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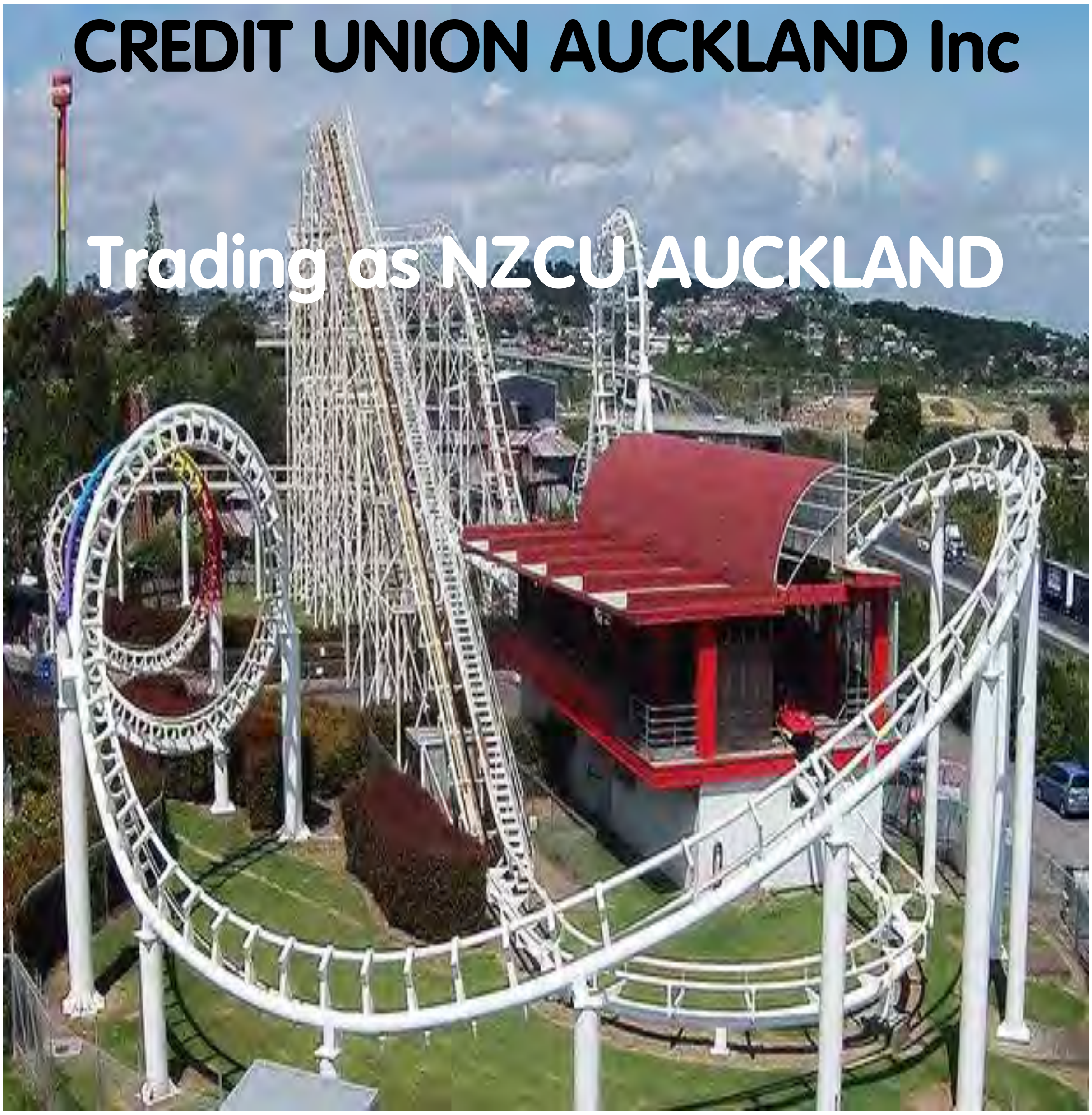
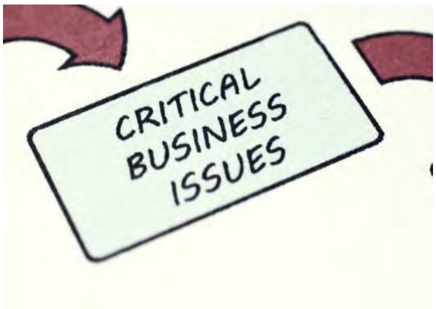
2020 ANNUAL REPORT

CREDIT UNION AUCKLAND Inc

Trading as NZCU AUCKLAND



The year at a glance



- Incorporation
- Core banking system
- Restructure of NZACU/Co-op Money
- Covid-19
- Maintaining Balance Sheet strength

Profit/(Loss)	($198,741)	↑	$110,717
Revenue	$3,118,463	↑	$151,324
Assets	$21,801,167	↓	$277,767
Member Savings	$17,791,313	↓	$56,995
Loans	$15,242,163	↑	$647,828
Capital Ratio	15.68%	↓	0.18%
Staff No's	17	→	17

Chairman's Report

It is my pleasure as Vice-Chairman to present the 55th Annual Report for Credit Union Auckland Incorporated on behalf my fellow Directors. The 2019/20 year has been a significant year in the history of the Credit Union. A year when the Credit Union had to manage a long list of projects and issues, including:

- Incorporation in January under the amended Friendly Societies & Credit Unions Act;
- Ongoing disruption of working with a new computer system;
- The sale of our shares in Co-op Money NZ; and
- Of course, Covid-19.

The Covid-19 pandemic, with the series of lockdowns it caused, has been a challenge to our business and tested our resilience. It certainly had an impact on our financial performance. On a positive note, I am pleased to say that the Board, management and staff have risen to that challenge of continuing to provide Members with the products and services they require to maintain their lifestyle. The Board is extremely proud of the way our team served our membership under never before experienced circumstances whilst also ensuring their own health and safety as well those of our valued Members.

Financial

Our financial result was negatively impacted by Covid-19 resulting in a loss of -$198,741 for the year. The Credit Union experienced growth during the first half of the year but with the loss of business during the lockdown periods, the last quarter was very tough. The profitability of your Credit Union remains at the forefront of the Board's thinking. In conjunction with Management, there has been scrutiny of all costs associated with the organisation and the Board has regularly challenged management in that respect. While your Credit Union is not-for-profit, we do need to make some profit so that we can continue to reinvest in the business in order to provide lower cost services for Members to enjoy. I want to record that management joined the Board in taking a reduction in remuneration which acknowledged the challenge brought to your Credit Union by the events of 2020.

Although Covid-19 has had a significant impact on the world, I am pleased to report that your Credit Union has absorbed the financial impact and remains in a strong position with Reserves of over $3.2m and all our ratios in excess of the Reserve Bank requirements.

Co-op Money NZ

During the year Co-op Money NZ was sold by its Credit Union owners to the members of Baywide Credit Union. The sale agreement provided for only a part payment of 75c in the $ for our holding with the remaining 25c being paid over the period 2022-27 subject to conditions. This has also resulted in individual Credit Unions having to negotiate for services supplied by CMNZ as a customer rather than a joint owner.

Our industry body, the New Zealand Association of Credit Unions is also being disbanded much to our disappointment. This means that the Movement will have no single voice to deal with our regulators and lawmakers. Your Board believes this is a backward step for Credit Unions and one of the reasons why financial co-operatives were disregarded by the Government and regulators during the fallout from this Covid-19 pandemic.

Regulation

Government policies and regulations have continued to impose rules and additional costs on the Credit Union Movement. Many of them are not imposed on banks or other financial organisations, to our disadvantage. You can be assured that the Board and management press for an even playing field at every opportunity with politicians and regulators alike.

Governance

During the year just completed, your Board held 12 monthly meetings and a day-long strategic planning session. As well, the Credit Committee, Remuneration, Audit, Risk and Compliance, Education Committee and Nomination Committees all met in addition to the normal Board meetings. During the lockdowns the Board meet every 2 days to review the Credit Union's operations and to ensure we were providing the safest environment we could for our staff and Members while protecting our finances. I thank the Board for their commitment during this period.

A special thanks to Lisa Amoa who joined the Board during the year. Unfortunately, Lisa is unable to continue as a Director and I wish to thank her for her input to the Credit Union during her short term on the board. It has been appreciated.

The Future

Credit Union Auckland operates in the most competitive market in New Zealand. We are successful because we still follow the Credit Union principles of:

- Encouraging thrift among Members;
- Providing loans to Members at reasonable rates;
- Paying a fair rate of return on Member savings;
- We exist, not for profit, but to serve the economic well-being of our Members.

Provided we continue to follow these guiding principles your Credit Union will continue to be successful.

Acknowledgement

I wish to thank Rob Collins and his team for the dedication they have shown this year. Their commitment to our Members during this difficult year is appreciated by the Board. I wish to especially thank Michael Dempsey who is retiring after serving 29 years with the Credit Union. Michael, on behalf the Board, I wish you a well-earned and long-lasting retirement.

Finally, a special thanks to our Members for your continued support, for without Members we have no Credit Union.

G.J. Carll

Greg Carll
Vice-Chairman

Chief Executive's Report

Thank you again for this opportunity to talk to you tonight. As I am sure you have heard many times over the last few months - what a year it has been. These last 12 months have been one of the most challenging periods any of us have been through with the issues arising out of the Covid-19 pandemic. First of all, before I talk about the financial result, I want to acknowledge the support of our staff and Members during this crisis.

There is no doubt there was, and still is, great fear in the community about Coronavirus. As a designated essential service, we worked continuously throughout all the lockdowns and opened our branches when allowed by the Government. During this time, our first goal was the protection of our people – whether they be staff or Members. We had some staff who were required to self-isolate to protect their wellbeing, others working from home and the remaining carrying on serving our Members in the best traditions of the Credit Union Movement. I am very proud of the way in which staff carried on interacting with Members face-to-face, over the phone and online. We operated in several bubbles in different locations which worked very effectively resulting in everyone keeping safe and healthy.

During all these difficulties, Members showed our people great respect and at all times, followed good hygiene and health practices. This not only kept everyone safe but allowed us to work with less stress and apprehension. Thank you to you all.

The financial result, although a loss, was an improvement on the previous year and ahead of our budget. At -$198,741 the impact of the first lockdown cannot be underestimated. With a strong first 9 months to March where we had growth and the likelihood that we would have a much smaller loss for the full year, the consequences of the lockdown were severe. We were under huge restrictions in April and no personal or mortgage lending was possible. Our card and electronic business also fell. Even in Levels 3 and 2 our ability to interact with our Members was limited. One of the areas the Government failed to recognise was the inability of many of our Members to access their accounts digitally. Not all of us have computers and wifi at home and many of our Members wanted to continue to transact through our branch network. The severity of the lockdowns were a great imposition to these Members.

During the height of the Level 4 lockdown, we applied for and were granted the Wage Subsidy as we anticipated our Revenue would be substantially reduced by the impact of the lockdown. This allowed us to keep faith with our staff and retain them on full pay. However, although the expected downturn was significant it wasn't as dire as predicted and the Board has made the decision to repay the Subsidy. Although this will have a negative effect on our 2020/21 results, we think it is the right thing to do.

The strong positive factor remains that because we had purposely built a strong Balance Sheet over many years gone by, we could sustain our services when the going got tough. No one ever expected we would have to face such a devastating pandemic such as we are going through, but good business decisions in the past meant that we are coming through this with our financial strength intact. As I have said in past years, we continue to be driven by the belief that supporting Member benefits is the best way to manage our business.

Despite all that has eventuated, we retained 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. Having maintained a strong liquidity position during the first part of the year, Member balances remained strong throughout, demonstrating their continuing faith in us. As I commented previously, good liquidity had meant that we could sustain very strong lending growth in the first 9 months of the year, and even despite the pandemic, still resulted in a growth in the book by $648k (4.44%).

Also during the year the Credit Union Movement had another shake-up with the restructure of Co-op Money NZ who supplies our core banking and finance infrastructure. As a result, we sold our shareholding in Co-op Money NZ and moved to a customer-only relationship. At the same time, the New Zealand Association of Credit Unions (NZACU) was deactivated and we were forced to resign our membership. This is a great shame for mutuals in New Zealand and we are now even further out of step with similar countries around the world who value the work that Credit Unions do.

We again enjoyed our annual School Scholarship presentations in March and met another wonderful 20 Primary and Secondary pupils from our family of Members. However, to ensure we continue prudent management of our finances, it has meant that we have had to suspend the programme for 2021. Hopefully, we can re-introduce it again in 2022.

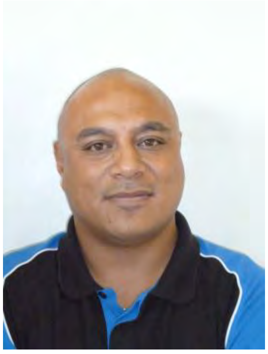
I want to say a big thank you again to my staff who have worked tirelessly for the benefit of Members. All day, every day, they have the interests of Members at heart when doing their jobs and I applaud them for it. I commented last year that the next 12 months would be one of re-building but little did we know how difficult that would be. We continue to concentrate on serving Members to the best of our ability 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. Ask just one person to join you as a Member of NZCU Auckland and ensure our growth into 2021.

Thank you.

Rob Collins
Chief Executive

Treasurer's Report



I am pleased to present the Audited Annual Financial Statements of Credit Union Auckland Incorporated trading as NZCU Auckland for the year ended 30 June 2020. These have again been prepared under the Public Benefit Entity 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.

While this has been an extraordinarily challenging year, 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 -$198,741 (2019 Loss -$309,458). While this is a Loss for the second year in a row, it was less than budgeted and severely impacted by the Covid-19 pandemic. I am comfortable that we maintain a very strong Balance Sheet and remain one of the financially strongest Credit Unions in New Zealand with a high Capital Adequacy Ratio of 15.68%.

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 Loans book 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.

Lionel Pereira
Treasurer

CREDIT UNION AUCKLAND INCORPORATED

CONTENTS OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

CREDIT UNION AUCKLAND INCORPORATED

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
Interest revenue	**3*(a)***	1,803,742	1,778,640
Interest expense	**3*(b)***	(412,233)	(497,838)
Net Interest Revenue		***1,391,509***	***1,280,802***
Other revenue	**3*(c)***	1,314,721	1,188,499
Total revenue		***2,706,230***	***2,469,301***
OTHER EXPENSES			
Bad and doubtful loans	**3*(d)***	178,542	67,009
Employee benefits	**3*(e)***	1,189,682	1,212,976
Occupancy - operating leases		307,533	296,368
Depreciation and amortisation	**3*(f)***	86,525	92,322
Other administration expenses	**3*(g)***	1,142,689	1,110,084
		2,904,971	***2,778,759***
Operating Deficit for the year		***(198,741)***	***(309,458)***
OTHER COMPREHENSIVE REVENUE **Items that will not be reclassified subsequently to the profit and loss**			
Other comprehensive revenue for the year		-	-
Total other comprehensive revenue		-	-
TOTAL COMPREHENSIVE REVENUE		***(198,741)***	***(309,458)***

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

CREDIT UNION AUCKLAND INCORPORATED

STATEMENT OF CHANGES IN MEMBERS' FUNDS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Accumulated Comprehensive Revenue $	Total $
Balance at 1 July 2019		3,459,987	3,459,987
Operating Deficit for the year		(198,741)	(198,741)
Other comprehensive revenue			
Other comprehensive revenue		-	-
Total other comprehensive revenue		-	-
Total comprehensive revenue		(198,741)	(198,741)
Balance at 30 June 2020	**4**	***3,261,246***	***3,261,246***
Balance at 1 July 2018		3,769,445	3,769,445
Operating Deficit for the year		(309,458)	(309,458)
Other comprehensive revenue			
Other comprehensive revenue		-	-
Total other comprehensive revenue		-	-
Total comprehensive revenue		(309,458)	(309,458)
Balance at 30 June 2019	**4**	***3,459,987***	***3,459,987***

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

CREDIT UNION AUCKLAND INCORPORATED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 $	2019 $
MEMBERS' FUNDS			
Accumulated comprehensive revenue	**4**	3,261,246	3,459,987
TOTAL MEMBERS' FUNDS		***3,261,246***	***3,459,987***
ASSETS			
Cash and cash equivalents	**5**	5,802,475	5,660,889
Deposits over 3 months	**6**	-	800,000
Trade and other receivables	**7**	238,263	101,390
Loans to members	**8**	15,242,163	14,594,335
Co-op Money NZ Capital Notes	**10**	-	358,566
Property, plant and equipment	**11**	295,234	320,181
Intangible assets	**11**	223,032	243,573
TOTAL ASSETS		***21,801,167***	***22,078,934***
LIABILITIES			
Trade and other payables	**12**	413,412	494,859
Employee entitlements		335,196	275,780
Members' deposits	**13**	17,791,313	17,848,308
TOTAL LIABILITIES		***18,539,921***	***18,618,947***
NET ASSETS		***3,261,246***	***3,459,987***

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

G J Carll

Director 23/10/2020

Director 23/10/2020

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

CREDIT UNION AUCKLAND INCORPORATED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		1,817,501	1,767,179
Fees and commissions received		1,177,732	1,190,307
Bad loans recovered		5,432	7,479
Other income		136,069	-
Interest paid		(433,530)	(493,023)
Payments to suppliers and employees		(2,701,629)	(2,586,554)
Net cash generated/(used) from operating activities	**23**	1,575	(114,612)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement in members' loans		(831,802)	548,716
Decrease / (Increase) in deposits over 3 months	**6**	800,000	(400,000)
Payments for property, plant and equipment & intangibles	**11**	(41,037)	(174,983)
Proceeds from sale of property, plant and equipment & intangibles	**11**	920	-
Proceeds from sale of Capital Notes - Co-op Money NZ	**10**	268,925	-
Net cash provided by / (used in) investing activities		197,006	(26,267)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (decrease) / increase in members' deposits		(56,995)	1,500,568
Net cash (used in) / provided by financing activities		(56,995)	1,500,568
Total net increase in cash and cash equivalents held		141,586	1,359,689
Cash and cash equivalents at the beginning of the year		5,660,889	4,301,200
Cash and cash equivalents at the end of the year		***5,802,475***	***5,660,889***
Represented by:			
Cash and cash equivalents	**5(a)**	3,346,992	1,085,406
Deposits under 3 months	**5(b)**	2,455,483	4,575,483
Total cash and cash equivalents		***5,802,475***	***5,660,889***

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1 GENERAL INFORMATION

Reporting entity

Credit Union Auckland Incorporated ("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 Covenant Trustee Services Limited as the Supervisor for 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 1 January 2020.

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 23 October 2020.

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 autoreactive 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 estimated. The estimates and underlying assumptions are reviewed 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. These financial statements have been prepared using the going concern assumption on the basis that the Directors believe that the Credit Union can continue to to fulfil its financial obligations for at least 12 months from the date of signing these financial statements.

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 recognised on a time-proportionate basis using the effective interest method. 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.

Other income
The Government has instituted a number of measures designed to assist individuals and businesses such as government grants and the Credit Union has taken advantage of these where it has been eligible. Rent abatements have also been made available by the Credit Union's landlords and both these relief measures have been included in the financial statements.

(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 recognised on an accrual basis and recorded in the period to which they relate.

(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.

(j) Impairment of loans (continued)

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 past-due status).
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.

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 debtor's 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
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.

Plant and equipment are depreciated on a straight line basis. Depreciation of 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:

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

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 at date of disposal. These are included in the Statement of Comprehensive Revenue and Expense.

(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 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 of $286,835 for the Oracle Flexcube Software which is being amortised over 10 years.

(o) Impairment testing of non-financial assets
At each reporting date, the Credit Union reviews the carrying values of its tangible and intangible 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. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects the current market rates and the risks specific to the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). 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 as at balance date. 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 Revenue and Expense 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.

(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 members' deposits 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 deposits.

(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 two critical estimates, being the impairment of loans to Members and the liquidity and funding structure of the Credit Union.

Impairment of Loans to Members
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.

The Credit Union considers the provision for impairment of its Loans to Members as an area that requires significant management judgement and estimation. The COVID-19 pandemic and associated lockdowns have increased the estimation uncertainty in recoverability of the loans to Members in the current year. A number of Members have been financially impacted by the pandemic and there is continuing uncertainty as to the severity and duration of the expected domestic economic downturn and effectiveness of Government relief measures.

The impacts of the pandemic have been considered when:
(i) Judging whether there is significant increase in credit risk of whether an amount is post-due or credit-impaired; and
(ii) Estimating future repayment probabilites

Refer to note 9 for the basis of the Credit Union's impairment of loans to Members and how the pandemic has impacted the impairment of loans to Members.

Funding structure and liquidity
The Credit Union relies on deposits from members as its core funding source. Management makes estimates and assumptions concerning the future when assessing the reinvestment level of the Members' deposits. As disclosed in Note 17, on a contractual basis, there is a liquidity deficiency within one month of 30 June 2020 of $7,141,418 (30 June 2019: $7,921,774). Note 18 shows the maturity profile of financial liabilities and Note 17 describes how the Directors manage liquidity. In their forecasting of cash flows, the Directors expect the deposits due within one month to be retained, with reinvestment by members continuing at historical levels when term deposits mature.

Refer to note 17 and 18 for further details on how management has managed its funding structure and liquidity and maturity profile of the the Credit Union respectively.

(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: amortised 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 amortised 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.

(w) COVID-19

The World Health Organisation (WHO) declared the coronavirus (COVID-19) to be a global pandemic on 11 March 2020 and the outbreak has spread across many countries, causing significant disruption to business and economic activity. On 25 March 2020 the New Zealand Government increased the COVID-19 Alert status to Level 4. This alert status required a range of measures across New Zealand including restrictions on individuals and businesses. The Credit Union was an essential service and provided continuous services to members via branch, telephone and digital channels. Branches provided limited face to face services during levels 4 and 3 and supported remote channels when closed to the public.

Below outlines the main impacts the COVID-19 has had on the Credit Union:
Loan Repayment Relief:
The Credit Union supported members adversely impacted by COVID-19 by offering restructured loan arrangement within approved criteria. This support allowed members time to assess the impact of COVID-19 on their individual circumstances and adjust accordingly.

Impairment of Members' Loans:
The Credit Union maintained the provision for impairment at appropriate levels. The impact of COVID-19 on the economy, businesses, and consumers is uncertain and actual credit losses may differ from the impairment assessment.

Team members:
Many of our team members worked remotely or supported the branch sites under reduced opening hours during the lock down period to allow safe "bubbles".

On 8 June 2020 the COVID-19 Alert status was reduced to Level 1 for all of New Zealand. (Refer to Note 25 for subsequent COVID-19 Alert status updates).
As at 30 June 2020, management have assessed the impact of COVID-19 on the financial performance and financial position of the Credit Union. The below accounting impacts have been identified by management.
- Impairment of loans to members (note 2(u) and 9)
- Liquidity & credit risk (note 17)
- Events occuring after balance sheet date (note 25)

3 REVENUE AND EXPENSES

		2020 $	2019 $
(a)	***Interest revenue***		
	Interest on loans	1,738,220	1,673,886
	Interest on investments	65,522	104,754
	Total interest revenue	**$1,803,742**	**$1,778,640**
(b)	***Interest expense***		
	Interest on members call shares	164,403	227,668
	Interest on members term shares	247,824	268,819
	Interest other	6	1,351
	Total interest expense	**$412,233**	**$497,838**
(c)	***Other Revenue***		
	Fee Income - ATM	133,725	234,440
	Fee Income - Loan application fees	313,544	278,288
	Fee Income - Cost recovery fees	490,889	471,040
	Commissions earned	218,197	190,896
	Other fees charged	21,377	13,835
	Other Income	136,069	-
	Gain on Disposal of Property, Plant and Equipment	920	-
	Total other revenue	**$1,314,721**	**$1,188,499**
(d)	***Bad and doubtful loans***		
	Bad loans written off	128,833	106,423
	Movement in provision for loan impairment	55,141	(32,058)
	Bad loans recovered	(5,432)	(7,356)
	Total bad and doubtful loans	**$178,542**	**$67,009**
(e)	***Employee benefits***		
	Salaries and wages	1,151,161	1,173,256
	Kiwisaver contributions	22,498	22,897
	Other staff costs	16,023	16,823
	Total employee benefits	**$1,189,682**	**$1,212,976**

3 REVENUE AND EXPENSES (continued)

		2020	2019
		$	$
(f)	***Depreciation***		
	Leasehold improvements	28,577	28,578
	Plant and equipment	21,018	27,893
	Motor vehicles	8,109	12,757
	Total depreciation	57,704	69,228
	Amortisation expense		
	Intangible assets - computer software	28,821	23,094
	Total amortisation expense	28,821	23,094
	Total depreciation and amortisation expense	**$86,525**	**$92,322**
(g)	***Other administration expenses***		
	AML / CFT audit	6,900	-
	Auditors' remuneration		
	External audit - PricewaterhouseCoopers	40,555	50,211
	Register compliance assurance - PricewaterhouseCoopers	1,903	1,785
	ATM Costs /Accesscard	90,060	172,681
	Advertising and marketing	63,069	59,685
	Bank and cash delivery charges	67,831	69,815
	Data processing costs / IT	408,384	282,547
	Directors' fees	37,685	35,770
	Directors' expenses and training	2,441	3,610
	Donations made / community support	9,680	9,309
	Lending and debt recovery costs	42,387	46,654
	Loyalty fee rebate	-	4,827
	Training and seminars	615	5,081
	Office and administration	257,981	247,833
	Other occupancy costs	36,354	40,049
	Other sundry expenses	76,844	80,227
	Total other administration expenses	**$1,142,689**	**$1,110,084**

Note: $2,014 was on-charged to the Credit Union by Co-Op Money for IT controls assurance performed for Co-Op Money by PricewaterhouseCoopers.

(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):

	2020	2019
Call Shares		
Everyday Account	0.00%	0.00%
Goal Saver	1.00%	1.50%
Billpay Account	0.00%	0.00%
Loyalty Saver	1.00-1.50%	1.50-2.50%
Christmas Saver	3.00%	4.00%
Success Saver	1.50-2.00%	2.00-3.00%
Jimmy J Junior Account	3.00%	3.00%
Term Shares		
I3 Term Deposit (3 months)	1.30-1.40%	2.50-2.75%
I6 Term Deposit (6 months)	2.00-2.10%	2.75-3.25%
I9 Term Deposit (9 months)	2.00-2.10%	2.75-3.45%
I12 Term Deposit (12 months)	2.00-2.10%	3.00-3.45%
I18 Term Deposit (18 months)	2.10-2.20%	3.00-3.45%
I24 Term Deposit (24 months)	2.10-2.20%	3.00-3.45%

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4 RESERVES

Reserves as at 30 June 2020

	Accumulated Comprehensive revenue	Total reserves
	$	$
Balance brought forward	3,459,987	3,459,987
Deficit	(198,741)	(198,741)
Balance carried forward	3,261,246	3,261,246
Reserve % to total assets	14.96%	14.96%

Reserves as at 30 June 2019

	Accumulated Comprehensive revenue	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%	15.67%

5 CASH AND CASH EQUIVALENTS

(a) Cash and bank balances

	2020	2019
	$	$
Cash on hand	212,449	221,916
Bank balances	3,134,543	863,490
	3,346,992	1,085,406

(b) Deposits under 3 months

	2020	2019
Term deposits at Westpac (Co-op Money NZ - Card Settlement Bond)	455,483	455,483
Term deposits at Westpac	2,000,000	4,120,000
	2,455,483	4,575,483
Total cash and cash equivalents	5,802,475	5,660,889

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 level of deposits with Co-op Money NZ for card settlements. At 30 June 2020 this was $455,483 (30 June 2019: $455,483).

6 DEPOSITS OVER 3 MONTHS

Deposits over 3 months

	2020	2019
	$	$
Term deposits at Westpac (over 3 months)	-	800,000
	-	800,000

7 TRADE AND OTHER RECEIVABLES

	2020	2019
	$	$
Accrued interest	37,281	51,040
Sundry debtors	99,285	23,570
Capital Notes Sale - Deferred Settlement	89,641	-
Prepayments	12,056	26,780
	238,263	101,390

All trade and other receivables are due within 1 year, except for Capital Note Sale which is non current. Refer Note 10 for further details on the agreed deferred settlement.

8 LOANS TO MEMBERS

Loans are made in accordance with the lending policy of the Credit Union and are repayable on demand under certain conditions. A provision for impairment has been made at the end of the reporting period. Bad loans are written off against the provision fo r impairment and the provision is adjusted accordingly. Loans to members current balance as at 30 June 2020 are $5,268,255 (30 June 2019: $5,356,126) and the non current balance as at 30 June 2020 are $10,279,425 (30 June 2019: $9,488,585). The total amount of restructured loans as at 30 June 2020 are $1,049,412 (30 June 2019: $222,253).

(a) Loans to members

	2020	2019
Neither past due nor impaired	13,864,039	13,431,612
Past due but not impaired		
1 to 30 days	1,128,071	912,828
31 to 60 days	55,601	64,903
61 to 90 days	55,523	38,840
Over 90 days	-	-
Impaired loans		
Impaired individually	444,446	396,528
Gross loans	15,547,680	14,844,711
Less:		
Allowance for individually impaired loans	281,757	237,707
Allowance for collectively impaired loans	23,760	12,669
	305,517	250,376
Net loans to members	15,242,163	14,594,335

(b) Credit quality - security dissection

Secured by first mortgage over real estate	5,096,621	4,897,727
Secured by second mortgage over real estate	28,175	37,381
Secured by members' shares in the Credit Union	1,045,515	1,784,056
Partially secured by motor vehicle and other collateral	9,205,409	8,012,641
Unsecured loans	171,960	112,906
	15,547,680	14,844,711

It is impracticable to provide a valuation of the all the collateral security held against loans because of the complexity and the potential volatility of security values. 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%	4,194,992	4,445,865
- loan to valuation ratio of more than 80%	929,804	489,243
	5,124,796	4,935,108

	(c) Credit quality - concentration of loans	**2020**	**2019**
(i)	Loans to individual or related groups of members which exceed 10% of equity	3 loans	3 loans
(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:	96.24%	97.89%
(iv)	Loans drawn down by member type:		
	Loans to natural persons	**$**	**$**
	Residential loans and facilities	5,124,796	4,935,108
	Personal loans and facilities	10,422,884	9,909,603
		15,547,680	14,844,711

9 IMPAIRMENT OF LOANS TO MEMBERS

(a) Total Provision for impairment	**2020**	**2019**
	$	**$**
Opening balance	250,376	282,435
Increase / (Decrease) in provision for impairment for the year	55,141	(32,059)
Balance carried forward	305,517	250,376

(b) Key assumptions in determining the provision for impairment

Uncertainty due to the Covid-19 pandemic is causing significant economic and social disruption. Auckland particulary has been impacted by lockdowns and the impact of these lockdowns on employment and Members' financial wellbeing is yet to be fully determined. While there have been some signs of business and consumer confidence rebounding and spending levels improving, continuous changes to COVID-19 Alert System levels and varying degrees of lockdown will create even greater uncertainty for the Credit Union and its Members.

The Credit Union has agreed to restructure a number of Member Loans and is willing to assist any member who believes they face financial stress. However, agreement to restructure a Loan or make other relief packages available is not automatic evidence of loan impairment.

As mentioned earlier, the Government initiatives such as the wage subsidy have maintained employment levels for many during the period of those measures. However, the impact of the expiry of these packages is yet to be determined.

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. Each loan is either individually or collectively assessed.

Where there is evidence of impairment, an estimation is made of the potential impairment based on individual circumstances of the member, including the estimated impact of COVID-19 (individually impaired loans) or on the length of time the loans are in arrears but not impaired (collectively assessed loans), taking into account information such as security, repayment plans, and other relevant factors.

Where there is no evidence of impairment, the impairment provision is collectively assessed based on a formula developed by the Credit Union driven by the length of time the loans are in arrears. This provision and formula are compared to historical write-offs and adjusted when necessary. The Credit Union has concluded that this formula remains appropriate for the collective assessment.

(c) Individually Impaired loans

	Individually Impaired Loans
Gross individually impaired loans	**$**
Carrying Amount at 1 July 2019	396,528
Additions to Class	368,863
Written Off	(128,833)
Deletions from Class	(192,112)
Carrying Amount at 30 June 2020	444,446
Allowance for individually impaired loans	
Impairment at 1 July 2019	237,707
Additions to Class	241,226
Written Off	(122,322)
Deletions from Class	(74,854)
Impairment at 30 June 2020	281,757
Net Provisioned Loans at 30 June 2020	**162,689**

9 IMPAIRMENT OF LOANS TO MEMBERS (continued)

(c) Individually Impaired loans (continued)

	Individually Impaired Loans $
Gross individually impaired loans	
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	396,528
Allowance for individually impaired loans	
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	237,707
Net Provisioned Loans at 30 June 2019	**158,821**

Loans with enforcement of security

There were no loans where real estate was acquired through the enforcement of security at 30 June 2020 (30 June 2019 Nil). There were no loans where other assets were acquired through the enforcement of security at 30 June 2020. (30 June 2019 $15,500). All 90 day past due assets are included in the individually impaired loan category.

(d) Interest and other revenue recognised and foregone	**2020**	**2019**
	$	**$**
Interest revenue on individually impaired loans recognised	51,751	35,992
Interest foregone on individually impaired loans	21,997	20,425

10 CO-OP MONEY NZ CAPITAL NOTES

	2020	**2019**
	$	**$**
Co-op Money NZ Capital Notes	358,566	358,566
Capital Notes Sale - payment received	(268,925)	-
Capital Notes Sale - deferred settlement	(89,641)	-
Total available-for-sale investments	-	358,566

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

Co-op Money NZ Capital Notes were classified as "available-for-sale" financial assets and were issued by the Co-op Money NZ Business Services Division as Trust Base Capital Notes (Capital Notes). These represented monies invested with the Co-op Money NZ Business Services Division Trust. The Capital Notes constituted unsecured obligations of the Co-op Money NZ Business Services Division Trust and ranked equally and without priority or preference among themselves. Capital Notes could 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 enabled 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 was no active market for these securities which had 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 had concluded that the variability in any discounted cash flow fair value estimate would have been too significant and too judgemental to utilise as a reliable measure of fair value. The Credit Union had thus measured Capital Notes at cost less impairment under the exemption in PBE IPSAS 29 Financial Instruments: Recognition and Measurement in the prior year.

During the financial year Credit Union sold Capital notes on following basis:
(i) Payment in cash of 75 cents per dollar from Baywide Credit Union and;
(ii) Deferred payment for the remaining 25 cents per dollar with 5 cents per dollar payable each financial year starting from July 2022 provided Credit Union Auckland continue to use Co-op Money NZ for banking services.

There is a potential loss of up to $89,641 in case Credit Union Auckland decides to terminate the business agreement with Co-op Money NZ before the agreed timeframe ending 30 June 2027.

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11 PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS

(a) Classes of property, plant & equipment	**2020 $**	**2019 $**
Leasehold improvements		
At cost	741,802	741,802
Accumulated depreciation	(527,945)	(499,368)
	213,857	242,434
Plant & equipment		
At cost	462,868	445,334
Accumulated depreciation	(400,411)	(394,616)
	62,457	50,718
Motor vehicles		
At cost	80,393	80,393
Accumulated depreciation	(61,473)	(53,364)
	18,920	27,029
Total property, plant & equipment	295,234	320,181

(b) Classes of intangible assets	**2020 $**	**2019 $**
Software		
At cost	392,449	384,169
Accumulated amortisation	(169,417)	(140,596)
	223,032	243,573
Other intangible assets		
At cost	20,000	20,000
Accumulated amortisation	(20,000)	(20,000)
	-	-
Total intangible assets	223,032	243,573

Other intangible assets is an NZCU license purchased for $20,000, the cost of which has been amortised over 5 years and is fully amortised as of 30 June 2020 (30 June 2019: fully amortised).

(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:

2020	**Leasehold Improvements $**	**Plant & Equipment $**	**Motor Vehicles $**	**Total $**
Balance at 1 July 2019	242,434	50,718	27,029	320,181
Additions	-	32,757	-	32,757
Transfers	-	-	-	-
Depreciation expense	(28,577)	(21,018)	(8,109)	(57,704)
Carrying amount at 30 June 2020	213,857	62,457	18,920	295,234
2019				
Balance at 1 July 2018	271,216	76,458	39,786	387,460
Additions	-	1,949	-	1,949
Transfers	(204)	204	-	-
Depreciation expense	(28,578)	(27,893)	(12,757)	(69,228)
Carrying amount at 30 June 2019	242,434	50,718	27,029	320,181

All property, plant and equipment are non current assets.

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:

2020	Software $
Balance at 1 July 2019	243,573
Additions	8,280
Disposals	-
Loss on disposal	-
Amortisation expense	(28,821)
Carrying amount at 30 June 2020	223,032
2019	
Balance at 1 July 2018	93,633
Additions	173,034
Disposals	-
Loss on disposal	-
Amortisation expense	(23,094)
Carrying amount at 30 June 2019	243,573

All intangible assets are non current assets.

12 TRADE AND OTHER PAYABLES

	2020 $	2019 $
Accrued interest payable	50,317	71,614
Resident withholding tax	5,476	7,097
GST provision	7,412	6,567
Sundry creditors and accrued expenses	285,766	263,125
Accesscard - ATM and EFTPOS card settlement	64,441	146,456
	413,412	494,859

Trade and other payables are current liabilities.

13 MEMBERS' DEPOSITS

	2020	2019
Call shares	**$**	**$**
Savings accounts	6,859,342	6,363,664
Christmas account	960,951	1,558,951
Loyalty account	2,476,113	2,613,713
Total call shares (all current liabilities)	10,296,406	10,536,328
Term shares		
Original maturity terms		
0-3 months	348,984	2,834
4-6 months	1,430,781	438,477
7-9 months	436,618	835,013
10-12 months	2,291,343	2,196,970
Greater than 12 months	2,987,181	3,838,686
Total term shares	7,494,907	7,311,980
Total members' deposits	17,791,313	17,848,308

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	**2020**	**2019**
	$	**$**
As at balance date, the Credit Union has contracted to purchase property, plant and equipment and software to the value of:	54,129	-

(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	162,312	210,186
Longer than 1 and not longer than 5 years	402,718	460,834
Longer than 5 years	160,971	228,978
	726,001	899,998

The property leases are for varying terms, with rent payable a month in advance. They are non-cancellable leases 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	14,850	79,966
Undrawn overdraft	28,281	29,017
	43,131	108,983

15 CONTINGENT LIABILITIES

There are no material contingent liabilities at 30 June 2020 (30 June 2019: Nil).

16 STANDBY BORROWING FACILITIES

The Credit Union no longer has a gross borrowing facility (as an overdraft facility) with Co-op Money NZ at 30 June 2020 (30 June 2019: $900,000). The Credit Union's overdraft facility was cancelled in July 2019.

The interest rate was 9.4% per annum as at 30 June 2019, and the penalty rate was 14.1% per annum in case of default. There were 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

COVID-19 impact on the risk management of the Credit Union
Management implemented the following procedures to manage the uncertainty caused by COVID-19 during the first lockdown in New Zealand between late March 2020 to May 2020:
- Weekly special Board meetings to assess the impact of the lockdown on cash flows of the Credit Union and the financial well being of members;
- Weekly reporting to the RBNZ over the liquidity, members' deposits and withdrawals, loans restructured (including due to COVID-19), overdue loans, top 10 largest loans in arrears and
- Weekly meeting with the RBNZ regarding updates in the market.

Subsequent to May 2020, we continued to report to RBNZ on weekly basis with reporting frequency changed to every fortnight from 6 July 2020.

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.

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.

	2020 - Interest rate risk			2019 - Interest rate risk		
	Carrying amount	-1% Profit & equity	+1% Profit & equity	Carrying amount	-1% Profit & equity	+1% Profit & equity
	$	$	$	$	$	$
Financial assets						
Co-op Money NZ and bank deposits	5,590,026	(31,345)	31,345	6,597,539	(12,221)	12,221
Loan receivables - Fixed interest	-	-	-	-	-	-
Loan receivables - Variable interest	15,547,680	(155,477)	155,477	14,844,711	(148,447)	148,447
		(186,822)	186,822		(160,668)	160,668
Financial liabilities						
Members' deposits	17,791,313	102,964	(102,964)	17,848,308	105,363	(105,363)
		102,964	(102,964)		105,363	(105,363)
Total (decrease) / increase		(83,858)	83,858		(55,305)	55,305

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 who 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 loan 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 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.

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.

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk - Equity Investments
The Credit Union does not have investments in equity investments. The Co-op Money NZ Capital Notes had been sold during the year (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, as required; 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 2020 LCR was 1.54 (30 June 2019: 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 $7,141,418 as at 30 June 2020 (30 June 2019: $7,921,774), 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 and as all loans to members are repayable on demand under certain conditions. 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.

Although members deposits typically are renewed in the ordinary course of events, contractually the Credit Union can demand repayment of members loans which also provides the Credit Union with access to funds if some or all members' shares require repayment. The Credit Union also has the right at any time to require a sixty day notice period for repayment of members' shares.

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:

	2020	2019
Tier 1	**$**	**$**
Accumulated revenue	3,261,246	3,459,987
General reserves	-	-
Total Tier 1 reserves	3,261,246	3,459,987
Tier 1 capital ratio	15.11%	15.85%
Tier 2		
Tier 2 reserves	-	-
Total Tier 2 reserves	-	-
Tier 2 capital ratio	0.00%	0.00%
Total Tier 1 and 2 reserves	3,261,246	3,459,987
Tier 1 and 2 capital ratio to total tangible assets	15.11%	15.85%

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 2020, the Credit Union's capital ratio was 15.68% (30 June 2019: 15.83%).

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.

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.

As at 30 June 2020	**Within 1 month**	**1-3 months**	**3 - 6 months**	**6 - 12 months**	**1-2 years**	**2 - 5 years**	**Over 5 years**	**Total**
Monetary liabilities payable								
Trade and other payables	326,261	-	-	-	-	-	-	326,261
Members' deposits	11,008,518	1,588,609	2,251,456	1,764,792	1,177,938	-	-	17,791,313
Future interest payable	19,166	44,300	39,108	37,749	20,216	-	-	160,539
Total monetary liabilities payable	11,353,945	1,632,909	2,290,564	1,802,541	1,198,154	-	-	18,278,113
Loan Commitments	43,131							43,131

As at 30 June 2019	**Within 1 month**	**1-3 months**	**3 - 6 months**	**6 - 12 months**	**1-2 years**	**2 - 5 years**	**Over 5 years**	**Total**
Monetary liabilities payable								
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
Total monetary liabilities payable	11,740,548	973,577	1,675,618	2,653,048	1,480,396	-	-	18,523,187
Loan Commitments	108,983							108,983

19 INTEREST RATE RISK

The Credit Union's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and financial liabilities, is as follows:

	Floating interest rate		Fixed Interest Rate Maturing in:														Non-interest sensitive		Total		Weighted average effective interest rate*	
			0 to 3 months		3 to 6 months		6 to 12 months		1 to 2 years		2 to 5 years		Over 5 years		No maturity							
	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19		
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	Jun-20	Jun-19
Monetary assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	212	222	212	222	N/A	N/A
Bank balances	3,135	863	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,135	863	0.00%	0.25%
Deposits at Bank and Co-op Money NZ	0	0	2,455	4,575	0	800	0	0	0	0	0	0	0	0	0	0	0	0	2,455	5,375	1.15%	2.80%
Trade & other receivables	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	226	75	226	75	N/A	N/A
Loans to members	15,548	14,845	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	15,548	14,845	10.88%	10.95%
Co-op Money NZ Capital Notes (a)		359	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	359	0.00%	0.00%
Total monetary assets	18,683	16,067	2,455	4,575	0	800	0	0	0	0	0	0	0	0	0	0	438	297	21,576	21,739		
Monetary liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Members' deposits - call	10,296	10,536	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10,296	10,536	1.46%	2.78%
Members' deposits - term	0	0	2,301	1,646	2,251	1,623	1,765	2,590	1,178	1,453	0	0	0	0	0	0	0	0	7,495	7,312	3.12%	3.78%
Other payables	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	326	457	326	457	N/A	N/A
Total monetary liabilities	10,296	10,536	2,301	1,646	2,251	1,623	1,765	2,590	1,178	1,453	0	0	0	0	0	0	326	457	18,117	18,305		

* The weighted average effective interest rate has been calculated on the interest sensitive financial instruments in each category.

(a) Co-op Money NZ Capital Notes do not have any predetermined rate of interest. Interest is payable on a six-monthly basis in arrears subject to the profitability of the Co-op Money NZ Business Services Trust.
The last interest payment for 30 June 2020 was 0.00% (30 June 2019: 0.00%) per annum.

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	
	2020	**2019**
Greater than 100% of equity	1	1
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	-	-
Between 20% and 30% of equity	-	-
Between 10% and 20% of equity	3	3

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 5.45% to 19.00% p.a. (30 June 2019: 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.

23 CASH FLOW RECONCILIATION

Reconciliation of net cash flow from operating activities with operating profit	**2020** **$**	**2019** **$**
Operating (deficit) / surplus for the year	(198,741)	(309,458)
Non cash items:		
Depreciation and amortisation	86,525	92,322
Gain on disposal of Property, Plant & Equipment, Motor Vehicles	(920)	-
Bad loans written off	128,833	106,423
Increase / (Decrease) in provision for loan impairment	55,141	(32,058)
	269,579	166,687
Changes in assets and liabilities:		
Capital Notes Sale - Deferred Settlement	89,641	-
Increase in trade and other receivables	(136,873)	(20,166)
(Decrease) / Increase in trade and other payables	(22,031)	48,325
	(69,263)	28,159
Net cash provided by operating activities	1,575	(114,612)

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):

Directors' and other KMP holdings at balance date are:	**2020** **$**	**2019** **$**
Owing to Directors and other KMP (shares)	140,760	322,638
Owing by Directors and other KMP (loans)	84,808	112,616
Interest expense to Directors and other KMP (on shares)	4,563	13,988
Interest income from Directors and other KMP (on loans)	9,302	7,050

There are no shares from Directors exceeding 12 months at 30 June 2020, (30 June 2019: Nil) and all Directors' loans are repayable on demand.
The Directors received fees for the year to 30 June 2020 of $37,685 (30 June 2019: $35,770) 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:	**2020** **$**	**2019** **$**
Short term employee benefits	215,415	213,500
Total remuneration	215,415	213,500
Number of persons recognised as Key Management Persons	8	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.

Other related parties' holdings at balance date are:	**2020** **$**	**2019** **$**
Owing to other related parties (shares)	6,487	8,022
Owing by other related parties (loans)	3,331	6,488
Interest expense to other related parties (on shares)	102	138
Interest income from other related parties (on loans)	936	959

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 2019: Nil) and no amounts are included in the provision for impairment at 30 June 2020 (refer to note 8) (30 June 2019: Nil).

25 EVENTS OCCURRING AFTER BALANCE DATE

On 11 August 2020 it was announced that community transmission of COVID-19 that occurred in New Zealand after a significant period of no community transmission cases. As a result of this and on 12 August 2020, Auckland moved to Alert Level 3 and the rest of New Zealand moved to Alert Level 2 which meant that for the Auckland region all non-essential businesses once again ceased face-to-face operations, The Alert level was reduced to Alert Level 2 on 24 September 2020 and the rest of New Zealand has moved to Alert Level 1 on 21 September 2020. Subsequently, Auckland moved to Alert Level 1 from 8 October 2020. The impact on collection of loans and lending due to recent lockdown has been minimal.

Other then the uncertainty created by the on-going COVID-19 global pandemic, there were no known other significant post balance sheet date events that will materially impact the current period's financial statements.

26 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

2020	Loans and receivables $	Available-for-sale $	Total $
Financial assets as per Statement of Financial Position			
Cash and bank balances	3,346,992	-	3,346,992
Deposits at Co-op Money NZ and trading banks	2,455,483	-	2,455,483
Trade and other receivables (excluding prepayments)	226,207	-	226,207
Loans to members	15,242,163	-	15,242,163
Capital Notes	-	-	-
Total	21,270,845	-	21,270,845

	Financial liabilities at fair value through profit or loss $	Other financial liabilities $	Total $
Financial liabilities as per Statement of Financial Position			
Trade and other payables (excluding provisions and employee benefits)	-	376,578	376,578
Members' deposits	-	17,791,313	17,791,313
Total	-	18,167,891	18,167,891

2019	Loans and receivables $	Available-for-sale $	Total $
Financial assets as per Statement of Financial Position			
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
Total	21,129,834	358,566	21,488,400

	Financial liabilities at fair value through profit or loss $	Other financial liabilities $	Total $
Financial liabilities as per Statement of Financial Position			
Trade and other payables (excluding provisions and employee benefits)	-	456,875	456,875
Members' deposits	-	17,848,308	17,848,308
Total	-	18,305,183	18,305,183

Independent auditor's report

To the members of Credit Union Auckland Incorporated

We have audited the financial statements which comprise:

- the statement of financial position as at 30 June 2020;
- the statement of comprehensive revenue and expense for the year then ended;
- the statement of changes in members' funds for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include the statement of accounting policies.

Our opinion

In our opinion, the accompanying financial statements of Credit Union Auckland Incorporated (the Credit Union) present fairly, in all material respects, the financial position of the Credit Union as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards.

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 *International Code of Ethics for Assurance Practitioners including International Independence Standards* (New Zealand) (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.

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, including the impact of COVID-19 Loans to members, as disclosed in Note 8 to the financial statements, represent the Credit Union's core activity and are a significant asset. 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. We consider this a key audit matter due to the judgement involved regarding the recoverability of members loans and the related provision for impairment. 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. Each loan is either individually or collectively assessed. The COVID-19 pandemic has increased the level of uncertainty in estimating losses as it has had a wide-ranging impact on the New Zealand economy. Where there is evidence of impairment, an estimation is made of the potential impairment based on individual circumstances of the member, including the estimated impact of COVID-19 (individually impaired loans) or on the length of time the loans are in arrears but not impaired (collectively assessed loans), taking into account information such as security, repayment plans, and other relevant factors. Where there is no evidence of impairment, the impairment provision is collectively assessed based on a formula developed by the Credit Union driven by the length of time the loans are in arrears. This provision and formula are 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 risk management and the process for identifying and estimating impairment. We have assessed the design and operating effectiveness of the key controls, including the monthly review and approval of the loan ledger and associated provisioning and write-offs by the Board of Directors. Our work over the provision for impairment of loans to members also included: ● Assessing management's calculated provision for impairment by: o considering and challenging management's key assumptions against a trend analysis of provisions and actual impairments compared to the prior year, including the impact of COVID-19; o performing a high-level comparison of management's calculated provision for impairment of loans to members against guidance issued by the New Zealand Association of Credit Unions for reasonableness; o selecting a sample of significant loans in arrears to independently assess the judgements applied by management in providing for individual loans to members; and o considering the appropriateness of the provision for impairment in light of movements in loans in arrears subsequent to year end. • Considering the adequacy and accuracy of disclosures made in Notes 2(j), 2(u), 2(w), 8, 9, 17 and 25. These notes explain key details of the Credit Union's loan portfolio, its approach to impairment and that there is increased estimation uncertainty in the valuation of loans to members this year due to COVID-19.

Funding structure and liquidity, including the impact of COVID-19

As disclosed in Note 17, on a contractual basis, there is a liquidity deficiency within one month of 30 June 2020 of $7.1 million. Note 18 shows the maturity profile of financial liabilities and Note 17 describes how the Directors manage liquidity. In their forecasting of cash flows, the Directors expect the deposits due within one month to be retained, with reinvestment by members continuing at historical levels when term deposits mature.

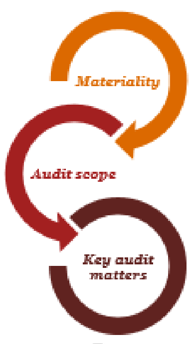
This was an area of audit focus due to the significance of these assumptions on the ability to meet liquidity requirements, the inherent uncertainty of the impact of COVID-19 and going concern considerations.

Our audit procedures included the following:

- We have performed a historical trend analysis of deposit movements at an individual member level to assess the validity of the member reinvestment assumptions, with particular focus on accounts with high-value deposit balances;
- We have assessed the reasonableness of forecast cash flows of the Credit Union for a period of 12 month following the signing date of the financial statements compared to the maturity profile of forecast cash flows as at 30 June 2020;
- We have performed a sensitivity analysis of the Credit Union's forecast cash flows over the next 12 months to changes in the level of deposit reinvestment; and
- We have considered the likelihood of scenarios which may change the validity of assumptions made by management.
- We assessed the appropriateness of the Credit Union's disclosures in Notes 2(a), 2(u), 2(w), 17 and 18.

Our audit approach

Overview



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

Overall materiality is $218,000, which represents 1% of total assets.

The Credit Union is an asset-based, not-for-profit 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. We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Credit Union is most commonly measured by users, and is a generally accepted benchmark.

As reported earlier, we have two key audit matters, being:

- Impairment of loans to members, including the impact of COVID-19
- Funding structure and liquidity, including the impact of COVID-19.

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 materiality for the Credit Union's 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 our risk assessment, we considered the control environment in place at Co-op Money NZ.

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.

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. We have nothing to report in this regard.

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.

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.

Who we report to

This report is made solely to the 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 members, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Philip Taylor.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
23 October 2020

Auckland

DIRECTORY

- **Board of Directors**

Doug McLaren	Past Chairman
Greg Carll	Deputy Chairman
Robin Stevens	Secretary
Lionel Pereira	Treasurer
Teresa Davies	Director
Lisa Amoa	Director
Keryn Corrigan	Independent Director

- **Management and Staff**

Rob Collins	Chief Executive
Ruth Rogers	Financial Services Manager
Melanie Lemusu	Operations Manager
John Cumming	Administration Manager
Michael Dempsey	Accountant
Chetan Patel	Account Designate
Rhonda Clare	Risk and Compliance Officer
Rukhi Dahya	Administration Officer
Ana Leilua	Team Leader
Fou Alaimalo	Branch Manager
Tanya Work	Branch Manager
Ammar Almulla	Branch Manager
Jessie Liew	Lending Officer
Uma Wati	Collections Manager
Nathaniel Macpherson	Member Services Officer
Vilisi Buke	Member Services Officer
Riley Stevenson	Member Services Officer

- **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

- **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.nzcuauckland.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
  Co-op Money NZ
  Provident Insurance
  Vero Insurance
  Financial Services Complaints Ltd