetary liabilities payable</b>								
Trade and other payables	456,875	-	-	-	-	-	-	456,875
Members' deposits	11,261,885	920,662	1,622,962	2,589,748	1,453,051	-	-	17,848,308
Future interest payable	21,788	52,915	52,656	63,300	27,345	-	-	218,004
<b>Total monetary liabilities payable</b>	<b>11,740,548</b>	<b>973,577</b>	<b>1,675,618</b>	<b>2,653,048</b>	<b>1,480,396</b>	<b>-</b>	<b>-</b>	<b>18,523,187</b>
<b>Loan Commitments</b>	<b>108,983</b>							<b>108,983</b>
<i>As at 30 June 2018</i>	Within 1 month	1-3 months	3 - 6 months	6 - 12 months	1-2 years	2 - 5 years	Over 5 years	Total
<b>Monetary liabilities payable</b>								
Trade and other payables	437,871	-	-	-	-	-	-	437,871
Members' deposits	10,250,045	766,499	1,331,094	1,961,739	2,038,363	-	-	16,347,740
Future interest payable	17,292	44,802	57,696	66,676	48,662	-	-	235,128
<b>Total monetary liabilities payable</b>	<b>10,705,208</b>	<b>811,301</b>	<b>1,388,790</b>	<b>2,028,415</b>	<b>2,087,025</b>	<b>-</b>	<b>-</b>	<b>17,020,739</b>
<b>Loan Commitments</b>	<b>564,221</b>							<b>564,221</b>





# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 20 OTHER CREDIT RISKS

#### (a) Maximum Credit Risk Exposure

The Credit Union's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the Statement of Financial Position and loan commitments.

#### (b) Concentrations of Credit Risk

The Credit Union minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of customers. Credit risk is currently managed in accordance with the Prudential Standards to reduce the Credit Union's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement. All loans are to members of the Credit Union who are concentrated mainly within the greater Auckland area in New Zealand.

#### (c) Large counterparties

The Credit Union has exposure to counter-parties in excess of 10% of equity as follows:

	Number of counterparties	
	2019	2018
Greater than 100% of equity	1 Westpac NZ	1 Westpac NZ
Between 90% and 100% of equity	-	-
Between 80% and 90% of equity	-	-
Between 70% and 80% of equity	-	-
Between 60% and 70% of equity	-	-
Between 50% and 60% of equity	-	-
Between 40% and 50% of equity	-	-
Between 30% and 40% of equity	1 Co-op Money NZ	-
Between 20% and 30% of equity	-	1 Co-op Money NZ
Between 10% and 20% of equity	3 Loans to Members	2 Loans to Members

In relation to loans to members, where a member has shares as security or deemed security, the security has not been taken into account when calculating the percentage of exposure.

#### (d) Loans to Members

Loans can only be made to Credit Union members. Loan interest rates range from 5.95% to 19.00% p.a. (30 June 2018: 5.95% to 19.00% p.a.) The Credit Union has a lending policy that requires various levels and types of security for loans and includes that a portion of loans may be secured over the borrowing member's shares. The Friendly Societies and Credit Unions Act 1982 limits the risk of any one member and provides, along with the loan agreement that any and all shares might be used to offset an individual loan to the limit of their liability.

### 21 CONCENTRATION OF FUNDING

The Credit Union's source of funding is members' deposits. Accordingly, the funding is concentrated in and limited to the area of the 'common bond' and consequently the Credit Union funding is from individuals residing or working within New Zealand and primarily in the greater Auckland area. The funding from members is recorded as members' deposits in the Statement of Financial Position.

### 22 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

All financial assets and liabilities, with the exception of loans to members are short-term instruments where their carrying amount in the Statement of Financial Position equates to their fair values. As detailed in the accounting policies, loans are carried at estimated realisable value after providing for impairments. The Directors believe that any differences between carrying value and fair value are not material because the loan periods are relatively short and can be changed to "on demand" by the Credit Union or Supervisor. In addition, interest rate differences between lending dates and balance date are not significant.

The Credit Union did not hold any financial instruments at fair value at balance date.

# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 23 CASH FLOW RECONCILIATION

	2019	2018
	\$	\$
<i>Reconciliation of net cash flow from operating activities with operating profit</i>		
Operating (deficit) / surplus	(309,458)	22,990
Non cash items:		
Depreciation and amortisation	92,322	83,747
Loss on disposal of Property, Plant & Equipment, LH Improvements & Intangible Assets	-	41,322
Gain on disposal of Property, Plant & Equipment, Motor Vehicles	-	(11,215)
Bad loans written off	106,423	70,247
(Decrease) / Increase in provision for loan impairment	(32,058)	22,583
	<u>166,687</u>	<u>206,684</u>
Changes in assets and liabilities:		
(Increase) / decrease in trade and other receivables	(20,166)	10,177
Increase in trade and other payables	48,325	131,665
	<u>28,159</u>	<u>141,842</u>
Net cash provided by operating activities	<u>(114,612)</u>	<u>371,516</u>

### 24 RELATED PARTY DISCLOSURES

#### (a) Remuneration of Directors and Key Management Persons (KMP)

The Credit Union deals with Directors, Trustees and other key management persons ('KMP') on the same terms and conditions applied to all members (including interest rates on loans and shares):

	2019	2018
	\$	\$
Directors' and other KMP holdings at balance date are:		
Owing to Directors and other KMP (shares)	322,638	350,110
Owing by Directors and other KMP (loans)	112,616	68,179
Interest expense to Directors and other KMP (on shares)	13,988	1,393
Interest income from Directors and other KMP (on loans)	7,050	5,115

There are no shares from Directors exceeding 12 months at 30 June 2019, (30 June 2018: \$300,000) and all Directors' loans are repayable on demand.

The Directors received fees for the year to 30 June 2019 of \$35,770 (30 June 2018: \$35,700) for their services.

Key management persons are those with authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any Director (whether executive or otherwise) of the entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Key management persons comprise the Directors and one executive manager for the day to day financial and operational management of the Credit Union.

Key management remuneration for the year ended:

	2019	2018
	\$	\$
Short term employee benefits	213,500	210,124
Total remuneration	<u>213,500</u>	<u>210,124</u>

Number of persons recognised as Key Management Persons

9                      9

Remuneration shown as short term benefits means (where applicable) wages, salaries, paid annual leave, sick leave, bonuses and the value of fringe benefits received, but excludes out of pocket expense reimbursements.

#### (b) Other related parties

Other related parties are those relatives of the Directors or key management persons, spouses of relatives and any other entity under the control/significant influence of the Directors or key management persons.

	2019	2018
	\$	\$
Other related parties' holdings at balance date are:		
Owing to other related parties (shares)	8,022	5,577
Owing by other related parties (loans)	6,488	12,500
Interest expense to other related parties (on shares)	138	245
Interest income from other related parties (on loans)	959	1,524

The Credit Union deals with other related parties on the same term and conditions applied to members.

No Director or related party loans have been written off for loan impairment during the year (June 2018: Nil) and no amounts are included in the provision for impairment at 30 June 2019 (refer to note 8) (30 June 2018: Nil).



# CREDIT UNION AUCKLAND

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

### 25 EVENTS OCCURRING AFTER BALANCE DATE

There are no known events subsequent to 30 June 2019 which would materially affect these financial statements.

### 26 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

2019	Loans and receivables \$	Available-for-sale \$	Total \$
<i>Financial assets as per Statement of Financial Position</i>			
Cash and bank balances	1,085,406	-	1,085,406
Deposits at Co-op Money NZ and trading banks	5,375,483	-	5,375,483
Trade and other receivables (excluding prepayments)	74,610	-	74,610
Loans to members	14,594,335	-	14,594,335
Capital Notes	-	358,566	358,566
<b>Total</b>	<b>21,129,834</b>	<b>358,566</b>	<b>21,488,400</b>
	Financial liabilities at fair value through profit or loss \$	Other financial liabilities \$	Total \$
<i>Financial liabilities as per Statement of Financial Position</i>			
Trade and other payables (excluding provisions and employee benefits)	-	456,875	456,875
Members' deposits	-	17,848,308	17,848,308
<b>Total</b>	<b>-</b>	<b>18,305,183</b>	<b>18,305,183</b>
	Loans and receivables \$	Available-for-sale \$	Total \$
<i>Financial assets as per Statement of Financial Position</i>			
Cash and bank balances	1,466,200	-	1,466,200
Deposits at Co-op Money NZ and trading banks	3,235,000	-	3,235,000
Trade and other receivables (excluding prepayments)	62,757	-	62,757
Loans to members	15,217,416	-	15,217,416
Capital Notes	-	358,566	358,566
<b>Total</b>	<b>19,981,373</b>	<b>358,566</b>	<b>20,339,939</b>
	Financial liabilities at fair value through profit or loss \$	Other financial liabilities \$	Total \$
<i>Financial liabilities as per Statement of Financial Position</i>			
Trade and other payables (excluding provisions and employee benefits)	-	437,871	437,871
Members' deposits	-	16,347,740	16,347,740
<b>Total</b>	<b>-</b>	<b>16,785,611</b>	<b>16,785,611</b>



## *Independent auditor's report*

To the members of Credit Union Auckland

We have audited the financial statements which comprise:

- the statement of financial position as at 30 June 2019;
- the statement of comprehensive revenue and expense for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a statement of accounting policies.

### *Our opinion*

In our opinion, the accompanying financial statements of Credit Union Auckland (the Credit Union), present fairly, in all material respects, the financial position of the Credit Union as at 30 June 2019, its financial performance and its cash flows for the year ended 30 June 2019 in accordance with Public Benefit Entity Standards.

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### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

We are independent of the Credit Union in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Credit Union in the area of register compliance assurance. The provision of these other services has not impaired our independence as auditor of the Credit Union.

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## Our audit approach

### Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Credit Union materiality: \$220,700, which represents approximately 1% of total assets.

The Credit Union is an asset-based organisation managing the assets of its members for their benefit. The Credit Union generates the majority of its total operating revenue from interest on these assets. Total assets is considered to be an appropriate measure for materiality as it is a key indicator of how the entity is performing and a key focus of stakeholders.

We have determined that there are two key audit matters:

- impairment of loans to members
- impairment of New Zealand Association of Credit Unions (Co-op Money NZ) Base Capital Notes.

### Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Credit Union materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

### Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Credit Union, the accounting processes and controls, and the industry in which the Credit Union operates.

The Credit Union relies on the underlying banking systems provided by Co-op Money NZ. In establishing our overall audit approach, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of this assessment, we considered the control environment in place at Co-op Money NZ.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## Key audit matter

## How our audit addressed the key audit matter

### *Impairment of loans to members*

Loans to members, as disclosed in Note 8 to the financial statements, represent the Credit Union's core activity and are significant assets. The Credit Union is exposed to credit losses from overdue loans and loans in default. Determining an appropriate provision for impairment on these loans to members, as disclosed in Note 9 of the financial statements, is an area of significant management estimation and judgement.

In the course of the preparation of the financial statements, a determination is made by the Credit Union of the likely losses on loans to members who have not maintained loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment.

Accordingly, an estimation is made of the potential impairment based on individual circumstances of the member or on the length of time the loans are in arrears, but not impaired, taking into account information such as security, repayment plans, and other relevant factors. The impairment provision on collectively assessed loans to members is based on a formula developed by the Credit Union as discussed in Note 9. This provision and formula is compared to historical write-offs and adjusted when necessary. The Credit Union has concluded that this formula remains appropriate for the collective assessment.

Our audit procedures included the following:

We obtained an understanding of the provision for impairment process to understand the key controls in place over credit control and the process for identifying and estimating impairment. We have assessed the design effectiveness of the key controls, including review and approval processes for loans that are written off.

Our work over the provision for impairment of loans to members included:

- obtaining management's monthly and balance date reviews of the loan ledger and associated provisioning to confirm that the impairment assessment was conducted in line with policy;
- assessing management's calculated provision for impairment by:
  - considering the key assumptions against a trend analysis of provisions and actual impairments over a number of years;
  - understanding the make-up of the loan ledger, the type of loans and any related security over the loans and identifying trends that may indicate a particular portion of the loan portfolio where there is an increased risk of impairment based on historical impairments;
  - applying the loss factor percentage against the arrears to determine the level of collective provisioning required;
  - selecting a sample of significant loans in arrears to independently assess the judgements applied by management in providing for individual loans to members; and
  - considering the appropriateness of the provision for impairment in light of actual impairments noted subsequent to period end.

We have no material matters to report.



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="277 398 826 461"><i>Impairment of Co-op Money NZ Base Capital Notes</i></p> <p data-bbox="277 479 826 604">As disclosed in Note 10, the Credit Union held Co-op Money NZ Base Capital Notes (BCNs) at a carrying amount of \$358,566 at 30 June 2019.</p> <p data-bbox="277 640 826 797">Investment in these BCNs by a number of credit unions enables Co-op Money NZ to provide credit unions with essential banking services, insurance products, core operating systems and back office support.</p> <p data-bbox="277 833 826 990">There is no active market for these securities and under the exemption in PBE IPSAS 29 Financial Instruments: Recognition and Measurement, the BCNs have historically been carried at cost.</p> <p data-bbox="277 1025 826 1120">As disclosed in Note 10, the Directors have considered whether the carrying value of these notes was impaired at balance date.</p> <p data-bbox="277 1155 826 1406">In determining whether an impairment loss should be recorded, the Credit Union has made judgements as to whether there are indicators that there is a measurable decrease in the estimated future cash flows after taking into consideration the benefits of the services the Credit Union obtains from Co-op Money NZ through the receipt of discounted services.</p> <p data-bbox="277 1442 826 1720">The Directors have also assessed the availability of an alternative service provider for the core operating system, and another credit union having the right to step in and continue with the provision of these essential services, as important judgements as to whether there are indicators that there is a measurable decrease in the estimated future cash flows.</p> <p data-bbox="277 1756 826 1818">The Directors have determined that the BCNs are not impaired at 30 June 2019.</p> <p data-bbox="277 1854 826 1948">Given the significance of the judgements and assumptions applied in the assessment, this was a significant area of focus for our audit.</p>	<p data-bbox="858 479 1391 515">Our audit procedures included the following:</p> <ul data-bbox="858 515 1465 1473" style="list-style-type: none"><li data-bbox="858 515 1465 703">• assessing management’s conclusion that there are no material indicators of a measurable decrease in the estimated future cash flows after taking into consideration the benefit of the services the Credit Union obtains from Co-op Money NZ in respect of the BCNs;</li><li data-bbox="858 739 1465 833">• obtaining and considering the Credit Union’s assessment of the recoverable amount of the BCNs;</li><li data-bbox="858 869 1465 1375">• understanding and testing key inputs and assumptions used in the BCN recoverable amount assessment. Procedures included:<ul data-bbox="906 963 1465 1375" style="list-style-type: none"><li data-bbox="906 963 1465 1057">○ an assessment of the ability of Co-op Money NZ to continue to provide these bureau services;</li><li data-bbox="906 1057 1465 1151">○ assessing the key assumptions, drivers and calculations, and the methodologies applied in the impairment model;</li><li data-bbox="906 1151 1465 1308">○ obtaining the step-in rights agreement which stipulates that another credit union can take over the provision of essential banking services from Co-op Money NZ, if required;</li><li data-bbox="906 1308 1465 1375">○ assessing the forecast cash flows in the model; and</li></ul></li><li data-bbox="858 1411 1465 1473">• we engaged our own in-house valuation specialist to review the assessment performed.</li></ul> <p data-bbox="858 1509 1321 1545">We have no material matters to report.</p>



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### *Information other than the financial statements and auditor's report*

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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### *Responsibilities of the Directors for the financial statements*

The Directors are responsible, on behalf of the Credit Union, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Credit Union or to cease operations, or have no realistic alternative but to do so.

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are 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 ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/>

This description forms part of our auditor's report.

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### *Who we report to*

This report is made solely to the Credit Union's members, as a body. Our audit work has been undertaken so that we might state those matters, which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members, as a body, for our audit work, for this report or for the opinions, we have formed.

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The engagement partner on the audit resulting in this independent auditor's report is Philip Taylor.  
For and on behalf of:

Chartered Accountants  
11 September 2019

Auckland



## PRODUCTS AND SERVICES

**Everyday Account:** Working account with money available by EFTPOS and ATM.

**Bill Pay Account:** A specific account to pay your bills, making the household budgeting that much easier.

**Loyalty Saver:** Ensures priority for loans and creates your Credit Union's lending pool. Savings attract monthly interest and are on 14-day notice of withdrawal.

**Success Saver:** Earn high rates of interest while your savings are on call. Interest is paid monthly.

**Goal Saver:** Tailor-make an account for your special goals.

**Christmas Saver:** Specific purpose savings account for that much-needed cash at Christmas time.

**Kids Cash Saver:** Savings for your child; develops the saving habit at an early age.

**Term Share Investments:** A range of terms at competitive market-related rates.

**Accessphone:** 24-hour telephone banking from anywhere in the world.

**Accesscard:** 24-hour access to your funds through ATM and EFTPOS (only in New Zealand).

**AccessDebit:** Debit card giving access to your funds through ATM and EFTPOS in New Zealand and overseas, as well as making purchases online and by telephone.

**Accessonline:** 24-hour personal internet banking service. View account balances and transactions, make transfers and payments, and set up and amend automatic payments.

**AccessMobile:** App on your smartphone to give you 24-hour access to your personal internet banking.

**Personal Loans:** At competitive rates for any worthwhile purpose. Loan repayment insurance is available to cover death, sickness, disability and involuntary loss of earnings.

**Home Loans:** Mortgage finance is available for Members and mortgage repayment insurance is available to cover death, disability and involuntary loss of earnings.

**Money Transfer Service:** Overnight transfer of your Credit Union funds to any bank account of your choice.

**Credicare Bereavement Fund:** Membership of this unique fund provides peace of mind for you and your family. On death, your next of kin receives an immediate tax-free payment.

**Travel Service:** Members' travel requirements can be arranged with favourable conditions from our appointed agent. Overseas currency is also available on request through Travelex.

**Budget Advisory Service:** Assisting Members to improve their money management skills in accordance with Credit Union philosophy.

**Friendly Service and Advice - Our staff are always available to give you friendly, helpful advice with your money management - WE CARE!**

**NZCU Auckland is proudly a registered Credit Union – not a registered bank.**

## DIRECTORY

### ❖ Board of Directors

Doug McLaren	Chairman
Greg Carll	Deputy Chairman
Teresa Davies	Secretary
Lionel Pereira	Treasurer
John Stevenson	Director
Robin Stevens	Director
Keryn Corrigan	Independent Director
Derek Railey	Independent Director

### Trustees

Greg Carll	Chairman
Derek Railey	
Doug McLaren	

### ❖ Management and Staff

Rob Collins	Chief Executive
Ruth Rogers	Financial Services Manager
Melanie Lemusu	Operations Manager
John Cumming	Administration Manager
Michael Dempsey	Accountant
Rhonda Clare	Risk and Compliance Officer
Rukhi Dahya	Administration Officer
Ana Leilua	Team Leader
Satendra Kumar	Branch Manager
Fou Alaimalo	Branch Manager
Tanya Work	Branch Manager
Uma Wati	Collections Manager
Bronson Lum	Member Services
Ammar Almulla	Member Services
Christopher Banks	Member Services
Nathaniel Macpherson	Member Services
Courtney Cocker-Valu	Member Services

### ❖ Prudential Supervisor

Covenant Trustee Services, Auckland

### ❖ Regulators

Reserve Bank of NZ (RBNZ)  
Financial Markets Authority (FMA)  
Registrar of Credit Unions

### ❖ Auditors

PricewaterhouseCoopers (PwC), Auckland  
AML Solutions Limited, Auckland

### ❖ Solicitors

Stace Hammond, Auckland & Hamilton  
Vlatkovich & McGowan, Auckland  
Anthony Harper, Auckland

### ❖ Branches/Sites

#### Penrose (Head Office)

695 Great South Road  
PO Box 12564  
Penrose  
Auckland 1642  
Phone: (09) 579 1026 (all branches)  
Fax: (09) 579 8396  
Web: [www.nzcuackland.co.nz](http://www.nzcuackland.co.nz)

#### Airport

Mezzanine Floor  
Westfield Shopping Mall  
Manukau City (Temporary)  
Fax: (09) 263 8057

#### Manukau

Mezzanine Floor  
Westfield Shopping Mall  
Manukau City  
Fax: (09) 263 8057

#### Tip Top (Employees only)

Tip Top  
113 Carbine Road  
Mount Wellington  
Fax: (09) 573 1107

#### Highbrook

Cnr Cryers Road & Allens Road  
Highbrook  
Fax: (09) 579 8396

#### Harbour (Employees only)

Ports of Auckland  
Mechanics Bay

### ❖ Bankers

Co-op Money NZ - Central Banking  
Westpac New Zealand Limited

### ❖ Affiliations

NZCU Group  
New Zealand Association of Credit  
Unions t/a Co-op Money NZ  
Provident Insurance  
Vero Insurance  
Financial Services Complaints Ltd