First Credit Union Incorporated

General Purpose Financial Report

For the Year Ended 30 June 2024

First Credit Union Incorporated

Contents of General Purpose Financial Report

For the Year Ended 30 June 2024

First Credit Union Incorporated
Directory

For the Year Ended 30 June 2024

First Credit Union Incorporated Board of Directors

Chair	Judith Taane
Deputy Chair	Malcolm Blair
Directors	Peter Iles (Secretary/Treasurer)
	Phil Todd
	Rachel Drent
	Robert Pascoe
	Simon Scott

First Insurance Limited Board of Directors

Chair	Steve Nichols
Deputy Chair	Judith Taane
Directors	John Harvey
	Mark Joblin
	Simon Scott
	Gerard Rennie (ceased October 2023)

Executive Management

Chief Executive Officer	Simon Scott
Chief Financial Officer	Stephen Hawkins
Marketing & Communications Manager	Melissa Hay
Risk & Compliance Manager	Asenaca Kaloumaira

Senior Management Team

Chief Executive Officer	Simon Scott
Marketing & Communications Manager	Melissa Hay
Chief Financial Officer	Stephen Hawkins
Lending Manager	Richard O'Regan
General Manager - Insurance	Michael Cathro
Member Experience Manager	Ana Braunias
Treasury & Agency Banking Manager	Herb Wulff
Risk & Compliance Manager	Asenaca Kaloumaira
Chief Information Officer	Jarrod Dowd

Auditor	PricewaterhouseCoopers
Prudential Supervisor	Covenant Trustee Services Limited
Bankers	ANZ, Heartland, Westpac
Affiliations	World Council of Credit Unions

First Credit Union Incorporated

Consolidated Statement of Service Performance

For the Year Ended 30 June 2024

Who are we?

First Credit Union is a not-for-profit financial co-operative that has been helping everyday Kiwi's achieve their financial goals, within their means for over 65 years. Our products and services are designed to make managing your personal finances easy. Members come first at First Credit Union, every strategic decision made by our Board and Senior Management team has the best interests of our members in mind.

We also have our own fully owned subsidiary- First Insurance Limited, which provides loan protection and funeral insurance to our members. Our common bond allows us to accept members from across New Zealand, we have a large call centre, and online services to support our members and this is backed up with a branch network from Whangarei to Invercargill.

Why do we exist?

We exist for our members. Our purpose is to provide our members with a low cost alternative to the banks. We promote savings amoungst our membership and we use these savings for the mutual benefit of our members.

What we intend to achieve- our medium/ long term objectives

a) Continue to put our members first by providing everyday Kiwis with reliable products and services to help them achieve their financial goals, within their means through a low fee structure and competitive interest rates.
b) Promoting "thrift" within the membership
c) 'People helping people'- supporting and giving back to our local communities

We have considered our objectives and have determined that the service performance information presented is considered appropriate and meaningful in measuring the service performance of the Credit Union.

How we measure our performance

Putting members first, providing reliable products & services

	FYE 30 Jun 24	FYE 30 Jun 23
Number of Members	60,790	56,000
Number of NO fee personal loans disbursed	11,648	9,149
Member Shares	$412 million	$386 million
Number of member calls answered	224,230	218,658*
Number of members registered for online banking	37,493	30,698
Number of members with a debit card	20,208	23,879
First Insurance Limited- claims paid out to members	$871,000	$1,064,000

*Does not include NZCU Steelsands member phone calls answered and does not include Westforce Credit Union calls from 1 August to 30 November 2022

Consolidated Statement of Service Performance, continued

For the Year Ended 30 June 2024

Promoting "thrift" within the membership

	FYE 30 Jun 24	FYE 30 Jun 23
Number of Jimmy Jumper accounts	2,189	2,513
Loan Provider Accounts (our cornerstone savings account)	22,877	20,624

'People helping people'

	FYE 30 Jun 24	FYE 30 Jun 23
Sponsorship	$142,796	$125,914
Community Donations	$8,250^^	$10,000^
Global Donations (WOCCU, relief funds etc)	$3,855	$10,298
Social Housing: Number of developments the approved funding covers	63	65
Social Housing: Amount approved for funding in the year	$29,235,000	$29,187,000
Staff community volunteer hours	410	255

^Our members helped raise funds to support those impacted by Cyclone Gabrielle by contributing $3,500
^^ Included in this is a vehicle donated to Kāute Pasifika valued at $6,000 to assist with their community work

First Credit Union Incorporated

Consolidated Statement of Comprehensive Revenue and Expense

For the Year Ended 30 June 2024

	Note	2024 $000	2023 $000
REVENUE			
Interest Revenue	**2.1**	**34,878**	26,790
Interest Expenditure	**2.1**	**(14,474)**	(8,212)
Net Interest Revenue		**20,404**	**18,578**
Other Income	**2.2**	**7,853**	8,060
Insurance Service Result	**6.1(a)**	**639**	638
Gross Contribution from Activities		**28,896**	**27,276**
EXPENDITURE			
Operating Expenses	**2.3**	(17,171)	(15,139)
Employee Benefits	**2.3**	(8,238)	(8,831)
Loan Impairment Expenses	**4.2**	(2,168)	(1,605)
Total Operating Expenditure		**(27,577)**	**(25,575)**
Share of Surplus/(Deficit) of Joint Venture	**5.5**	495	627
Surplus before Taxation		**1,814**	**2,328**
Income Tax Expense	**2.4**	(17)	(1)
Surplus for the Year Attributable to Members		**1,797**	**2,327**
Other Comprehensive Revenue and Expense			
Revaluation of Property	**5.1**	0	0
Total Comprehensive Revenue and Expense for the Year		**1,797**	**2,327**

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

First Credit Union Incorporated

Consolidated Statement of Changes in Net Assets/Equity

For the Year Ended 30 June 2024

	Note	Accumulated Revenue and Expense $000	Property Revaluation Reserve $000	Total $000
Balance as at 30 June 2022		**60,520**	**3,447**	**63,967**
Total Comprehensive Revenue and Expense for the Year		2,327	0	2,327
Amalgamation of Steelsands Credit Union		1,481	0	1,481
Amalgamation of Westforce Credit Union		337	0	337
Balance as at 30 June 2023		**64,665**	**3,447**	**68,112**
Total Comprehensive Revenue and Expense for the Year		1,797	0	1,797
Transfer of Revaluation Reserve upon Sale of Property		(16)	16	0
Amalgamation of Fisher and Paykel Credit Union	**11.1**	423	0	423
Amalgamation of Auckland Credit Union	**11.2**	8	0	8
Balance as at 30 June 2024		**66,877**	**3,463**	**70,340**

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

First Credit Union Incorporated

Consolidated Statement of Financial Position

As at 30 June 2024

	Note	2024 $000	2023 $000
MEMBERS' FUNDS			
Accumulated Revenue and Expense		66,877	64,665
Property Revaluation Reserve		3,463	3,447
TOTAL MEMBERS' FUNDS		**70,340**	**68,112**
ASSETS			
Cash and Cash Equivalents	3.1	23,738	21,821
Term Deposits and Other Investments	3.2	81,064	80,456
Loans to Members	4.1	357,775	330,398
Property, Plant and Equipment	5.1	16,051	16,410
Prepayments	5.2	1,534	2,190
Other Assets	5.4	1,259	136
Investment in Joint Venture	5.5	8,120	7,625
TOTAL ASSETS		**489,541**	**459,036**
LIABILITIES			
Trade and Other Payables	5.6	7,145	4,088
Employee Entitlements		400	364
Members' Deposits	5.7	411,656	386,472
TOTAL LIABILITIES		**419,201**	**390,924**
NET ASSETS / EQUITY		**70,340**	**68,112**

These Financial Statements are authorised for and on behalf of the Board by:

J a Taane.

Judith Taane, Chair

Date: 8 October 2024

Peter Iles, Director

Date: 8 October 2024

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

First Credit Union Incorporated

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2024

	Note	2024 $000	2023 $000
Cash Flows from Operating Activities			
Interest Received		34,892	25,775
Fees, Commissions and Other Income		7,223	8,665
Bad Loans Recovered		164	143
Interest Paid		(13,488)	(7,428)
Payments to Suppliers and Employees		(22,245)	(23,246)
Net Cash Provided by Operating Activities before changes in Operating Assets		**6,546**	**3,909**
Net (Increase) Decrease in Members' Loans		(7,948)	(18,875)
Net Increase (Decrease) in Member Deposits		1,320	(21,496)
Net Cash Provided by Operating Activities	**3.3**	**(82)**	**(36,462)**
Cash Flows from Investing Activities			
Payments for Property, Plant, Equipment		(593)	(1,245)
Proceeds from Sale of Property, Plant, Equipment		440	0
Net (Increase) Decrease in Term Deposits		(628)	15,198
Net Cash Used in Investing Activities		**(781)**	**13,953**
Net Cash provided by Financing Activities		**0**	**0**
Total Net Increase (Decrease) in Cash and Cash Equivalents Held		(863)	(22,509)
Cash and Cash Equivalents at the Beginning of the Period		21,821	26,610
Cash Received on Amalgamation of Fisher & Paykel and Auckland Credit Union's	**11**	2,780	0
Cash Received on Amalgamation of Steelsands and Westforce Credit Union's		0	17,720
Cash and Cash Equivalents at the End of the Period	**3.1**	**23,738**	**21,821**

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

First Credit Union Incorporated

Notes to the Financial Statements

For the Year Ended 30 June 2024

1. Corporate Information

1.1 Reporting Entity

The consolidated financial statements comprising First Credit Union Incorporated ("the Credit Union") and its controlled entity First Insurance Limited ("the Insurer"), together comprise the Group ("the Group") and the Groups investment in equity accounted investees. First Credit Union Incorporated is registered under the Friendly Societies and Credit Unions Act 1982 ("FSCU Act") and the Insurer is a licensed insurer under the Insurance (Prudential Supervision) Act 2010 ("IPS Act"). The Group is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 ("FMC Act").

1.2 Nature of Business

The purpose of the Credit Union is to promote savings among its members and to use those savings for their mutual benefit. The Insurer provides loan protection and funeral insurance to policy holders who are members of the Credit Union. The Group operates primarily in the North Island of New Zealand and the Group is domiciled in New Zealand.
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 and to other small to medium enterprises associated with 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.

Transfer of Engagements - a process known as a transfer of engagement was completed during the year, with Fisher and Paykel Credit Union (F&P) on 30 September 2023, and with Auckland Credit Union (ACU) on 31 May 2024, whereby F&P and ACU transferred all of their engagements to First Credit Union Incorporated. The transfer of engagements means that First Credit Union Incorporated assumed all assets and liabilities of F&P and ACU and now operates as a single merged entity, with F&P and ACU both de-registering - refer to note 11.

1.3 Trust Deed

To meet the requirements of The Securities Act 1978 a Trust Deed is entered into between the Credit Union and a Prudential Supervisor. Covenant Trustee Services Limited is the current Prudential Supervisor, and 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, its Rules, the Trust Deed and the Friendly Societies and Credit Unions Act 1982. In addition, the Prudential Supervisor is under duty to exercise reasonable diligence to ascertain whether the Credit Union has:
(a) committed any breach of the Trust Deed or any of the conditions of issue of the shares; and
(b) sufficient assets to meet its obligations to members, as they fall due.

The current Trust Deed is dated 1 January 2020.

1.4 Basis of Preparation

Statement of Compliance

For the purposes of complying with New Zealand Generally Accepted Accounting Practice (NZ GAAP), the Group is a not-for-profit public benefit entity. They comply with the Public Benefit Entity Accounting Standards (PBE Standards), as appropriate for Tier 1 not for profit/public benefit entities.
The financial statements are:
• prepared in accordance with the statutory requirements of the FMC Act and the IPS Act
• prepared in accordance with NZ GAAP
• in compliance with Public Benefit Entity Accounting Standards (PBE Standards)
• presented in New Zealand dollars ($) rounded to the nearest thousand
• stated net of GST where GST is recoverable, with the exception of receivables and payables, which are stated inclusive of GST, where applicable. If GST is not recoverable it is generally included in the expense or asset value.
• prepared in accordance with the historical cost convention except for certain assets, which are stated at fair value and insurance contract liabilities, which are measured on an accumulation method basis.

1. Corporate Information (continued)

1.4 Basis of Preparation (continued)

Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 4.1 and 4.2 for the measurement of loans to customers; note 5.1 for the fair value of property, plant and equipment; note 5.5 for assessing the classification of interests in joint arrangements; and note 6.1 for insurance contract liabilities.
These financial statements were authorised for issue by the Directors on the date set out in the Statement of Financial Position.

2. Financial Performance

2.1 Net Interest Revenue

	2024 $000	2023 $000
Interest Revenue - Interest on Financial Assets at Amortised Cost		
Interest on Loans to Members	29,866	22,325
Interest on Term Deposits and Other Investments	4,239	3,964
Interest on Cash and Cash Equivalents	773	501
Total Interest Revenue	**34,878**	**26,790**
Interest Expenditure - Liabilities at Amortised Cost		
Interest on Members Call Shares	(1,547)	(1,091)
Interest on Members Term Shares	(12,927)	(7,121)
Total Interest Expenditure	**(14,474)**	**(8,212)**

Recognition and Measurement

Revenues are recognised at fair value of the consideration received net of the amount of any Goods and Services Tax (“GST”) payable to the Inland Revenue Department ("IRD") if applicable.

Interest on Loans to Members
Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the members loan account at the end of each month or in line with the repayment frequency. Loan interest is recognised in the surplus or deficit using the effective interest method.
Interest on Term Deposits
Investment interest revenue is recognised using the effective interest method which allocates the interest over the period that it relates to.
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.

2. Financial Performance (continued)

2.2 Other Income

	2024 $000	2023 $000
ATM/EFTPOS Card Recoveries	5,651	5,630
Costs Recovered and Other Fees Charged	1,712	2,115
Bad Debts Recovered	164	143
Commissions Received	199	100
Gain on Sale of Property, Plant and Equipment	34	0
Other Income	93	72
Total Other Income	**7,853**	**8,060**

2.3 Expenditure

	Note	2024 $000	2023 $000
Operating Expenses includes:			
Auditor's Remuneration - PwC			
- Audit of Financial Statements		333	0
- Assurance Services over Member Register		5	0
- Reporting to the Statutory Supervisor		2	0
- Assurance Services for Insurer Solvency Return		15	0
Auditor's Remuneration - BDO		0	212
Directors Fees	6.4	229	226
Depreciation	5.1	737	686
Loss on Sale of Property, Plant and Equipment	5.1	4	0
Occupancy		749	722
Employee Benefits includes:			
Wages and Salaries		7,700	8,081
Defined Contribution Expense		208	193

Recognition and Measurement

Incremental and directly attributable costs (such as commissions) associated with the origination of a financial asset (such as loans) and financial liabilities (such as borrowings) are capitalised as part of the amortised cost and deferred over the life of the financial instrument using the effective interest method.

2.4 Taxation

	2024 $000	2023 $000
Income Tax Recognised in Statement of Comprehensive Revenue and Expense		
Net Operating Surplus before Taxation	1,814	2,328
Less: Exempt Income and Expenses	(1,753)	(2,324)
Operating Surplus before Taxation	**61**	**4**
Income Tax Expense at Current Rate of 28%	**17**	**1**
Current Tax Receivable		
Taxation Expense	(17)	(1)
Resident Withholding Tax Paid	107	72
Taxation Refund	**90**	**71**

2. Financial Performance (continued)

2.4 Taxation (continued)

Recognition and Measurement

The income tax expense charged against the surplus for the year is the estimated liability in respect of that surplus. It is calculated using tax rates and tax laws that have been enacted by the reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

The income tax expense relates to the Insurer's business operations. No amounts have been provided for income tax on the Credit Union’s income from members since it is exempt under section CW 44 of the Income Tax Act 2007.

Deferred income tax is provided on any temporary differences at the reporting date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes. At this stage there are no temporary differences and consequently no deferred tax has been recognised.

Goods and Services Tax - the Credit Union and Insurer are registered for GST to comply with Inland Revenue Department requirements to pay GST on types of income where appropriate. Generally GST is not recoverable and is therefore included in the expense or asset value. Recoverable GST is excluded from the financial statements, with the exception of receivables and payables, which are stated inclusive of GST, where applicable.

3. Deposits and Liquidity

3.1 Cash and Cash Equivalents

	Interest Rates	2024 $000	2023 $000
Cash on Hand	0.00%	880	829
Bank Balances - On Call	4.50%	22,858	20,992
Total Cash and Cash Equivalents		**23,738**	**21,821**

Recognition and Measurement

Cash and cash equivalents comprise cash and call deposits at other financial institutions. Under PBE standards definition of financial assets, cash and cash equivalents are classified as financial assets at amortised cost.

3.2 Term Deposits and Other Investments

	Interest Rates	2024 $000	2023 $000
ANZ	6.00% to 6.15%	6,469	4,429
Heartland	5.80% to 6.45%	15,347	9,612
Westpac Bank	5.46% to 5.98%	53,171	59,081
FNZ Portfolio	1.50% to 4.50%	6,077	7,334
Total Term Deposits and Other Investments		**81,064**	**80,456**
Current		78,093	75,036
Non-Current		2,971	5,420
Total Term Deposits		**81,064**	**80,456**

Recognition and Measurement

All term deposits are classified as short term investments, measured at amortised cost using the effective interest method, less any impairment losses. The FNZ portfolio comprises bank balances, New Zealand Government, Local Government Funding Agency and Housing New Zealand Limited securities. All term deposits and other investments that mature within the next twelve months are current assets. Under PBE standards definition of financial assets, term deposits and other investments are classified as financial assets at amortised cost as they are held for collection of contractual cash flows that represent solely payments of principal and interest.
Refer to note 10 for additional information on liquidity, risk management objectives and policies.

3. Deposits and Liquidity (continued)

3.3 Reconciliation of Cash Flow from Operating Activities with Operating Surplus

	2024 $000	2023 $000
Surplus for the Year Attributable to Members	**1,797**	**2,327**
Non Cash Items		
Depreciation, Amortisation and Loss on Sale	755	686
Bad Debts Written off	2,846	1,710
Bad Debt Provision Increase/(Decrease)	(678)	(105)
Share of Surplus of an Equity Accounted Joint Venture	(495)	(627)
Changes in Assets and Liabilities		
Movement in Accounts Receivable	(1,049)	212
Movement in Prepayments	656	307
Movement in Accounts Payable	1,899	(256)
Movement in Employee Benefits	(185)	(114)
Movement in Accrued Interest Receivable	14	(1,015)
Movement in Accrued Interest Payable	986	784
Net Movement in Members' Loans	(7,948)	(18,875)
Net Increase (Decrease) in Member Deposits	1,320	(21,496)
Net Operating Cash Flows	**(82)**	**(36,462)**

Recognition and Measurement

The Statement of Cash Flows is prepared using the direct approach. 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 members shares.

4. Loans to Members

4.1 Loans to Members

	Note	2024 $000	2023 $000
Mortgages		263,512	253,416
Personal Loans		97,278	78,910
Gross Loans to Members		**360,790**	**332,326**
Less: Allowance for Impairment	**4.2**	(3,015)	(1,928)
Net Loans to Members		**357,775**	**330,398**
Current		68,248	54,111
Non-Current		292,542	278,215
Total Gross Loans to Members		**360,790**	**332,326**

Recognition and Measurement

Classification of Loans - management determines the classification of its loans at initial recognition. The classification depends on the business model for managing the loans and the contractual terms of the cash flows. The Groups loans are measured at amortised cost as they are held for collection of contractual cash flows that represent solely payments of principal and interest.

Derecognition of Loans - loans are derecognised from the Statement of Financial Position when, and only when, the contractual rights to the cash flows from the loan expire, or the Group has transferred all or substantially all of the risks and rewards of ownership of the loan. For loans measured at amortised cost, a gain or loss is recognised in surplus or deficit loss when the loan is derecognised or impaired. Additionally, under PBE IPSAS 41, if there has been a modification to the contractual cash flows of a loan, the Group shall recalculate the gross carrying amount of the loan and shall recognise a modification gain or loss in surplus or deficit. This applies to loans that have defaulted and are taken to court, for further details see 4.2 below.

4. Loans to Members (continued)

4.1(a) Credit Quality - Security Dissection

	2024 $000	2023 $000
Secured by Mortgage Over Real Estate with LVR <= 80%	229,439	230,798
Secured by Mortgage Over Real Estate with LVR > 80%	34,073	22,618
Secured by Members Shares	13,242	13,839
Partially Secured by Motor Vehicles or Other Collateral	57,829	46,406
Unsecured Loans	26,207	18,665
Gross Loans to Members	**360,790**	**332,326**

The Credit Union holds security against loans to Members in the form of mortgage interests over property, or for personal loans, security can include motor vehicles, Members Shares or be unsecured. Security is obtained if, based on an evaluation of the Members credit worthiness, it is considered necessary for the Members overall borrowing facility.
All loan value ratios are written within the parameters of the lending policy at the time a loan is advanced.

Under PBE standards loans at amortised cost are initially stated at fair value plus directly attributable transaction costs and thereafter at amortised cost using the effective interest rate method, less any impairment losses. The Group’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 in relation to each class of loan, is the carrying amount of those loans.

Refer to note 10 for further information on Credit Risk and details about the Credit Unions Financial Risk Management Objectives and Policies.

4.2 Provision for Impairment of Loans

4.2(a) Impairment of Loans and Advances

Total doubtful debts and bad debt expense for the year was:	2024 $000	2023 $000
Provision for Impairment - Increase / (decrease) in the Year	(678)	(105)
Bad Loans written off	2,846	1,710
Loan Impairment Expenditure	**2,168**	**1,605**
Interest Revenue Recognised on Impaired Loans	**365**	**274**
Interest Revenue Foregone on Impaired Loans	**404**	**444**

The following tables show how changes in gross carrying amounts of loans during the period have contributed to changes in the provisions for expected credit losses (ECL) on loans.

4. Loans to Members (continued)

4.2(b) Carrying Value of Loans to Members

i) Carrying Value of Total Loans to Members

	Performing Stage 1 Collective $000	Performing Stage 2 Collective $000	Non Performing Stage 3 Collective $000	Non Performing Stage 3 Specific $000	Total $000
Gross Carrying Amount 30 June 2023	**324,567**	**2,989**	**2,619**	**2,151**	**332,326**
Net Transfers In/(Out) of Stages	(3,445)	1,155	1,707	583	**0**
Net Further Lending/(Repayment)	(7,367)	(352)	395	1,035	**(6,289)**
New Loans Originated	124,524	859	0	0	**125,383**
Loans Derecognised	(87,641)	(141)	(45)	(83)	**(87,910)**
Amounts Written Off	(324)	(108)	(673)	(1,615)	**(2,720)**
Gross Carrying Amount 30 June 2024	**350,314**	**4,402**	**4,003**	**2,071**	**360,790**
Provision for ECL 30 June 2024	(818)	(482)	(669)	(1,046)	**(3,015)**
Net Carrying Balance 30 June 2024	**349,496**	**3,920**	**3,334**	**1,025**	**357,775**

ii) Carrying Value of Mortgage Loans to Members

	Performing Stage 1 Collective $000	Performing Stage 2 Collective $000	Non Performing Stage 3 Collective $000	Non Performing Stage 3 Specific $000	Total $000
Gross Carrying Amount 30 June 2023	**249,848**	**1,923**	**1,645**	**0**	**253,416**
Net Transfers In/(Out) of Stages	(1,192)	70	1,122	0	**0**
Net Further Lending/(Repayment)	5,035	(22)	146	0	**5,159**
New Loans Originated	58,345	422	0	0	**58,767**
Loans Derecognised	(53,830)	0	0	0	**(53,830)**
Amounts Written Off	0	0	0	0	**0**
Gross Carrying Amount 30 June 2024	**258,206**	**2,393**	**2,913**	**0**	**263,512**
Provision for ECL 30 June 2024	0	0	0	0	**0**
Net Carrying Balance 30 June 2024	**258,206**	**2,393**	**2,913**	**0**	**263,512**

iii) Carrying Value of Personal Loans to Members

	Performing Stage 1 Collective $000	Performing Stage 2 Collective $000	Non Performing Stage 3 Collective $000	Non Performing Stage 3 Specific $000	Total $000
Gross Carrying Amount 30 June 2023	**74,719**	**1,066**	**974**	**2,151**	**78,910**
Net Transfers In/(Out) of Stages	(2,253)	1,085	585	583	**0**
Net Further Lending/(Repayment)	(12,402)	(330)	249	1,035	**(11,448)**
New Loans Originated	66,179	437	0	0	**66,616**
Loans Derecognised	(33,811)	(141)	(45)	(83)	**(34,080)**
Amounts Written Off	(324)	(108)	(673)	(1,615)	**(2,720)**
Gross Carrying Amount 30 June 2024	**92,108**	**2,009**	**1,090**	**2,071**	**97,278**
Provision for ECL 30 June 2024	(818)	(482)	(669)	(1,046)	**(3,015)**
Net Carrying Balance 30 June 2024	**91,290**	**1,527**	**421**	**1,025**	**94,263**

4. Loans to Members (continued)

4.2(c) ECL Impairment of Loans to Members

The following movements in provision for impairment of loans and advances occurred during the year:

i) ECL Impairment of Total Loans to Members

	Performing Stage 1 Collective $000	Performing Stage 2 Collective $000	Non Performing Stage 3 Collective $000	Non Performing Stage 3 Specific $000	Total $000
Closing Balance 30 June 2023	**869**	**41**	**428**	**590**	**1,928**
Net Transfers In/(Out) of Stages	(330)	134	84	112	**0**
Net Further Lending/(Repayment)	53	315	850	2,006	**3,224**
New Loans Originated	943	105	0	0	**1,048**
Loans Derecognised	(393)	(5)	(20)	(47)	**(465)**
Amounts Written Off	(324)	(108)	(673)	(1,615)	**(2,720)**
Closing Balance 30 June 2024	**818**	**482**	**669**	**1,046**	**3,015**

ii) ECL Impairment of Mortgage Loans to Members

	Performing Stage 1 Collective $000	Performing Stage 2 Collective $000	Non Performing Stage 3 Collective $000	Non Performing Stage 3 Specific $000	Total $000
Closing Balance 30 June 2023	**0**	**0**	**0**	**0**	**0**
Net Transfers In/(Out) of Stages	0	0	0	0	**0**
Net Further Lending/(Repayment)	0	0	0	0	**0**
New Loans Originated	0	0	0	0	**0**
Loans Derecognised	0	0	0	0	**0**
Amounts Written Off	0	0	0	0	**0**
Closing Balance 30 June 2024	**0**	**0**	**0**	**0**	**0**

iii) ECL Impairment of Personal Loans to Members

	Performing Stage 1 Collective $000	Performing Stage 2 Collective $000	Non Performing Stage 3 Collective $000	Non Performing Stage 3 Specific $000	Total $000
Closing Balance 30 June 2023	**869**	**41**	**428**	**590**	**1,928**
Net Transfers In/(Out) of Stages	(330)	134	84	112	**0**
Net Further Lending/(Repayment)	53	315	850	2,006	**3,224**
New Loans Originated	943	105	0	0	**1,048**
Loans Derecognised	(393)	(5)	(20)	(47)	**(465)**
Amounts Written Off	(324)	(108)	(673)	(1,615)	**(2,720)**
Closing Balance 30 June 2024	**818**	**482**	**669**	**1,046**	**3,015**

4. Loans to Members (continued)

4.2(c) ECL Impairment of Loans to Members

Recognition and Measurement

The Group recognises a loss allowance for expected credit losses (ECL) on loans that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loan.

The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the loan has not increased significantly since initial recognition, the Group measures the loss allowance for that loan at an amount equal to 12 month ECL (stage 1).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date. Homogeneous loans are assessed on a collective basis (collective impairment provision), including personal loans grouped by days in arrears, and non-homogeneous loans are assessed individually (specific impairment provision), including personal loans at default, and mortgages.

Key Assumptions in Determining the Allowance for Impairment

Significant increase in credit risk
In assessing whether the credit risk on a loan has increased significantly since initial recognition, the Group compares the risk of a default occurring on the loan at the reporting date with the risk of a default occurring on the loan at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, such as:
- actual or expected changes in economic indicators (i.e. change in employment rates, change in cost of living); and
- non-homogeneous loans significant changes in the value of the collateral supporting the loan or changes in the operating results of the borrower.

The nature of the personal loans and mortgages means there is little or no updated credit risk information that is routinely obtained and monitored on an individual loan until a customer breaches the contractual terms. However, forward looking information relating to key economic indicators that could affect customers ability to meet their repayment obligations is also assessed and if there are any change to economic trends, then this is factored into the assessment.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a loan has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise (stage 2). For mortgages, moving to stage 2 and beyond only results in an allowance for expected credit loss if the security is not deemed sufficient to repay the loan.

4. Loans to Members (continued)

4.2(c) ECL Impairment of Loans to Members (continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Credit impaired member loans (stage 3 Collective)
A members loan is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that loan have occurred. Evidence that a loan is credit impaired includes observable data about the following events:
- contractual payments are more than 91 days past due;
- significant financial difficulty of the borrower;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Defaulted member loans (stage 3 specific)
The Group considers that default has occurred when a loan has been taken to court and has an attachment order against it, unless the Group has reasonable and supportable information to demonstrate that another default criteria is more appropriate.

Write off policy
The Group writes off a loan when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery. The Group recognises an impairment gain or loss in profit or loss for all loans with a corresponding adjustment to their carrying amount through an expected loss allowance account.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward- looking information as described above. The exposure at default, for loans, is represented by the assets' gross carrying amount at reporting date. For loans, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Credit Union has measured the loss allowance for a loan at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Credit Union measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, except for assets for which simplified approach was used.

The Credit Union recognises an impairment gain or loss in the statement of comprehensive revenue and expense for all loans with a corresponding adjustment to their carrying amount through a loss allowance account.

Inputs and Assumptions in the ECL Provision Model

The Group's forecast assumes the following:

Key Macroeconomic Assumptions	Scenario	2024	2023
	Upside Scenario	2.94%	2.92%
Unemployment Rate	Base Scenario	5.19%	3.92%
	Downside Scenario	5.94%	5.92%
	Upside Scenario	3.24%	2.71%
Consumer Price Index	Base Scenario	4.24%	3.71%
	Downside Scenario	6.24%	5.71%

ECL Sensitivity Analysis of Macroeconomic Scenarios
The uncertainty surrounding inflation, unemployment rates as well as other economic factors introduce significant estimation uncertainty in relation to the measurement of the Group's provision for expected credit losses. Economic indicators are inherently uncertain and could result in significant adjustments to the provision within the current and next financial years.

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered a best estimate within a range of possible outcomes.

4. Loans to Members (continued)

4.2(c) ECL Impairment of Loans to Members (continued)

Scenario	Total ECL Provision	Impact on Provision Gain/(Loss)
Upside Scenario	2,793,013	222,386
Base Scenario	3,015,399	
Downside Scenario	3,482,786	(467,387)

Residential property values were stressed using a severe downside of a 20% reduction in property values. Under this scenario, some Members' mortgages enter 'negative equity' territory, which equates to a potential loss to the Credit Union of $-1,697,567 (2023: $-1,788,888). It is important to note that whilst an individual member may be in negative equity under this scenario, that does not necessarily mean the member cannot service the loan repayments.

The following diagram summarises the impairment accounting policy described above and the requirements under PBE IPSAS 41:

Stage and Basis	Credit Quality	Description	P&L Impact
Stage 1: 12 months ECL Collective basis	Credit risk has not increased significantly since initial recognition.	Loans where credit risk has not increased significantly since initial recognition and the member has the ability to meet contractual cash flows.	Interest income is recognised on the gross carrying amount.
Stage 2: Lifetime ECL Collective basis	Significant increase in credit risk since initial recognition.	Loans where credit risk has increased significantly since initial recognition but no objective evidence of impairment and / or loans are 30 days past due in making a contractual payment.	Interest income is recognised on the gross carrying amount.
Stage 3: Lifetime ECL	Credit impaired assets.	Loans are deemed credit impaired when are 90 days past due in making a contractual payment. When the Group has exhausted all options to recover the debt and the loan has gone to Court and an attachment order has been issued, they are specifically provided for on an individual basis.	Interest income is recognised on the net carrying amount (net of specific provision).
Stage 4: Write off		Loans are written off when there is no realistic prospect of recovery.	None - an impairment loss is recorded in surplus deficit.

5. Other Financial Position Notes

5.1 Property, Plant and Equipment

Cost or Valuation	Land $000	Buildings $000	Computer Equipment $000	Furniture & Fittings $000	Motor Vehicles $000	Total $000
Opening Balance 1 July 2023	**10,501**	**7,248**	**1,058**	**1,930**	**517**	**21,254**
Additions	0	259	199	105	0	563
Revaluations	0	0	0	0	0	0
Amalgamations	0	741	218	457	78	1,494
Disposals or Written off	(92)	(722)	(158)	(72)	(68)	(1,112)
Closing Balance 30 June 2024	**10,409**	**7,526**	**1,317**	**2,420**	**527**	**22,199**
Accumulated Depreciation						
Opening Balance 1 July 2023	**0**	**2,234**	**985**	**1,389**	**236**	**4,844**
Depreciation for the Period	0	362	145	153	77	737
Amalgamations	0	594	202	402	60	1,258
Disposals or Written off	0	(393)	(158)	(72)	(68)	(691)
Closing Balance 30 June 2024	**0**	**2,797**	**1,174**	**1,872**	**305**	**6,148**
Net Book Value at 30 June 2024	**10,409**	**4,729**	**143**	**548**	**222**	**16,051**

Cost or Valuation	Land $000	Buildings $000	Computer Equipment $000	Furniture & Fittings $000	Motor Vehicles $000	Total $000
Opening Balance 1 July 2022	**7,941**	**6,539**	**2,033**	**2,006**	**526**	**19,045**
Additions	428	535	181	38	38	1,220
Revaluations	0	0	0	0	0	0
Amalgamations	2,132	235	446	665	96	3,574
Disposals or Written off	0	(61)	(1,602)	(779)	(143)	(2,585)
Closing Balance 30 June 2023	**10,501**	**7,248**	**1,058**	**1,930**	**517**	**21,254**
Accumulated Depreciation						
Opening Balance 1 July 2022	**0**	**1,997**	**1,775**	**1,432**	**167**	**5,371**
Depreciation for the Period	0	232	171	192	91	686
Amalgamations	0	66	641	544	51	1,302
Disposals or Written off	0	(61)	(1,602)	(779)	(73)	(2,515)
Closing Balance 30 June 2023	**0**	**2,234**	**985**	**1,389**	**236**	**4,844**
Net Book Value at 30 June 2023	**10,501**	**5,014**	**73**	**541**	**281**	**16,410**

5. Other Financial Position Notes (continued)

5.1 Property, Plant and Equipment (continued)

Recognition and Measurement

Land and Buildings

Land and buildings have been revalued to fair value based on market evidence as determined by an independent valuer. Land and buildings are revalued with sufficient regularity, at least every three years, to ensure that the carrying amount does not differ materially from fair value. Land and buildings are carried at revalued amounts less accumulated depreciation and impairment. Land is not depreciated.

The results of revaluing are credited or debited to an asset revaluation reserve, where this results in a debit to the asset revaluation reserve this balance is expensed in surplus or deficit unless it reverses a previous credit to the asset revaluation reserve. Any subsequent increase or revaluation of the asset that off-sets a previous decrease in value is recognised in surplus or deficit and will be recognised first in surplus or deficit up to the amount previously expensed and then credited to the revaluation reserve.

Revaluation

The land and buildings of the First Credit Union were valued by Telfer Young Limited, independent registered valuers, as at 30 June 2022. These are valued on the basis of market value for existing use. A rental capitalisation valuation methodology has been used in determining this value. The rental capitalisation rate adopted for the valuation of the properties as at 30 June 2022 was 5.50% on a weighted average basis. A significant increase/decrease in the rental capitalisation rate would result in an decrease/increase to the fair value of the land and buildings.

Upon disposal or sale of property, any revaluation reserve for that asset is transferred into accumulated revenue and expense.

The Directors consider the carrying amount is a fair approximation of fair value at reporting date.

Other Property, Plant and Equipment

Except for land and buildings items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses.
Historical cost includes expenditure directly attributable to the acquisition of the asset and is recognised only when it is probable that future accrued benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

5. Other Financial Position Notes (continued)

5.1 Property, Plant and Equipment (continued)

Subsequent costs are included in the assets 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to surplus and deficit during the financial period in which they are incurred.

Depreciation

All assets, excluding land which is not depreciated, are depreciated to their residual value over their estimated useful lives from the time the asset is ready for use. Depreciation is charged to surplus or deficit.

The following rates have been used in the current and prior period:

Buildings	0-16% SL (2023 0-16% SL)
Motor Vehicles	3-30% SL (2023 3-30%)
Computer Equipment	7-48% SL (2023 no change)
Furniture and Fittings	2-48% SL (2023 2-48% SL)

The residual value, depreciation methods and useful lives are reviewed, and adjusted if appropriate, annually. There were no material impacts from the change in estimates.

5.2 Prepayments

	2024 $000	2023 $000
Trade Prepayments	618	768
Prepaid Software Costs	916	1,422
Total Prepayments	**1,534**	**2,190**

Recognition and Measurement

Prepayments include trade prepayments and prepaid software costs in relation to configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) for the Credit Union's core banking system.

5.3 Impairment Testing of Non Financial Assets

The carrying amounts of the Groups non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount, being the higher of the assets fair value less costs to sell and value in use, is compared to the assets 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.

5.4 Other Assets

	2024 $000	2023 $000
Income Tax Receivable	90	72
GST Receivable/(Payable)	27	27
Sundry Debtors	1,142	37
Total Other Assets	**1,259**	**136**

5. Other Financial Position Notes (continued)

5.5 Investment in Joint Venture

	2024 $000	2023 $000
Investment - Opening Balance	7,625	6,998
Share of Surplus/(Deficit)	495	627
Equity Accounted Investment in Joint Venture	**8,120**	**7,625**

The Group jointly controls the following entity which is accounted for using the equity method.

Summarised Financial Information of Finzsoft Solutions Limited	2024 $000	2023 $000
Ownership	48.86%	48.86%
Current Assets	6,299	5,509
Non-Current Assets	6,135	6,591
Current Liabilities	3,802	4,634
Non-Current Liabilities	1,207	1,053
Sales Revenue and Other Income	8,285	8,848
Interest Income	68	84
Interest Expense	25	220
Depreciation and Amortisation Expense	1,188	1,382
Income Tax Expense	400	499
Total Comprehensive Surplus/(Deficit)	1,012	1,283
Cash and Cash Equivalents (including short term investments classified as current assets)	5,362	4,218
Current Financial Liabilities	544	1,287
Current Non-Financial Liabilities	3,258	3,347
Non-current Non-Financial Liabilities	1,207	1,053

Recognition and Measurement

Finzsoft is a key supplier to the Group, providing the core banking system and as such Finzsoft is considered a strategic investment that will secure the ongoing provision of that key system. In 2021 the Group acquired a further 39% shareholding in Finzsoft Solutions Limited (Finzsoft). This increased the shareholding from 9.9% in 2020 to 48.86% in 2021.

Finzsoft is considered a Joint Venture for accounting and reporting purposes, refer to the Joint Arrangements - Accounting Policy below for further information. The investment in Finzsoft has been accounted for using the equity method and is recognised initially at cost, including directly attributable transaction costs and subsequently adjusted to reflect the share of profit/(loss) for the period.

The financial statements of Group include a share of the surplus of Finzsoft of $494,635 (2023: $626,805). Finzsoft has the same reporting date as the Group, being 30 June, and is domiciled in New Zealand.
There are no significant restrictions regarding the distribution of dividends or repayment of loans from Finzsoft.

The Groups exposure to contingencies and commitments from its interests in joint ventures:
• There were no contingent liabilities relating to interests in joint ventures to which FCU was jointly and/or severally liable (2023: nil).
• There were no contingent assets relating to interests in joint ventures to which FCU would benefit either jointly and/or severally (2023: nil).
• There were no capital or other commitments relating to interests in joint ventures to which FCU was jointly and/or severally liable (2023: nil).

5. Other Financial Position Notes (continued)

5.5 Investment in Joint Venture (continued)

Joint Arrangements - Accounting Policy:

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries. The Group classifies its interests in joint arrangements as either:
• Joint ventures - where the group has rights to only the net assets of the joint arrangement.
• Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:
• The structure of the joint arrangement
• The legal form of joint arrangements structured through a separate vehicle
• The contractual terms of the joint arrangement agreement
• Any other facts and circumstances (including any other contractual arrangements).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Upon consideration of these factors, the Group has determined that the joint arrangements structured through separate vehicles give it rights to the net assets and is therefore classified as a joint venture.

5.6 Trade and Other Payables

	Note	2024 $000	2023 $000
Trade Payables		2,647	2,589
Card Settlement		3,769	1,072
Sundry Creditors and Accrued Expenses		279	64
Financial Liabilities at Amortised Cost		**6,695**	**3,725**
Insurance Contract Liabilities	**6.1(b)**	450	363
Total Trade and Other Payables		**7,145**	**4,088**

Recognition and Measurement

A Financial Liability is any liability where there is a contractual obligation to exchange financial assets with another party. Trade Payables, Card Settlement, Sundry Creditors and Accrued Expenses are all classified as financial liabilities. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

GST Payable and Insurance Contract Liabilities are not financial liabilities.

5. Other Financial Position Notes (continued)

5.7 Members' Deposits

	2024 $000	2023 $000
Call Shares	171,456	183,880
Term Shares	240,200	202,592
Total Members' Deposits	**411,656**	**386,472**
Current	407,097	377,156
Non-Current	4,559	9,316
Total Members' Deposits	**411,656**	**386,472**

Recognition and Measurement

The Credit Union's source of funding is members' deposits (also referred to as members' shares). Accordingly, the funding is concentrated in and limited to the area of the 'common bond' and consequently the Credit Union members reside all over New Zealand although predominantly in the Bay of Plenty and Waikato area.

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 of shares and unpaid capital (if any). The equitable assignment by way of security was granted in favour of Covenant Trustee Services Limited the Prudential Supervisor of the Credit Union, under Trust Deed dated 2 November 2000, which has been registered with the Registrar of Companies.

The Credit Union has also granted to Covenant Trustee Services Limited a security interest in all its present and after-acquired personal property as additional security for the members' shares. Covenant Trustee Services Limited has registered a financing statement under the Personal Property Securities Act 1999 in respect of the same. The grant of this security interest was recorded in a Deed of Modification to Trust Deed dated 15 October 2002, which has been registered with the Registrar of Companies.

6. Other Notes

6.1 Insurance Activities of the Insurer

On 1 June 2018, First Insurance Limited (FIL) commenced trading after the Credit Union received a non-life insurance licence from the RBNZ, through its 100% owned subsidiary FIL. The licence has enabled FIL to underwrite loan protection cover on loans taken out by members of the Credit Union. On 29 November 2018 this licence was modified to include life insurance, specifically for underwriting the funeral insurance product.

6.1(a) Insurance Service Result

	2024 $000	2023 $000
Insurance Revenue	1,584	1,610
Insurance Service Expenses	(945)	(972)
Insurance Service Result	**639**	**638**

6. Other Notes (continued)

6.1(a) Insurance Service Result (continued)

Recognition and Measurement

Insurance Revenue
Insurance revenue from insurance contracts are recognised evenly over the period of the cover for the contract. Revenue is recognised on the date from which the policy is effective. Premiums are received monthly in arrears.

Insurance Service Expense
The insurance service expense represents payments made on claims and the movements in the liability for incurred claims.

6.1(b) Insurance Contract Liabilities

Recognition and Measurement

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract.

The Insurer has determined that all loan protection and funeral insurance policies provided to members are insurance contracts. Life Insurance covers the death of a member with benefits paid to a beneficiary. Non life insurance covers other situations such as illness, disability, redundancy and bankruptcy.
Impairment losses for uncollectable premiums are written off against premium revenue in the year in which they are incurred. If a policy holder is in arrears, the cover is suspended, and if they are in arrears for more than 90 days, their policy lapses.

The Group has applied the premium allocation approach (PAA), an optional simplified model that is available for the Group's insurance contracts that meet the eligibility criteria. The Group has determined that all of its insurance contracts meet the eligibility criteria being short-term in nature having cancellation clauses and therefore a coverage period of one year or less.

Liability for remaining coverage under PAA - measured as premiums received net of unamortised acquisition cash flows and amounts recognised as insurance revenue for coverage that has been provided. Apart from a small portfolio, the Insurers premiums are received monthly in arrears, hence the liability for remaining coverage is zero at initial recognition. Where facts and circumstances indicate that insurance contracts may be onerous, the expected cash flows for the contracts are compared to the carrying value of the liability for remaining coverage and a loss component is recognised to the extent that the liability for remaining coverage is not sufficient to meet the cash flows.

Liability for incurred claims - this is measured as the fulfillment cash flows (sum of present value of future cash flows and a risk adjustment) relating to incurred claims and attributable expenses that have not yet been paid, including claims that have been incurred but not yet reported. Discounting is not applied as claims are expected to be settled within 12 months of the reporting date.

6. Other Notes (continued)

6.1(b) Insurance Contract Liabilities (continued)

Key Assumptions

• Claim development patterns for disability claims have been based on industry experience, adjusted in the early periods for the Insurer's own experience, in quarterly chain-ladder steps.
• Claim provisions for other claims have been derived from the Insurer's recent experience of claim volumes and reporting times.
• Onerous contracts, as losses on onerous contracts are recognised in profit or loss immediately, the identification and measurement of onerous contracts can have a significant impact on the emergence of profit. The recognition of relevant facts and circumstances and the appropriate groupings of contracts with similar expected cash flow profiles are key judgements in the identification and measurement of onerous contracts. No contracts are considered onerous.

Claims are predominantly short-term in nature and are generally settled within 12 months of being incurred. Accordingly, amounts are not discounted.

An actuarial report has been obtained to assess the liability for remaining coverage, and the liability for incurred claims at period end:
• The effective date of the assessment in the actuarial report was 30 June 2024.
• The name and qualification of the actuary is Peter Davies of Davies Financial and Actuarial Limited, Fellow of the New Zealand Society of Actuaries.
• The appointed actuary has performed an actuarial assessment in accordance with the standards of the New Zealand Society of Actuaries and is satisfied as to the nature, sufficiency and accuracy of the data used to determine the insurance contract liabilities.
• The liabilities for remaining coverage and the liabilities for incurred claims are set at a level that is appropriate and sustainable to cover the Insurers claims and other cash flow obligations after having regard to the prevailing market environment and industry practice.
• The actuarial report contained no qualifications.

As part of the assessment of any onerous contracts, a test was carried out to determine if a liability for remaining coverage was present whether it would be sufficient to cover the expected future cash flows arising from rights and obligations under current insurance contracts. The future cash flows are future claims, associated claims-handling costs and other administrative costs relating to the business. Estimates were made to allocate operating expenditure to the amounts directly attributable to the fulfilling of the contracts. As a result of the test, no contracts were assessed as onerous

6.1(c) Insurer Capital and Solvency Requirements

As a fully licenced insurer, the Interim Solvency Standard (2023) issued by the Reserve Bank requires the Insurer to retain a solvency margin of greater than zero, meaning that the actual solvency capital position exceeds the minimum required under the solvency standard.

The Insurer’s financial strength rating issued by Fitch is BB with a Stable Outlook (2023: BB+ with a Negative Outlook).

	2024 $000	2023 $000
Actual Solvency Capital	6,134	6,160
Minimum Solvency Capital	5,000	5,000
Solvency Margin	1,134	1,160
Solvency Ratio	**123%**	**123%**

During the year ended 30 June 2024, the Insurer complied with the RBNZ imposed capital requirements.

6. Other Notes (continued)

6.1(c) Insurer Capital and Solvency Requirements (continued)

The Directors' policy for managing capital is to have a strong capital base to establish security for policyholders and members of First Credit Union and enable the Insurer to conduct its business whilst maintaining financial soundness. The Insurer has embedded in its risk management plan the necessary tests to ensure continuous and full compliance with the solvency standard. The policy in respect of solvency capital is regularly reviewed by the Directors in line with the guidelines issued by the Reserve Bank.

The Insurer's risk management plan targets a buffer above the RBNZ minimum requirement, equal to 100% of one year's expected claims. The target at 30 June 2024 was $5,881,325 (2023: $5,887,883) relative to an actual solvency capital of $6,133,960 (2023: $6,158,814).

6.1(d) Insurance Risk Management

The Insurer is exposed to insurance risk through its insurance activities. The Insurer's objectives regarding the management of risks arising from all insurance contracts is to ensure:
• there is a sufficient financial buffer, in excess of that set by the Reserve Bank, to absorb any claims volatility
• strong underwriting that aligns with industry standards
• a pricing strategy that covers the underlying risk of insurance products
• strong operations through robust claims and member processes.

The sensitivity of the liability for incurred claims to changes in the claims settlement pattern is:

	2024 $000	2023 $000
Base assumptions	450	363
Liability for incurred claims if assumed development/reporting pattern 10% longer	532	393
Liability for incurred claims if assumed development/reporting pattern 10% shorter	365	261

The Insurer's insurance risk is concentrated to within the loan protection and funeral insurance sectors, with a geographical concentration in New Zealand, predominantly in the North Island. Therefore, the concentration of risk by type of insurance and geographic region cannot be avoided. There is no significant exposure to individual large claims.

6.2 Commitments

The Group has capital expenditure commitments having entered into contracts for the purchase of property, plant and equipment which have not been recognised as a liability and are payable as at 30 June 2024 $0 (2023 $35,000).
The Group has a commitment for software licensing costs of $3,058,000. (2023: $3,744,000).
The Group has also issued bank settlement guarantees as at 30 June 2024 $4,000,000 (2023 $4,782,000).

Loans and credit facilities approved but not funded or drawn at the end of the reporting period.

	2024 $000	2023 $000
Loans Approved but not Funded	25,065	34,109
Undrawn Overdraft and Line of Credit	245	283
Total Outstanding Loan Commitments	**25,310**	**34,392**

6.3 Contingent Liabilities

The Group has no contingent liabilities as at 30 June 2024 (2023 nil).

6. Other Notes (continued)

6.4 Related Parties

Remuneration of Directors and Key Management Personnel ('KMP')

	2024 Directors $000	2023 Directors $000	2024 KMP $000	2023 KMP $000
Short-Term Employee Benefits	**229**	**226**	**972**	**955**

Recognition and Measurement

Remuneration of Directors and Key Management Personnel ('KMP')

Key Management Personnel ('KMP') are those people having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of that entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. KMP has been taken to comprise the 10 Directors and 4 executive managers. Connected Parties (CP) are defined as the immediate relatives of Directors and Key Management Personnel.

Short Term Employee benefits

In the above table, remuneration shown as short term benefits means (where applicable) wages, salaries, paid annual leave and sick leave, bonuses, value for fringe benefits received, but excludes out of pocket reimbursements. There are no post-employment benefits.

Related Party Holdings:	2024 Shares $000	2023 Shares $000	2024 Loans $000	2023 Loans $000
Directors	2,388	2,394	329	331
KMP	92	88	2,134	2,042
Connected Parties	1,466	1,560	2,994	2,249
Total Related Party Holdings:	**3,946**	**4,042**	**5,457**	**4,622**

Recognition and Measurement

During the year under review new loan advances to Directors or Key Management Personnel were $0.14 million (2023 $0.82 million).

The Groups investment in Finzsoft Solutions Limited (Finzsoft) is considered a joint venture for accounting and reporting purposes. Finzsoft and the Group are also considered related parties, and have the following related party dealings at reporting date:
- the Group has prepaid licence fees to Finzsoft totalling $264,000 (2023: $494,000);
- the Group has prepaid software costs in relation to configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) for the Credit Union's core banking system to Finzsoft totalling $916,000 (2023: $1,422,000), refer note 5.2;
- total expenditure on Finzsoft services for the year was $2,734,000 (2023: $2,338,000).

No loans to related parties have been impaired in the period. (2023: $0)

6. Other Notes (continued)

6.5 Events Occurring After Reporting Date

There have been no events subsequent to reporting date that would materially impact the financial statements.

7. Other Accounting Policies

7.1 Changes to Accounting Policies

The Group has adopted PBE IFRS17 Insurance Contracts in the reporting period, with no material impacts. The Group applied the full retrospective approach when adopting the standard for all groups of insurance contracts held. As there were no material impacts to the Group, including on the initial adoption date as at 1 July 2022, certain disclosures that would otherwise be required under NZ IFRS 17 are not made.

There were no other significant changes to accounting policies during the reporting period.

7.2 New Accounting Standards Issued but not yet Effective

New standards and amendments and interpretation to existing standards that are not yet effective for the current accounting period beginning on 1 July 2024:

Disclosure of Fees for Audit Firms' Services (Amendments to PBE IPSAS 1) - entities are required to disclose the fees incurred for services received from its audit or review firm, and a description of each service, using the following specified categories:
- Audit or review of the financial report
- Other non-audit and non-review services:
    - Audit or Review Related Services
    - Other Assurance Services and Other Agreed-Upon Procedures Engagements
    - Taxation Services
    - Other Services

In addition to above, there are no other new standards, amendments or interpretations that have been issued and are not yet effective that are expected to have a significant impact on the Group.

7.3 Basis of Consolidation

Controlled entities are all those entities over which the controlling entity has the power to govern the financial and operating policies so as to benefit from its activities. The controlled entities are consolidated from the date on which control is transferred and are de-consolidated from the date that control ceases. In preparing the consolidated financial statements, all inter entity balances and transactions, and unrealised gains and losses arising within the consolidated entity are eliminated. The accounting policies of the controlled entity are consistent with the policies adopted by the Group and have a 30 June 2024 reporting date.
First Insurance Limited is the only controlled entity which the Credit Union owns 100% of the shares.

7. Other Accounting Policies (continued)

7.4 Amalgamations

Amalgamations are accounted for using the modified pooling of interests method as at the amalgamation date, which is the date on which the Group (as resulting entity) obtains control of the combining operation.

The Group is the resulting entity when it gains control of one or more operations, and in which there is evidence that the combination has the economic substance of an amalgamation.

As of the amalgamation date, the Group, in accordance with PBE Standards, recognises in the financial statements the assets, liabilities and any non-controlling interests of the combining operation as of the amalgamation date at their carrying amounts adjusted to eliminate the effects of all transactions between the Group and the combining operation and to ensure that the combining operation's accounting polices conform with those of the Group.

Amalgamations do not give rise to goodwill. Instead, the aggregate of the carrying amount of the combining operation's assets liabilities and any non-controlling interest is recognised as a single balance in net assets/equity. In addition, any amalgamation adjustments required to eliminate transactions between the combining operation and the Group, any adjustments made to the combining operation's carrying amounts of assets and liabilities to conform with the Group's accounting policies and adjustments made in respect of the exceptions to the recognition and/or measurement principles required on amalgamation are recognised within net assets/equity.

Transactions costs related to amalgamations are expensed in surplus or deficit as incurred.

When an amalgamation has occurred, the prior period results of the combining operation are not included in the resulting entity's (i.e., Group's) comparative financial information. The Group has elected a policy to not include prior period results in relation to the combining operation in the notes.

8. Disputes Resolution Scheme

As required by the Financial Service Providers (Registration and Dispute Resolution) Act 2008 the Credit Union is a member of an approved dispute resolution scheme – Financial Services Complaints Ltd (FSCL).

9. Credit Rating

The Credit Union has been rated by Fitch Ratings. Fitch Ratings gives ratings from AAA through to C. The Credit Union has a long-term issuer default (IDR) rating of BB with a stable outlook, issued on 21 January 2024 (2023: BB with a stable outlook).

10. Financial Risk Management Objectives and Policies

The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Group.

Key risk management policies encompassed in the overall risk management framework include:
• Market risk
• Credit risk management
• Liquidity risk management
• Capital adequacy management.

10. Financial Risk Management Objectives and Policies (continued)

10.1 Market Risk

Market risk is the risk that changes in market prices, such as interest rates applicable to Bank deposits, loans to member and members' deposits will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Credit Union's exposure to interest risk is set out below detailing the contractual interest change profile based on the next contractual repricing or maturity date (whichever is earlier) as at the reporting date.

	Weighted average effective interest rate *	Floating Interest Rate $'000	Repricing period at 30 June 2024 Fixed Interest Rate Maturing in: Within 6 months $'000	6 months to 1 Year $'000	1 to 5 Years $'000	Non-interest sensitive $'000	Total $'000
Monetary Assets							
Cash & Bank	4.50%	23,738	0	0	0	0	**23,738**
Term Deposits and Other Investments	5.40%	0	71,318	6,775	2,971	0	**81,064**
Trade & Other Receivables	n/a	0	0	0	0	1,259	**1,259**
Loans to Members - Fixed	7.80%	0	99,437	106,850	23,166	0	**229,453**
Loans to Members - Floating	11.75%	128,322	0	0	0	0	**128,322**
Total Monetary Assets		**152,060**	**170,755**	**113,625**	**26,137**	**1,259**	**463,836**
Monetary Liabilities							
Members' Deposits	1.48%	171,456	139,680	95,961	4,559	0	**411,656**
Other Payables	n/a	0	0	0	0	7,145	**7,145**
Total Monetary Liabilities		**171,456**	**139,680**	**95,961**	**4,559**	**7,145**	**418,801**

	Weighted average effective interest rate *	Floating Interest Rate $'000	Repricing period at 30 June 2023 Fixed Interest Rate Maturing in: Within 6 months $'000	6 months to 1 Year $'000	1 to 5 Years $'000	Non-interest sensitive $'000	Total $'000
Monetary Assets							
Cash & Bank	4.50%	21,821	0	0	0	0	21,821
Term Deposits and Other Investments	5.21%	0	73,140	1,896	5,420	0	80,456
Trade & Other Receivables	n/a	0	0	0	0	135	135
Loans to Members - Fixed	6.58%	0	84,339	107,103	41,649	0	233,091
Loans to Members - Floating	10.91%	97,307	0	0	0	0	97,307
Total Monetary Assets		**119,128**	**157,479**	**108,999**	**47,069**	**135**	**432,810**
Monetary Liabilities							
Members' Deposits	1.48%	183,880	114,827	78,449	9,316	0	386,472
Other Payables	n/a	0	0	0	0	4,088	4,088
Total Monetary Liabilities		**183,880**	**114,827**	**78,449**	**9,316**	**4,088**	**390,560**

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

10. Financial Risk Management Objectives and Policies (continued)

10.1 Market Risk (continued)

Interest Rate Sensitivity

The Group is exposed to interest rate risk. The policy of the Group to manage the risk is to maintain a balanced "on book" strategy by ensuring the net interest rate gaps between members loans (i.e. interest rate on loans) and members shares (the cost of borrowing from members paid out in the form of dividends / interest) are not excessive. At 30 June 2024 it is estimated that a general increase of three percentage points in interest rates on bank deposits, loan receivables and Members' deposits would increase the Groups surplus before income tax and equity by $367,000 (30 June 2023: decrease by $1,385,000).
A decrease in interest rates would have the opposite impact on surplus than that described above.

The Board and Management consider that given the large changes in the Official Cash Rate and interest rates recently, that modelling a 3% movement in interest rate risk is within prudent guidelines.

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

10.2 Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the entity.

Recognition and Measurement

The Group has established policies and 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, 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
• Review of compliance with the above policies.

Regular reviews of compliance are conducted as part of the internal audit process. The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security held. There is no industry or geographic concentration of credit risk with respect to loans and receivables as the Group has a large number of customers dispersed in varying areas of employment. The credit policy is that loans and investments are only made to members that are credit worthy.
Daily reports monitor the loan repayments to detect delays in repayments and attempts to remediate are made after 7 days if not rectified. For personal loans where repayments become doubtful the Group has internal processes in place to conduct recovery action once the loan is over 30 days in arrears. Debt recovery policies allow the Group to reset the maturity date of a loan where regular and consistent repayments have been resumed by the loan holder. These loans are considered to be past due loans. The exposures to losses arise predominantly in the personal loans and facilities.

Impairment of Loans and Advances - refer to Note 4.2.

For term investments, the Board policy is to place its investments with registered trading banks.
All registered banks used have Fitch or Standard & Poor's credit ratings of BBB or better (2023: BBB or better).

10. Financial Risk Management Objectives and Policies (continued)

10.2 Credit Risk (continued)

Other Credit Risks Comprise of the Following Items:

(a) Large Counterparties

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

	Number of counterparties 2024	Number of counterparties 2023
Over 100%	1	1
Between 20% and 30% of equity	1	0
Between 10% and 20% of equity	6	6

(b) Loans to Members

Loans can only be made to Credit Union members. Loan interest rates range from 5.00% to 24% p.a. (2023 3.15% to 24.0% p.a.). The Credit Union has a lending policy that allows for various levels and types of security, and loans may be secured over the borrowing members 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.

Credit Unions are required to lend within their rules and policies.

The key elements of the Credit Union lending policy are as follows:
• personal loans can be approved for a period up to 10 years with adequate security but are usually scheduled to be repaid within 5 years;
• mortgages can be approved for a period up to 40 years but are usually scheduled to be repaid within 20 to 25 years;
• arrears in loan payments may be reset after 6 consecutive weekly payments, 3 fortnightly payments or 2 monthly payments.

	2024	2023
Proportion of Loans with Repayments in Arrears in Excess of 90 Days:	1.7%	1.4%
Proportion of Loans owed in Aggregate by the Six Largest Debtors:	13.9%	14.6%
Weighted Average Maturity of Loans (in Months) is:	158	173

Other than loans, there are no other financial assets in arrears. Loans are for varying terms but the standard loan contract includes an "repayment on demand" clause.

10. Financial Risk Management Objectives and Policies (continued)

10.2 Credit Risk (continued)

The Credit Union offers an overdraft facility	2024 $000	2023 $000
The amounts drawn down are as follows:	**127**	160

Fair Value of Assets and Liabilities

The values for financial assets and liabilities, per the carrying amounts shown in the Statement of Financial Position, are equal to their fair values except fixed mortgage loans. Fair value has been determined on the basis of net present value of expected future cash flows under the terms and conditions of each financial asset and financial liability.

Mortgage Loans - the fair value of the fixed mortgage loans receivable carried at $228,968,275 (2023: $233,091,477) is $226,694,095 (2023: $227,918,633) assuming an average floating mortgage interest rate of 8.50% at 30 June 2024 (2023: 8.25%).

Members Shares - the carrying amount of member share accounts repriced within 12 months is a reasonable estimate of the net fair value. For term shares repriced past 12 months the Credit Unions current interest rates are compared to the contracted interest rates. The current rates are comparable to the market rates for term deposits of a similar term.

Other - the Directors consider that the fair value of all other financial assets and liabilities is approximately equal to the book value. All of the financial instruments except the loans receivable and investment in joint venture are at call or able to be recovered or settled in the short term.

10. Financial Risk Management Objectives and Policies (continued)

10.3 Liquidity Risk

Liquidity risk is the risk that the Group 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 Group maintains adequate cash reserves so as to meet the member withdrawal demands when requested.
The table below shows the period in which different financial liabilities held will mature and be eligible for renegotiation or withdrawal.

10.3(a) Maturity Profile of Financial Liabilities	On Call $000	Within 6 Months $000	6 Months to 1 Year $000	1 to 5 Years $000	Over 5 Years $000	Total $000
Financial Liabilities 30 June 2024						
Payables	0	7,145	0	0	0	7,145
Members Call Shares	171,456	0	0	0	0	171,456
Members Term Shares	0	139,680	95,961	4,559	0	240,200
Total Financial Liabilities 30 June 2024	**171,456**	**146,825**	**95,961**	**4,559**	**0**	**418,801**
Financial Liabilities 30 June 2023						
Payables	0	4,088	0	0	0	4,088
Members Call Shares	183,880	0	0	0	0	183,880
Members Term Shares	0	114,827	78,449	9,316	0	202,592
Total Financial Liabilities 30 June 2023	**183,880**	**118,915**	**78,449**	**9,316**	**0**	**390,560**

The table below shows net financial assets held by the Group for the purpose of managing liquidity risk.

10.3(b) Liquidity Management	2024 $000	2023 $000
Cash and Cash Equivalents	23,738	21,821
Term Deposits and Other Investments - Current	78,093	75,036
Term Deposits and Other Investments - Non-Current	2,971	5,420
Total Liquidity	**104,802**	**102,277**

The Group's policy is to maintain at least 15% of total assets as liquid assets capable of being converted to cash within 90 days. Should the liquidity ratio fall below this level, management and Director's are to address the matter to ensure that liquid funds are obtained from new deposits or borrowing facilities available. The Group has maintained the policy level throughout the financial period under review.

10.4 Capital Adequacy

The Credit Union is regulated under the Friendly Societies and Credit Union Act 1982. There is a statutory requirement over the minimum capital requirements as prescribed by the Reserve Bank of New Zealand and reflected in the Credit Union Trust Deed which requires the Credit Union to maintain a minimum capital ratio of 8%. The Credit Unions Risk Weighted Capital Ratio as at 30 June 2024 is 12.90% (2023: 14.33%) , as calculated under the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2017.

The Credit Union has, throughout the year, complied with all regulatory requirement pursuant to the Reserve Bank of New Zealand's "Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2017".

To manage the Group's capital, which can be affected by excessive growth and by changes in total assets, the Group reviews the capital adequacy ratio monthly 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 10%. 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.

11. Amalgamation of Fisher & Paykel Credit Union and Auckland Credit Union

First Credit Union has accepted two Transfers of Engagement (ToE) under section 135 of the Friendly Societies and Credit Unions Act 1982, in this reporting period:
- Fisher & Paykel Credit Union (Fisher & Paykel) - by Special General Meeting on 17 August 2023 the Members of Fisher & Paykel agreed the ToE between First Credit Union and Fisher & Paykel, effective on 30 September 2023.
- Auckland Credit Union (ACU) - by Special General Meeting on 18 April 2024 the Members of ACU agreed the ToE between First Credit Union and ACU, effective on 31 May 2024.

Accordingly the assets and liabilities of Fisher & Paykel and ACU have been amalgamated with First Credit Union, as detailed in 11.1 and 11.2 below. No adjustments were made to the carrying amounts of any assets or liabilities to conform with the accounting policies of First Credit Union.

The primary reason for the amalgamation was to provide benefits to our members. First has a vision to continue to develop a strong, competitive and sustainable sector that delivers on its purpose of 'people helping people' across New Zealand. Uniting together will ensure the credit union movement continues to grow and thrive while ensuring the co-operative principles remain at the core of our focus, and that credit unions remain as a viable alternative within the New Zealand financial services market. The scale of a larger, stronger credit union is intended to create efficiencies to deliver better pricing for savings and lending rates, competitive fees, and enable us to invest in technology to improve services and provide wider access to capital for the benefit of our member-owners.

The amalgamations of Fisher & Paykel and ACU enhances the branch network that our Members are able to access, providing a stronger presence in Auckland.

As small financial entities, Fisher & Paykel and ACU had been finding it increasingly difficult to compete due to the relatively high costs of meeting and delivering financial services and, in recent years, the increased cost of compliance.

11.1 Fisher & Paykel Credit Union

The assets and liabilities transferred by Fisher & Paykel as at 30 September 2023 and recognised as a result of the amalgamation are as follows:

	2024
Assets	**$000**
Cash and Cash Equivalents	510
Term Deposits and Other Investments	377
Loans to Members	3,482
Total Assets	**4,369**
Liabilities	
Trade and Other Payables	278
Employee Entitlements	93
Members' Deposits	3,575
Total Liabilities	**3,946**
Total Net Assets/Equity	**423**

Loans to members transferred as a result of the amalgamation includes an impairment provision of $80,000.

11. Amalgamation of Fisher & Paykel Credit Union and Auckland Credit Union (continued)

11.1 Fisher & Paykel Credit Union (continued)

The last reporting date for Fisher & Paykel was 31 March 2023 and First Credit Union was 30 June 2023. As such the revenue, expenditure and surplus or deficit for each combining operation since its last reporting date, is shown below, for the following periods i) First Credit Union 1 July 2023 to 30 September 2023 (3 months) and ii) Fisher & Paykel 1 April 2023 to 30 September 2023 (6 months):

	First Credit Union*	Fisher & Paykel Credit Union
Revenue	**$000**	**$000**
Interest Revenue	8,049	250
Other Income	2,060	45
Total Revenue	**10,109**	**295**
Expenditure		
Interest Expenditure	3,138	32
Operating Expenses	3,662	230
Employee Benefits	1,995	226
Loan Impairment Expenses	351	5
Depreciation	176	0
Occupancy	267	3
Total Expenditure	**9,589**	**496**
Surplus/(Deficit) for the Period	**520**	**(201)**

As at 30 September 2023	First Credit Union*	Fisher & Paykel Credit Union
Assets	**$000**	**$000**
Cash and Cash Equivalents	16,357	510
Term Deposits and Other Investments	72,429	377
Loans to Members	343,909	3,482
Property, Plant and Equipment	16,209	0
Other Assets	1,789	0
Investments in Joint Venture & First Insurance Limited	13,625	0
Total Assets	**464,318**	**4,369**
Liabilities		
Trade and Other Payables	3,134	278
Employee Entitlements	388	93
Members' Deposits	392,326	3,575
Total Liabilities	**395,848**	**3,946**
Net Assets/Equity		
Accumulated Revenue and Expense	63,483	423
Property Revaluation Reserve	4,987	0
Total Net Assets/Equity	**68,470**	**423**

*First Credit Union's figures are for the Credit Union only, and are not consolidated.

11. Amalgamation of Fisher & Paykel Credit Union and Auckland Credit Union (continued)

11.2 Auckland Credit Union

The assets and liabilities transferred by ACU as at 31 May 2024 and recognised as a result of the amalgamation are as follows:

Assets	2024 $000
Cash and Cash Equivalents	2,270
Loans to Members	17,732
Property, Plant and Equipment	243
Other Assets	74
Total Assets	**20,319**
Liabilities	
Trade and Other Payables	880
Employee Entitlements	128
Members' Deposits	19,303
Total Liabilities	**20,311**
Total Net Assets/Equity	**8**

Loans to members transferred as a result of the amalgamation includes an impairment provision of $180,977.

The last reporting date for ACU and First Credit Union was 30 June 2023. As such the revenue, expenditure and surplus or deficit for each combining operation since its last reporting date, is shown below, for the periods 1 July 2023 to 31 May 2024 (11 months):

Revenue	First Credit Union* $000	Auckland Credit Union $000
Interest Revenue	31,370	2,226
Other Income	7,386	801
Total Revenue	**38,756**	**3,027**
Expenditure		
Interest Expenditure	13,102	555
Operating Expenses	13,231	1,573
Employee Benefits	7,633	1,026
Loan Impairment Expenses	1,484	226
Depreciation	671	77
Occupancy	925	346
Total Expenditure	**37,046**	**3,803**
Surplus/(Deficit) for the Period	**1,710**	**(776)**

11. Amalgamation of Fisher & Paykel Credit Union and Auckland Credit Union (continued)

11.2 Auckland Credit Union (continued)

As at 31 May 2024	First Credit Union*	Auckland Credit Union
Assets	**$000**	**$000**
Cash and Cash Equivalents	33,544	2,270
Term Deposits and Other Investments	62,224	0
Loans to Members	341,992	17,732
Property, Plant and Equipment	15,918	243
Other Assets	3,456	74
Investment in Joint Venture & First Insurance Limited	13,625	0
Total Assets	**470,759**	**20,319**
Liabilities		
Trade and Other Payables	3,621	880
Employee Entitlements	339	128
Members' Deposits	396,717	19,303
Total Liabilities	**400,677**	**20,311**
Net Assets/Equity		
Accumulated Revenue and Expense	65,079	8
Property Revaluation Reserve	5,003	0
Total Net Assets/Equity	**70,082**	**8**

*First Credit Union's figures are for the Credit Union only, and are not consolidated.

Independent auditor's report

To the members of First Credit Union Incorporated

Our opinion

In our opinion, the accompanying general purpose financial report of First Credit Union Incorporated (the Credit Union), including its subsidiary (the Group), presents fairly, in all material respects:

- the financial position of the Group as at 30 June 2024, its financial performance, and its cash flows for the year then ended; and
- the service performance for the year ended 30 June 2024 in that the service performance information is appropriate and meaningful and prepared in accordance with the entity's measurement bases or evaluation methods

in accordance with Public Benefit Entity Standards issued by the New Zealand Accounting Standards Board.

What we have audited

The general purpose financial report which comprises:

- The consolidated financial statements (the "financial statements"), including:
  - the consolidated statement of financial position as at 30 June 2024;
  - the consolidated statement of comprehensive revenue and expense for the year then ended;
  - the consolidated statement of changes in net assets/equity for the year then ended;
  - the consolidated statement of cash flows for the year then ended; and
  - the notes to the financial statements, which include significant accounting policies and other explanatory information.
- The consolidated statement of service performance (the service performance information) for the year ended 30 June 2024.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and the audit of the service performance information in accordance with the ISAs (NZ) and New Zealand Auditing Standard 1 (Revised) *The Audit of Service Performance Information* (NZ AS 1 (Revised)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the general purpose financial report* section of our report.

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

Our independence

We are independent of the Group 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 we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of supervisor reporting, and reasonable assurance engagements on the Credit Union's members register compliance assurance and the subsidiary's solvency return. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. The provision of these other services and relationships have not impaired our independence as auditor of the Group.

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 year. 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.

Description of the key audit matter	How our audit addressed the key audit matter
Provision for impairment of loans to members Loans to members of $358 million (2023: $330 million) net of provision for impairment as disclosed in Note 4.1 to the financial statements, represent the Credit Union's core activity and is a significant asset. The Credit Union may be exposed to credit losses from loans which become overdue, or are in default, and result in an impairment provision for expected credit losses (ECL). Determining an appropriate ECL provision is an area of significant management estimation and judgement. An impairment model prepared in accordance with PBE IPSAS 41 Financial Instruments requires entities to estimate a provision for ECL based on unbiased forward-looking information over a range of possible outcomes. ECL are probability-weighted estimates of cash shortfalls expected to result from defaults over the relevant timeframe of the asset. The standard requires the Credit Union to determine the measurement of ECL by evaluating a range of possible outcomes taking into account the time value of money, and available information about past events, current conditions, and forecasts of future economic conditions The Credit Union calculates the provision for ECL at each reporting date to assess the level of expected credit loss. Management determines an individual impairment allowance provision, and for those loans not specifically provided for, a collective impairment allowance. In determining the individual impairment allowance, management individually assesses and specifically provisions for these loans on a loan-by-loan basis based on status of their collection efforts	Our audit procedures included the following: ● we obtained an understanding of the lending process and particularly the process for assessing the recoverability of loans to members and the calculation of the provision for impairment. This included evaluating the design effectiveness of relevant controls for the impairment calculation and provisioning of loans to members, and confirming that they had been implemented; and ● for a sample of new loans, and a sample of higher value loans irrespective of their origination date, we inspected the loan agreement, security provided (including assessing the valuation of the security), and other available information used to record the loan into the system, including that the loan was recorded accurately and was approved. In addition to controls testing, we along with our PwC actuarial expert, performed the following audit procedures amongst others: For the individual impairment allowance model, we: ● reperformed management's calculation of the individual impairment allowance for individual loans; ● validated management's assumptions about the expected recoveries to test the basis of measuring individually assessed provisions; ● assessed the completeness of loans identified for individual impairment allowance by testing a sample of personal loan exposures to determine whether the appropriate staging criteria was applied by considering the amount in arrears and repayment history; and ● considered whether there were any events occurring subsequent to the balance date that impact on the provision for ECL. For the collective impairment allowance model, we: ● assessed the appropriateness of methodologies and their application in the related model against the requirements of PBE IPSAS 41;

Description of the key audit matter	How our audit addressed the key audit matter
The collective impairment allowance is based on a calculation of expected credit loss which is based on a three-stage approach. The ECL is calculated in stages depending on the level of credit deterioration. Management applies a staging criteria where Stage 1 represents loans with contractual payments that are between zero and 30 days in arrears (i.e. no additional credit risk). Stage 2 when contractual payments are between 31 to 90 days in arrears. And Stage 3 when more than 91 days in arrears or in default. At each stage an ECL is calculated which is based on a range of assumptions. The assumptions that we focused our audit on include those with greater levels of management judgement and for which variations have the most significant impact on the provision for ECL. Specifically these included the model inputs for the probability of default (PD) and loss given default (LGD) parameters, the forward-looking adjustment to the PD parameters, the macroeconomic scenarios (MES) used (including the macro-economic variables forecasts and weightings of macro-economic scenarios), and whether or not any model adjustments are required to the modelled output. We consider this a key audit matter due to the judgement involved regarding the recoverability of loans to members, the related provision for impairment, and the significance of the loans to members balances. Refer to Note 4.2 to the financial statements which explains the critical accounting estimates and judgements in determining the ECL provision for loans to members.	• for a sample of personal loan exposures, assessed the reasonableness of the assigned stage considering the amount in arrears and repayment history; • tested a sample of critical data elements used in the ECL calculation to ensure the completeness and accuracy of the model; • challenged the basis for determining the significant assumptions applied; • assessed the appropriateness of certain forward looking information incorporated into the ECL model, including the MES developed and underlying forecasts applied against current market conditions, and other available evidence; and • challenged and assessed the appropriateness of management's adjustment made to the MES methodology outcome which resulted in an additional increase in the impairment provision. In relation to management's conclusion that the loans to members secured by real estate do not require an ECL provision, we: • tested the mathematical accuracy of management's stress testing of the related loans where a 20% reduction in property values did not result in a material potential loss to the Credit Union; and • for a sample of related loans, assessed the valuation of the security. We also assessed the reasonableness of the disclosures against the requirements of the accounting standards.

Our audit approach

Overview

Overall group materiality: $4.88 million, which represents approximately 1% of total assets.

The Group is an asset-based organisation managing the assets of its members for their benefit. The Group generates the majority of its revenue and other income 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 Group is most commonly measured by users, and is a generally accepted benchmark.

We selected transactions and balances to audit based on their materiality to the Group rather than determining the scope of procedures to perform by auditing only specific subsidiaries or business units.

As reported above, we have one key audit matter, being:

- Provision for impairment of loans to members

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

How we tailored our group audit scope

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 Group, the accounting processes and controls, and the industries in which the Group operates.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the general purpose financial report does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the general purpose financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and service performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the general purpose financial report

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

The Directors are also responsible, on behalf of the Credit Union, for the service performance information, including:

- the selection of elements/aspects of service performance, performance measures and/or descriptions and measurement bases or evaluation methods that present service performance information that is appropriate and meaningful in accordance with PBE FRS 48;
- the preparation and fair presentation of service performance information in accordance with the entity's measurement bases or evaluation methods, in accordance with the applicable financial reporting framework; and
- the overall presentation, structure and content of the service performance information in accordance with the applicable financial reporting framework.

In preparing the general purpose financial report, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the general purpose financial report

Our objectives are to obtain reasonable assurance about whether the general purpose financial report, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and NZ AS 1 (Revised) 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 or collectively, they could reasonably be expected to influence the economic decisions of users taken on the basis of this general purpose financial report.

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

https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-9/

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 Matthew White.

For and on behalf of:

Chartered Accountants
8 October 2024

Hamilton