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Co-op Money NZ

(The trading name of New Zealand Association of Credit Unions)

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $000	2018 (Restated) $000
Interest Revenue	2	260	1,090
Interest Expenses	3	525	855
NET INTEREST REVENUE / (EXPENSE)		(265)	235
Banking Services Revenue		11,469	11,520
Other Revenue	4	992	1,089
TOTAL REVENUE NET OF INTEREST EXPENSES		12,196	12,844
EMPLOYEE COSTS	5	3,600	4,678
TRANSACTION COSTS		4,377	5,125
OPERATING EXPENSES	6	5,588	6,196
TOTAL EXPENDITURE		13,565	15,999
NET PROFIT / (LOSS) BEFORE IMPAIRMENT		(1,369)	(3,156)
Impairment Benefits	8	-	9
NET PROFIT / (LOSS) BEFORE TAXATION		(1,369)	(3,147)
Taxation Expenses	9	-	-
NET PROFIT / (LOSS) FROM CONTINUING OPERATIONS		(1,369)	(3,147)
NET PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS	7	1,537	121
TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR		168	(3,026)

This statement should be read in conjunction with the accompanying notes

COMPANIES OFFICE
29 OCT 2019
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Co-op Money NZ
(The trading name of New Zealand Association of Credit Unions)
CONSOLIDATED STATEMENT
OF CHANGES IN NET ASSETS/EQUITY (MEMBERS' FUNDS)
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Base Capital Notes $000	Accumulated Losses/Retained Earnings $000	Total $000
Opening Balance - 1 July 2017 (as previously reported)		13,695	(482)	13,213
Correction of error	27	-	(104)	(104)
Balance at 1 July 2017 (Restated)		13,695	(586)	13,109
Base Capital Notes Dividend Paid		-	-	-
Total Comprehensive Revenue and Expenses for the Year		-	(3,026)	(3,026)
Balance as at 30 June 2018		13,695	(3,612)	10,083
Balance at 1 July 2018 (Restated)	10	13,695	(3,612)	10,083
Base Capital Notes Dividend Paid		-	-	-
Total Comprehensive Revenue and Expenses for the Year		-	168	168
Balance as at 30 June 2019		13,695	(3,444)	10,251

This statement should be read in conjunction with the accompanying notes

Co-op Money NZ

(The trading name of New Zealand Association of Credit Unions)
CONSOLIDATED STATEMENT
OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	2019	2018 (Restated)	2017 (Restated)
		$000	$000	$000
NET ASSETS/EQUITY (MEMBERS FUNDS)				
Base Capital Notes	10	13,695	13,695	13,695
Retained Earnings/(Accumulated Losses)	11	(3,444)	(3,612)	(586)
TOTAL EQUITY (MEMBERS' FUNDS)		10,251	10,083	13,109
ASSETS				
Cash and Cash Equivalents	12	1,270	-	16,597
Accounts Receivable	13	3,082	1,606	9,600
Expected Recoveries		-	-	158
Investments	14	5,875	15,583	46,755
Prepayments		643	573	1,763
Inventory		37	83	74
Work in Progress		436	-	-
Lease Deposit		80	80	147
Property, Plant and Equipment	15	291	571	812
Intangible Assets	16	12,524	8,595	7,079
Assets classified as held for sale	7	-	10,194	-
TOTAL ASSETS		24,238	37,285	82,985
LIABILITIES				
Bank Overdraft	12	-	1,152	-
Deposits Received	17	6,439	15,240	56,224
Accounts Payable	18	2,218	1,951	3,277
Deferred Revenue		1,216	-	-
Borrowings	23	3,850	-	-
Accruals and Provisions	19	264	297	415
Outstanding Claims Liability		-	-	3,380
Unearned Premium Liability		-	-	6,580
Liabilities directly associated with assets classified as held for sale	7	-	8,562	-
TOTAL LIABILITIES		13,987	27,202	69,876
NET ASSETS		10,251	10,083	13,109

This statement should be read in conjunction with the accompanying notes

These financial statements were authorised for issue by the Board of Directors on 10 September 2019 and were signed for on its behalf.

Richard Wattaton

Chair Co-op Money NZ

Chair Audit and Risk Committee

COMPANIES OFFICE
29 OCT 2019
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Co-op Money NZ

(The trading name of New Zealand Association of Credit Unions)
CONSOLIDATED STATEMENT
OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $000	2018 $000
Cash Flows from Operating Activities			
Cash was provided from			
Membership Contributions Received		603	587
Insurance Premiums Received		816	10,402
Premium Funding Income Received		-	514
Other Receipts from Customers		14,358	10,703
Loan Repayments from Customers		-	9
Investment Interest Received		331	3,592
Motor Vehicle Claims Recoveries		36	678
		16,144	26,485
Cash was applied to			
Payments to Suppliers and Employees		14,988	17,431
Insurance Claims, Acquisition Costs and Rebates Paid		1,003	8,437
Interest Paid		262	719
		16,253	26,587
NET CASH FLOWS FROM / (TO) OPERATING ACTIVITIES	26	(109)	(102)
Cash Flows from Investing activities			
Cash was provided from			
Sale of Fixed Assets and Intangibles		-	12
Proceeds from Sales and Maturities of Investment Securities		131,989	244,720
		131,989	244,732
Cash was applied to			
Purchase of Property, Plant and Equipment		40	168
Purchase of Intangible Assets		4,887	2,703
Purchase of Investment Securities		122,867	214,564
		127,794	217,436
NET CASH FLOWS FROM FROM INVESTING ACTIVITIES		4,195	27,297
Cash Flows from Financing activities			
Cash was provided from		-	-
Cash was applied to			
Base Capital Note Dividend Paid		-	-
Net decrease in Deposits		(4,908)	41,700
NET CASH FLOWS FROM / (TO) FINANCING ACTIVITIES		(4,908)	(41,700)
Net (decrease)/increase in Cash and Cash Equivalents		(822)	(14,505)
Cash and Cash Equivalents at the Beginning of the Year		2,092	16,597
Cash and Cash Equivalents at the End of the Year	12	1,270	2,092

This statement should be read in conjunction with the accompanying notes

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CO-OP MONEY NZ
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2019

1 SUMMARY OF ACCOUNTING POLICIES

REPORTING ENTITY

The Economic Entity consists of Co-op Money NZ and its controlled entities as detailed in note 1(e).

Co-op Money NZ, the trading name of New Zealand Association of Credit Unions (the "Association"), is an association of Credit Unions registered under the Friendly Societies and Credit Unions Act 1982. It comprises two Trusts ("Divisions"): a Member Services Division and a Business Services Division. The Divisions are established pursuant to the Rules of Association, which were approved by its members on 25 September 1994 and were first registered with the Registrar of Friendly Societies and Credit Unions on 10 November 1994.

The Association's wholly owned controlled entity, CUI Insurance Limited (previously known as Credit Union Insurance Limited) trading as Co-op Insurance NZ held an insurance licence issued by the Reserve Bank of New Zealand (RBNZ) on 1 April 2013 under the Insurance (Prudential Supervision) Act 2010. The sale of the Co-op Insurance NZ insurance business to Provident Insurance Corporation Limited was agreed on 15 December 2017 and the transaction was completed after Reserve Bank of New Zealand approval on 23 July 2018 for non-life insurance business, and on 9 August 2018 for life insurance business. The life insurance licence was cancelled on 19 September 2018 and the non-life insurance licence was cancelled on 5 November 2018 on the request of CUI Insurance Limited.

CUI Insurance Limited is registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

Co-op Money NZ is domiciled in New Zealand and its principal activities are to provide banking and other services for credit unions.

Co-op Services NZ is domiciled in New Zealand and its principal activities are to provide banking and other services for non-credit union customers.

BASIS OF PREPARATION

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

These financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair value of the consideration given in exchange for the assets. The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

- **Going Concern**
  Management has assessed risks to the organisation including the impact of current financial performance of the organisation and the likelihood of the withdrawal of external funding. Management is satisfied that the future financial performance of the organisation is sound and improving and that the likelihood of funding being withdrawn unilaterally is low and is therefore satisfied that the accounts should be prepared on a going concern basis.

- **Insurance Business**
  The financial statements for the insurance business have been prepared on a realisation basis on the basis that the Life and Non-Life Business operations for the entity have been discontinued in the 2018/19 financial year. The Co-op Insurance NZ insurance business was sold to Provident Insurance Corporation Limited (Provident) with agreement dated on 15 December 2017. The transaction was completed after RBNZ approved the transfer application on 23 July 2018 for non-life insurance business, and on 9 August 2018 for life insurance business. The business is reported in current and previous periods as discontinued operation for Motor Vehicle, Other Non-Life Business. As part of this transaction the Life Business has been transferred to Pinnacle Life Limited.
  The 30 June 2018 and current year's insurance business's reported underwriting and consolidated statement of comprehensive revenue and expenses, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement changes in net assets/equity relates to the discontinued operations.

GENERAL ACCOUNTING POLICIES

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in New Zealand Dollars, which is the Economic Entity's functional and presentation currency. All values have been rounded off to the nearest 1,000 dollars ($) unless otherwise stated.

Foreign currency monetary assets and liabilities have been translated into the functional currency at the rate of foreign exchange ruling as at balance sheet date. Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction. Foreign exchange differences relating to monetary items and gains and losses arising from foreign exchange dealings by the Economic Entity are recognised in the Statement of Comprehensive Revenue and Expense.

Significant Judgements, Estimates and Assumptions

In the application of PBE Standards management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that management believe to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

- **Allowance for Impairment Loss**
  Where Receivables are outstanding beyond the normal contractual terms, or where uncertainty exists over the recoverability of receivable, the likelihood of the recovery of these assets is assessed by management. The specific impairment loss is estimated with reference to the probability of recovery, the cost of possible enforcement through security and related costs and sale proceeds. Any collective provision is estimated using historical and industry trends.

- **Estimation of Fair Value of Financial Instruments**
  The determination of fair values of financial instruments is based on quoted market prices or dealer price quotations for financial instruments traded in active markets, or by using valuation techniques. Valuation techniques include discounted cash flow analysis and comparison to similar financial instruments for which a market observable price exists.

  To the extent possible, models use only observable data. Inputs to valuation models such as credit risk, volatilities and correlations require management to make judgements and estimates. Changes in the assumptions used in these models and projections of future cash flows could affect the reported fair value of financial instruments.

PARTICULAR ACCOUNTING POLICIES

The particular accounting policies used in the preparation of the financial statements are as follows:

(a) Revenue and Expense Recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Economic Entity and that revenue can be reliably measured. The principal sources of revenue are interest revenue, insurance premiums, transaction and other fees.

Interest Revenue and Expense

For all financial instruments measured at amortised cost, interest revenue or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The application of the effective interest rate method has the effect of recognising revenue and expense evenly in proportion to the amount outstanding over the expected life of the financial asset or liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

Other than for non-accrual items, once the recorded value of the financial asset or group of similar financial assets has been reduced due to an impairment loss, interest revenue continues to be recognised using the original effective interest rate applied to the new carrying amount.

The Economic Entity recognises interest revenue and lending fees on an accrual basis when the services are rendered using the effective interest rate method.

Banking Services Transaction and Other Fees

Commissions or fees which relate to specific transactions or events are recognised in surplus or deficit on the Statement of Comprehensive Revenue and Expense when the service is provided to the Member or customer. When commissions and fees are charged for services provided over a period, they are taken to income on an accruals basis as the service is provided.

Expense Recognition

All expenses are recognised in surplus or deficit on the Statement of Comprehensive Revenue and Expense on an accruals basis.

Foreign Currency Transactions

When a good or service is purchased in a foreign currency the cost is recognised at the rate of exchange at which the commitment is settled. All outstanding invoices at year end are valued at the ruling rate of exchange or at the rate of any foreign exchange contract held for settlement of that liability.

(b) Valuation of Assets and Liabilities

Financial Instruments

Financial instruments are transacted on a commercial basis to derive an interest yield / cost with the terms and conditions having due regard to the nature of the transaction and the risks involved.

Financial Assets

Financial assets are classified in one of the following categories at initial recognition:

- Loans and receivables
- Fair value through surplus or deficit
- Held to maturity
- Available-for-sale.

Certain categories of these require measurement at fair value. Where quoted market prices do not exist, fair values are estimated using discounted cash flow models, using methods and assumptions that are based on market conditions and risks existing at balance date. Financial instruments are recognised and accounted for on a settlement date basis.

(i) Loans and Receivables

Assets in this category are measured at amortised cost using the effective interest method. Financial assets classified as loans and receivables include:

- Cash and Cash Equivalents
- Accounts Receivable
- Loans Receivable
- Investments.

Loans Receivable cover all forms of lending to customers, and include residential lending, commercial lending and vendor finance. They are recognised in the Statement of Financial Position when cash is advanced to the customer.

Loans Receivable are reported net of provisions for impairment to reflect the estimated recoverable amounts.

(ii) Fair Value through Surplus or Deficit
Financial assets backing insurance liabilities are measured at fair value with movements recognised in surplus or deficit on the Statement of Comprehensive Revenue and Expense. Interest is recognised on an amortised cost basis in surplus or deficit on the Statement of Comprehensive Revenue and Expense. Fair value movements have been calculated taking this into account.

(iii) Held to Maturity Investments
Financial Assets in this category are measured at amortised cost using the effective interest method. There are currently no financial assets in this category.

(iv) Available-For-Sale
Available-for-sale financial assets are measured at fair value. The fair value of the assets is based on quoted market prices and fair value movements are recognised directly in equity. Interest is recognised on an amortised cost basis in surplus or deficit on the Statement of Comprehensive Revenue and Expense. There are currently no financial assets in this category.

Base Capital Notes (Members Funds)
Base Capital Notes are those unsecured subordinated Capital Notes forming the capital of the Economic Entity.
Base Capital Notes are measured at its fact value. Base Capital Notes Issue I have a face value of $10, and Base Capital Notes Issue II have a face value of $1.

Financial Liabilities
Debt and equity instruments are classified as either liabilities or Members' Funds in accordance with the substance of the contractual arrangement.

Liabilities are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in surplus or deficit on the Statement of Comprehensive Revenue and Expense over the period of borrowing using the effective interest rate method. Interest expense is recognised in surplus or deficit on the Statement of Comprehensive Revenue and Expense using the effective interest method.

Deposits Received
Deposits received cover all forms of deposits and include transactional and savings accounts, and term deposits.

(i) Offsetting Financial Instruments
The Economic Entity offsets financial assets and financial liabilities and reports the net balance in the Statement of Financial Position where there is a legally enforceable right to set-off and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(c) Asset Quality

Impairment of Financial Assets
Financial assets measured at amortised cost are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated and provision is made for the difference between the carrying amount and the recoverable amount.

(i) Loans Receivable
Specific provisions are made for loans receivable which are considered doubtful and are presented net of the specific provisions. Specific allowances are made against the carrying amount of loans receivable that are identified as being impaired based on regular reviews of outstanding balances, to reduce these loans receivable to their recoverable amounts.

Collective allowances are maintained to reduce the carrying amount of portfolios of similar loans receivable to their estimated recoverable amounts at balance date. These allowances relate to incurred losses not yet specifically identified in the portfolio. The expected future cash flows for the portfolios of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest and penalties.

Increases in the specific and collective allowances are recognised in the surplus or deficit on the Statement of Comprehensive Revenue and Expense. When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly to surplus or deficit on the Statement of Comprehensive Revenue and Expense.

(ii) Impaired Loans Receivable
Impaired finance receivables are loans where there is evidence that the Economic Entity may not recover all the interest, fees and principal owing. Interest income is recognised in profit or loss using the effective interest rate method.

Restructured finance receivables are where the terms have been amended to terms that would not have been available for new facilities with comparable risks. 90 day past due finance receivables are receivables which are not impaired or restructured, but where the counterparty has not operated within the key terms for at least 90 days.

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

- significant financial difficulty of the issuer or obligor
- a breach of contract, such as a default or delinquency in interest or principal payments
- a concession granted to the borrower that the lender would not otherwise consider for economic or legal reasons relating to the borrower's financial difficulty

- it becoming probable that the borrower will enter Registered Bankruptcy or other financial reorganisation
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group; including adverse changes in the payment status of borrowers in the group.

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

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

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Economic Entity's grading process that considers collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with similar credit characteristics.

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

When a loan is uncollectible, it is written off to the Statement of Comprehensive Revenue and Expense. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

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

(iv) Impairment of Assets measured at fair value
The Economic Entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Any impairment of financial assets measured at fair value through surplus or deficit will be included as part of the fair value movement for those assets, reflected directly in surplus or deficit on the Statement of Comprehensive Revenue and Expense.

(d) De-recognition of financial assets

A financial asset is de-recognised when:
- The Economic Entity has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset.
  - has not transferred substantially all the risks and rewards of the asset, but has transferred control of the asset.
- The rights to receive cash flows from the asset have expired.
- The Economic Entity retains the right to receive cash flow from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement.

When the Economic Entity has transferred its right to receive cash flows from an asset and has not transferred substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Economic Entity's continuing involvement in the asset.

(e) Consolidation

The Economic Entity's financial statements consolidate the Association and the following entities:
- Co-op Insurance NZ (wholly owned controlled entity) – an insurance company;
- Co-op Services NZ (wholly owned controlled entity) – a company providing services to non-members of the parent entity;

- CU Group Trust the investment holding trust of the parent entity.

(i) Controlled Entities
Controlled Entities are all entities (including special purpose entities) over which the Association has the power to govern the financial and operating policies of the entity so as to benefit from its activities.

Where Controlled Entities have been acquired or sold during the year, their operating results have been included from the date control is passed to the Association, or to the date control ceases.

Acquisition-related costs are expensed as incurred.

Changes in a Controlling Entity's ownership interest in a Controlled Entity that do not result in the Controlling Entity losing control of the Controlled Entity are recorded through equity to reflect a transaction amongst shareholders.

The acquisition of any Controlled Entity is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values.

On consolidation, all significant inter-company transactions, balances and unrealised gains on transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of Controlled Entities have been changed where necessary to ensure consistency with the policies adopted by the Economic Entity.

(f) Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash on hand and call deposits.

(g) Accounts Receivables

Accounts Receivables are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest method.

Appropriate allowance is estimated for irrecoverable amounts which are recognised in surplus or deficit on the Statement of Comprehensive Revenue and Expense when there is objective evidence that the asset is impaired.

(h) Inventories

Inventories are stated at the lower of cost, determined on a first in, first out basis, and net realisable value. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

(i) Property, Plant and Equipment

Property, Plant and Equipment is carried at cost less accumulated depreciation and impairment losses.

All Property, Plant and Equipment is depreciated on a straight line basis at rates which will write off their cost less estimated residual value over their expected useful lives. Depreciation rates are as follows:

Computer Equipment	20% - 40%
Office Furniture & Equipment, Leasehold Improvement Costs and Motor Vehicles	10% - 36%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Revenue and Expense.

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

(j) Intangible Assets

Intangible Assets comprise Computer Software.

Computer Software is capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected lives on a straight line basis of between 7% and 40% amortisation.

(k) Impairment of Property Plant and Equipment and Intangible Assets

Property, plant and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

(i) Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

(ii) Value in use for cash generating assets

Cash generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

(l) Taxation

The Association has not provided for income tax on the basis it is exempt for tax under Section CW44 (a) of the Income Tax Act 2007. However other controlled entities are subject to taxation.

For other controlled entities that are subject to taxation, income tax on the net profit for the period comprises current and deferred tax. Income tax is recognised in surplus or deficit except to the extent that it relates to items recognised in other comprehensive revenue and expense or directly in equity, in which case it is recognised in other comprehensive revenue and expense or directly in equity.

(i) Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset only when the Economic Entity has a legally enforceable right to set off the recognised amounts, and intends to settle on a net basis.

(ii) Deferred Tax

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are not recognised for taxable temporary differences arising on investments in Controlled Entities and associates except where the Economic Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Economic Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

(iii) Goods and Services Tax (GST)

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

- When the GST incurred on a purchase of goods and services is not recoverable from Inland Revenue in which case the GST is recognised as part of the cost of the acquisition of the assets or as part of the expense item as applicable.
- Accounts Receivables and Accounts Payable, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of accounts receivable or accounts payable in the Statement of Financial Position.

Cash flows, with the exception of deposit cash flows, are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is included as an operating activity.

(m) Provisions

Provisions are recognised when the Economic Entity has a present obligation, the future sacrifice of benefits is probable, and the amount of the provision can be measured reliably.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provisions resulting from the passage of time is recognised as a finance cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(n) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease rentals/expenses are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are derived.

Assets held under finance leases are initially recognised as assets of the Economic Entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining liability. Finance charges are charged directly against income. Finance lease assets are amortised on a straight line basis over the estimated useful life of the asset or the lease term whichever is shorter.

Present obligations arising under onerous leases are recognised and measured as provisions. An onerous lease is considered to exist where the Economic Entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

(o) Employee Entitlements

Provision is made for entitlements accruing to employees in respect of salaries and wages, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee entitlements expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee entitlements which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Economic Entity in respect of services provided by employees up to reporting date.

(p) Other Liabilities

Other liabilities are recognised when the Economic Entity becomes obliged to make future payments resulting from the purchase of goods and services.

Other liabilities are measured at amortised cost. The amounts are unsecured.

(q) Statement of Cash Flows

The Statement of Cash Flows is prepared exclusive of GST.

The following are definitions of the terms used in the Statement of Cash Flows:

- Cash and Cash Equivalents are considered to be cash on hand and call deposits.
- Investing activities are those relating to the acquisition, holding and disposal of property, plant and equipment and investments. Investments can include movements in related party balances and securities not falling within the definition of cash and cash equivalents.
- Financing activities are those activities which result in changes in the size, composition and the capital structure of the Economic Entity. This includes both equity and debt not falling within the definition of cash and cash equivalents.
- Operating activities include all transactions and other events that are not investing or financing activities.

(r) Accounting Standards Adopted during the Year

No new Accounting Standards have been adopted during the year.

(s) New Accounting Standards and Interpretations Issued not yet effective and have not been early adopted by the Economic Entity

The Economic Entity has elected not to early adopt the requirements of:

- PBE IFRS 9 Financial Instruments (effective for periods commencing on or after 1 January 2022) for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Economic Entity is still assessing the impact of this new standard.
- PBE IPSAS 35 Consolidated Financial Statements (effective for periods commencing on or after 1 January 2019) for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The Economic Entity expects the impact of this new standard is minimal.
- PBE IPSAS 40 PBE Combinations (effective for periods commencing on or after 1 January 2021) for the classification of PBE combinations and the accounting for amalgamations and acquisitions. The Economic Entity is still assessing the impact of this new standard.
- PBE IPSAS 41 Financial Instruments (effective for periods commencing on or after 1 January 2022) for recognition and measurement of financial instruments. The Economic Entity is still assessing the impact of this new standard.

	2019 $000	2018 (Restated) $000
2 INTEREST REVENUE		
Bank, Money Market Securities, Local Authority and Floating Rate Note Interest	87	912
Other Interest	173	178
TOTAL INTEREST REVENUE	**260**	**1,090**
3 INTEREST EXPENSES		
Interest on Deposits	525	855
TOTAL INTEREST EXPENSES	**525**	**855**
4 OTHER REVENUE		
Membership Contributions	584	592
Other Revenue	408	497
TOTAL OTHER REVENUE	**992**	**1,089**
5 EMPLOYEE COSTS		
Salaries and Wages	3,589	4,672
Other Staff Costs	11	6
TOTAL EMPLOYEE COSTS	**3,600**	**4,678**
6 OPERATING EXPENSES		
Auditor's Remuneration:		
- Audit fees to PricewaterhouseCoopers	58	57
- Tax consulting and compliance fees to PricewaterhouseCoopers	25	34
- Information System Review fee to PricewaterhouseCoopers	98	103
- Review on the valuation of Base Capital Notes fee to PricewaterhouseCoopers	34	-
Total Auditor's Remuneration for Co-op Money NZ	**215**	**194**

Auditor's remuneration for discontinued operation business is disclosed in Note 7

	2019 $000	2018 (Restated) $000
Depreciation:		
- Furniture, Fittings, Office Equipment & Vehicles	56	64
- Computer Equipment	265	328
Amortisation of Intangible Assets	689	726
Directors' Fees	266	283
Directors' Expenses	50	56
Leasing Charges	304	301
Legal fee	437	300
Disposal of Property, Plant & Equipment	-	(4)
Other Operating Expenses	3,306	3,948
TOTAL OPERATING EXPENSES	**5,588**	**6,196**

7 DISCONTINUED OPERATIONS

Description

On 31 August 2017 the Co-op Insurance NZ Board accepted an offer for the sale of the Co-op Insurance NZ insurance business to Provident Insurance Corporation Limited, a fellow insurance company with whom Co-op Insurance NZ has had a strategic alliance for over three years.

The sale of the Co-op Insurance NZ insurance business to Provident Insurance Corporation Limited (Provident) was agreed on 15 December 2017 and the transaction was completed after RBNZ approval on 23 July 2018 for non-life insurance business, and on 9 August 2018 for life insurance business. As part of this transaction the life business has been transferred to Pinnacle Life Limited.

Financial Performance and Cash Flow Information

	2019 $000	2018 $000
Net Interest Revenue	143	136
Insurance Premium Revenue	600	9,787
Other Revenue		
Transition Service Fees from Provident	217	609
Net proceed from sale of the Insurance business	1,936	-
- Purchase Price for Sale of the Insurance Business	2,465	-
- less Prescribed Cash Paid	(1,240)	-
- less Underwriting Income Transferred to Provident	(448)	(313)
- Plus Net Liabilities and write off	1,159	-
TOTAL REVENUE NET OF INTEREST EXPENSE	**2,896**	**10,219**
Employee Cost	337	1,018
Insurance Claims & Commissions	470	8,460
Operating Expenses	-	-
- Audit fees to PricewaterhouseCoopers	24	47
- Other fees to PricewaterhouseCoopers	-	-
Taxation Compliance	-	11
Other Statutory Returns	-	6
Depreciation:	-	-
- Furniture, Fittings, Office Equipment & Vehicles	6	1
- Computer Equipment	1	1
Amortisation of Intangible Assets	399	172
Directors' Fees	-	-
Other Operating Expenses	122	382
Total Expenditure	**1,359**	**10,098**
NET PROFIT BEFORE TAXATION	**1,537**	**121**
Taxation Expense	-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR	**1,537**	**121**

	2019 $000	2018 $000
Net Cash Flows (to) / from Operating Activities	(712)	(1,996)
Net Cash Flows (to) / from Investing Activities	(3,085)	4,121
Net Cash Flows (to) / from Financing Activities	(21)	(125)
Net Increase / (decrease) in Cash	(3,819)	2,000
Cash at the beginning of the period	3,975	1,975
Cash at the end of the period	156	3,975

ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	2019 $000	2018 $000
Assets Classified as held for Sale		
Cash and Cash Equivalent	-	3,244
Accounts Receivables	-	6,159
Expected Recoveries	-	216
Investments	-	-
Prepayments	-	303
Property, Plant and Equipment	-	7
Other Intangible Assets	-	265
Total Assets Classified as held for Sale	-	10,194
Liabilities Directly associated with assets classified as held for sale		
Outstanding Claims Liability	-	2,240
Unearned Premium Liability	-	4,591
Accounts Payable	-	261
Income Received in advance	-	1,465
Provisions	-	5
Total Liabilities Directly associated with assets classified as held for sale	-	8,562

Included in the income and expenditure for the Economic Entity are the following underwriting results:

Underwriting Results

	Note	2019 $000	2018 $000
Life Insurance			
Gross Earned Premium		74	1,445
Reinsurance Premiums		-	-
Net Earned Premium prior to Rebates		74	1,445
Gross Claims		36	770
Reinsurance Received		-	-
Net Claims		36	770
Commission		14	193
Underwriting Result		24	482
Credit Union Rebates		-	-
		24	482

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Other non-life insurance		
Gross Earned Premium	193	2,474
Reinsurance Premiums	-	-
Net Earned Premium prior to Rebates	**193**	**2,474**
Gross Claims	(61)	326
Reinsurance Received	-	-
Net Claims	**(61)**	**326**
Commission	46	598
Underwriting Result	**208**	**1,550**
Credit Union Rebates		
	208	**1,550**
Motor Vehicle Insurance		
Gross Earned Premium	316	6,005
Premium Funding Income	39	514
Reinsurance Premiums	(22)	(338)
Net Earned Premium prior to Rebates	**333**	**6,181**
Gross Claims	422	5,095
Reinsurance Received	-	-
Net Claims	**422**	**5,095**
Commission & Acquisition Costs	14	1,478
Underwriting Result	**(102)**	**(392)**
Credit Union Rebates	-	-
	(102)	**(392)**
Total Insurance		
Net Earned Premium prior to Rebates	**600**	**10,100**
Net Claims	397	6,191
Commissions	73	2,269
Underwriting Result	**130**	**1,640**
Credit Union Rebates	-	-
Insurance Claims, Commission and Rebates	**470**	**8,460**
Total Underwriting Result after Commission and Rebates	**130**	**1,640**

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	2019 $000	2018 (Restated) $000
8 IMPAIRMENT		
Movement in Provisions in respect of:		
Bad Debts Recovered	-	9
IMPAIRMENT BENEFIT	-	9

9 TAXATION	2019 $000	2018 (Restated) $000
Profit / (Loss) before Taxation	168	(2,391)
Income Tax at current rate of 28%	47	(669)
Exempt Income	(171)	630
Non Deductible Expenses	152	-
Effect of Changes in Tax Rates	-	-
Movement in Temporary Differences (not recognised)	-	-
Prior Period Adjustments	112	-
Tax Losses not recognised (Utilisation of Tax Losses)	(140)	39
TAXATION EXPENSE	-	-

Taxation losses have been recognised to the extent of the deferred tax liability on temporary differences. The additional tax losses have not been recognised because there is not sufficient probability of taxable profits in future years to offset such losses. Tax losses are subject to Inland Revenue assessment in the next tax return and shareholder continuity requirements. Tax losses not recognised are $5,950,342 ($1,661,940 at the tax rate of 28%) (2018 : $5,006,414 ($1,401,796 at the tax rate of 28%)).

2019	Opening Balance $000	Charged to Charged to Income $000	Closing Balance $000
Deferred Tax Assets:			
PPE	-	2	2
Intangibles	-	20	20
Tax Losses Recognised	115	(115)	-
Provisions	1	24	25
	116	(70)	46
Deferred Tax Liabilities:			
Tax losses utilised	-	(46)	(46)
Intangible Assets	(36)	36	-
Deferred Acquisition Costs	(80)	80	-
	(116)	70	(46)

2018	Opening Balance $000	Charged to Charged to Income $000	Closing Balance $000
Deferred Tax Assets:			
Tax Losses Recognised	360	(245)	115
Provisions	8	(7)	1
	368	(252)	116
Deferred Tax Liabilities:			
Intangible Assets	(39)	3	(36)
Deferred Acquisition Costs	(329)	249	(80)
	(368)	252	(116)

10 BASE CAPITAL NOTES

	Economic Entity and Association			
	2019 '000 Units	2018 '000 Units	2019 $000	2018 $000
Issue I	10	11	100	110
Issue II	13,595	13,585	13,595	13,585
TOTAL	**13,605**	**13,596**	**13,695**	**13,695**

The Rules of the Association provide for the creation of the Association Business Services Division Trust (the "Business Services Division"). Base Capital Notes are those unsecured subordinated Capital Notes forming the capital of the Business Services Division. All notes qualify for Dividends as determined by the Directors.

	Economic Entity and Association			
	2019 '000 Units	2018 '000 Units	2019 $000	2018 $000
Issue I				
Balance as at July	11	11	110	110
Notes redeemed by transfer to Base Capital Notes II	(1)	-	(10)	-
Balance as at 30 June	**10**	**11**	**100**	**110**

	Economic Entity and Association			
	2019 '000 Units	2018 '000 Units	2019 $000	2018 $000
Issue II				
Balance as at July	13,585	13,585	13,585	13,585
Notes issued:				
By transfer from Base Capital Notes I	10	-	10	-
Balance as at 30 June	**13,595**	**13,585**	**13,595**	**13,585**

Base Capital Notes Issue II have a face value of $1.

Base Capital Notes Issues constitute unsecured subordinated obligations of the Business Services Division and rank pari passu and without priority or preference among themselves.

	2019 $000	2018 (Restated) $000
11 ACCUMULATED LOSSES		
Balance as at 1 July	(3,612)	(586)
Prior period adjustment	-	-
Operating Profit / (Loss)	168	(3,026)
	(3,444)	(3,612)
Base Capital Note Dividends	-	-
Balance as at 30 June	(3,444)	(3,612)
TOTAL ACCUMULATED LOSSES	**(3,444)**	**(3,612)**

The net (loss)/profit for the years ended 30 June 2019 and 30 June 2018 have been transferred to Retained Earnings/(Accumulated Losses).

12 CASH AND CASH EQUIVALENTS	2019 $000	2018 $000
Cash at Bank	724	-
Deposit held in Lawyer trust account	546	-
	1,270	-
Bank Overdraft	-	(1,152)
	-	(1,152)

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13 ACCOUNTS RECEIVABLE	2019 $000	2018 $000
Trade Receivables	3,081	-
Future Funded Premiums	-	1,606
	3,081	1,606
Insurance Premium Due	-	-
Provision for Cancellation	-	-
Total Carrying Amount	3,081	1,606

Trade Receivables are mainly due from Member credit unions. There is no Provision for Bad Debts (2018 : $Nil) and there has been no write off (2018 : $Nil) in respect of bad and doubtful debts.

The average credit period is 30 days. Apart from the above, none of the past due receivables have been provided for because past experience indicates that such amounts are generally recoverable.

In respect of the Economic Entity, there is no provision for cancellation for outstanding insurance premiums relating to policies issued by Co-op Insurance NZ (2018 : $Nil).

14 INVESTMENTS	2019 $000	2018 $000
Bank Deposits	1,200	11,349
Settlement Bond	4,675	4,234
Investments	5,875	15,583

15 PROPERTY, PLANT AND EQUIPMENT	2019 $000	2018 $000
Furniture and Fittings, Office Equipment and Vehicles		
Opening Cost at 1 July	689	685
Additions	1	27
Write-off	-	(23)
Closing Cost at 30 June	690	689
Opening Accumulated Depreciation at 1 July	(549)	(501)
Depreciation Expense	(56)	(64)
Write-off		16
Closing Accumulated Depreciation at 30 June	(605)	(549)
Net Book Value at 30 June	85	140
Computer Equipment		
Opening Cost at 1 July	1,952	1,811
Additions	40	141
Write-off		-
Closing Cost at 30 June	1,992	1,952
Opening Accumulated Depreciation at 1 July	(1,521)	(1,193)
Depreciation Expense	(265)	(328)
Write-off		-
Closing Accumulated Depreciation at 30 June	(1,786)	(1,521)
Net Book Value at 30 June	206	431
Carrying Amount at 30 June	291	571

16 OTHER INTANGIBLES	2019 $000	2018 $000
Computer Software		
Opening Cost at 1 July	13,371	10,668
Additions	4,753	2,703
Write-off	(261)	-
Closing Cost at 30 June	17,863	13,371
Opening Accumulated Amortisation at 1 July	(4,776)	(4,050)
Amortisation Expense	(689)	(726)
Write-off	126	-
Closing Accumulated Amortisation at 30 June	(5,339)	(4,776)
Net Book Value at 30 June	12,524	8,595

17 DEPOSITS RECEIVED	2019 $000	2018 $000
Deposits Received from Credit Unions	4,701	12,481
Deposits Received from Other Parties	1,738	2,021
	6,439	14,502

Deposits are accepted on an unsecured basis. Average interest rates, repricing terms and durations are shown in note 21.

18 ACCOUNTS PAYABLE	2019 $000	2018 $000
Trade Payables	1,838	1,729
Accrued Expenses	380	222
	2,218	1,951

19 ACCRUALS AND PROVISIONS	2019 $000	2018 $000
Accrued Annual Leave	264	297
	264	297

20 LEASES	2019 $000	2018 $000
Non Cancellable Operating Lease Payments		
Lease commitments are payable:		
Not later than 1 year	343	433
Later than 1 year and not later than 2 years	29	350
Later than 2 years and not later than 5 years	-	1,137
	372	1,920

21 FINANCIAL INSTRUMENT

Financial Risk Management Objectives

Co-op Money NZ's Finance and Central Banking departments provide services to the Economic Entity entities, including co-ordinating access to funding, providing banking facilities, and managing external banking relationships. Services also include advice, assistance and reports to the Boards of the Controlling Entity and the Controlled Entities in relation to financial risks relating to the operations of the Economic Entity. These risks include market risk (including interest rate risk and price risk), credit risk and liquidity risk. These services are augmented by specialist advice to the appropriate Boards from within the entity or its external advisors, for example in relation to underwriting risk. Co-op Money NZ reviews the activity of its Central Banking department by way of the Operational Risk Committee that meets on a regular basis. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Economic Entity does not enter into or trade financial instruments for speculative purposes.

Capital Risk Management

The Economic Entity manages its capital resources to ensure that entities in the Economic Entity will be able to withstand the assessed business and financial risks appropriate to their operation. In the case of Economic Entity Controlled Entities with an external market focus, the level of capital investment is determined by reference to market norms and the requirements of external agencies such as rating agencies or regulators. In the case of Co-op Money NZ the required level of capital investment is determined by means of a departmental analysis applying a range of methodologies appropriate to the risk profile of the key operations. These include but are not limited to the minimum capital adequacy measures for New Zealand non-bank deposit takers. The Economic Entity meets its objectives for managing capital by formally reviewing its available capital in relation to its risks at least once per annum or more frequently if required.

Foreign Exchange Risk Management

During the year the Economic Entity may commit to foreign exchange contracts to reduce risk involved in the purchasing of goods or services in foreign currencies. At 30 June 2019, the Economic Entity had foreign exchange contracts to cover purchase orders and invoices due of Nil (2018: Nil). The Profit/Loss at 30 June 2019 was Nil (2018: Nil).

Interest Rate Risk Management

Interest rate risk is the risk of loss to Co-op Money NZ arising from adverse changes in interest rates. This exposure in respect of on-Balance Sheet Assets and Liabilities depends on the degree of mismatch between the value of interest sensitive assets and liabilities that are repricing; where repricing refers to the event when the interest rate attached to an asset or liability is reset. Co-op Money NZ controls its exposure to interest rate risk by actively managing this mismatch within Board approved policy.

Interest Rate Repricing

The following tables detail the Economic Entity's and Association's interest rate repricing profile:

As at 30 June 2019	Average Interest Rate	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Non Interest Sensitive	Economic Entity Total
Economic Entity		$000	$000	$000	$000	$000	$000	$000
Assets								
Cash and Cash Equivalents	0.05%	724	-	-	-	-	546	1,270
Accounts Receivable		-	-	-	-	-	3,082	3,082
Investments	2.78%	-	5,875	-	-	-	-	5,875
Lease Deposit		-	-	-	-	-	80	80
		724	5,875	-	-	-	3,708	10,307
Liabilities								
Deposits Received	1.18%	6,111	328	-	-	-	-	6,439
Accounts Payable		-	-	-	-	-	2,218	2,218
Borrowings	8.85%	-	1,000	1,200	1,650	-	-	3,850
		6,111	1,328	1,200	1,650	-	2,218	12,507
On Balance Sheet Interest Sensitivity Gap - 30 June 2019		(5,387)	4,547	(1,200)	(1,650)	-	1,490	(2,200)

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As at 30 June 2018	Average Interest Rate	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Non Interest Sensitive	Economic Entity Total
Economic Entity		$000	$000	$000	$000	$000	$000	$000
Assets								(Restated)
Accounts Receivable	-	-	-	-	-	-	7,765	7,765
Investments	2.66%	14,916	667	-	-	-	-	15,583
Lease Deposit	-	-	-	-	-	-	147	147
		14,916	667	-	-	-	7,912	23,495
Liabilities								
Bank Overdraft	1.07%	1,152	-	-	-	-	-	1,152
Deposits Received	2.54%	12,340	2,900		-	-	-	15,240
Accounts Payable	-	-	-	-	-	-	1,951	1,951
		13,492	2,900	-	-	-	1,951	18,343
On Balance Sheet Interest Sensitivity Gap - 30 June 2018		1,424	(2,233)	-	-	-	5,961	5,152

Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Economic Entity.
Risk is minimised by the maintenance of a well diversified investment portfolio with controls over maturity, counterparty and concentration of investments. All investments in the CU GroupTrust are authorised by the Co-op Money NZ Board. Investments undertaken directly by Central Banking, with the exception of those with non rated counterparties and for a smaller sublimit of $5 million for A3 rated New Zealand Banks, must be with counterparties holding a minimum credit rating of A2 (short term) or BBB (long term) from Standard & Poors' or an equivalent rating agency unless otherwise specifically approved by the Board of the Association. A maximum of 15% of the Central Banking controlled investment portfolio may be invested at any time with non rated counterparties.
Accounts receivables are concentrated amongst Credit Unions.
The carrying amounts of financial assets recorded in the financial statements, which are net of impairment losses, represent the Economic Entity's maximum exposure to credit risk.

Liquidity Risk Management

Liquidity Risk is the risk that the Economic Entity will have difficulty in meeting commitments associated with its financial liabilities and future commitments. The Economic Entity manages its exposure to liquidity risk by maintaining sufficient liquid funds to meet its commitments based on historical and forecast cash flow needs. Controlled Entity companies are required to maintain their bank accounts and place all surplus liquidity with Co-op Money NZ's Central Banking department. The Central Banking department is responsible for all external banking and funding relationships. Through this level of centralised control, the Economic Entity monitors its overall liquidity position on a daily basis and forecasts cash flows from operating activities taking account of the cash flow characteristics and expected volatility in the balances of the various classes of recognised assets and liabilities, budgeted and forecast cash flows and seasonal cash cycles. The activity and risk exposure limits of the Central Banking department is detailed in a policy manual which is reviewed annually by the Co-op Money NZ Board. Amongst other matters, the policy manual addresses areas with a specific bearing on liquidity such as Investment Constraints and Lending Constraints. The policy manual requires that at least 30% (2018 : 30%) of investments must be capable of being liquidated within five days.

The following tables detail the Economic Entity's remaining contractual maturity for their financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Economic Entity can be required to pay. The table includes both interest and principal cash flows.

	Note	Less than 3 months $000	3 months to 1 year $000	1-2 years $000	2-5 years $000	5+ years $000	Economic Entity Total $000
2019							
Assets							
Cash and Cash Equivalents		1,270	-	-	-	-	1,270
Accounts Receivable		2,494	588	-	-	-	3,082
Investments		-	5,875	-	-	-	5,875
Lease Deposit		-	80	-	-	-	80
Total Financial Assets		3,764	6,543	-	-	-	10,307
Liabilities							
Deposits Received		6,111	328	-	-	-	6,439
Accounts Payable		2,218	-	-	-	-	2,218
Borrowings		-	1,000	1,200	1,650	-	3,850
Total Financial Liabilities		8,329	1,328	1,200	1,650	-	12,507
Net Financial Assets		(4,565)	5,215	(1,200)	(1,650)	-	(2,200)
Unrecognised Commitments	24	(123)	(217)	-	-	-	(340)
Net Liquidity Gap at 30 June 2019		(4,688)	4,998	(1,200)	(1,650)	-	(2,540)

	Note	Less than 3 months $000	3 months to 1 year $000	1-2 years $000	2-5 years $000	5+ years $000	Economic Entity Total $000 (Restated)
2018							
Assets							
Accounts Receivable		4,279	2,214	1,136	136	-	7,765
Investment Securities		14,916	667	-	-	-	15,583
Loans Receivable		-	-	-	-	-	-
Lease Deposit		-	-	-	-	147	147
Future Interest Receivable		108	33	-	-	-	141
Total Financial Assets		19,303	2,914	1,136	136	147	23,636
Liabilities							
Bank Overdraft		1,152	-	-	-	-	1,152
Deposits Received		12,340	2,900	-	-	-	15,240
Accounts Payable		3,674	-	-	-	-	3,674
Future Interest Payable		12	54	-	-	-	66
Unearned Premium Liability		1,223	2,000	1,056	127	-	4,406
Outstanding Claims Liability		2,240	-	-	-	-	2,240
Total Financial Liabilities		20,641	4,954	1,056	127	-	26,778
Net Financial Assets		(1,338)	(2,041)	80	10	147	(3,142)
Unrecognised Commitments	24	(14)	(63)	-	-	-	(77)
Net Liquidity Gap at 30 June 2018		(1,352)	(2,104)	80	10	147	(3,219)

The Economic Entity has access to financing facilities of $1,200,000 (2018 : $1,200,000). The facilities are secured by charges over interest bearing investments. The Economic Entity expects to meet its obligations from operating cash flows and proceeds of maturing financial assets.

Fair Value Measurements recognised in the Statement of Financial Position

In accordance with PBE IPSAS 30, the Economic Entity provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Cash and Cash Equivalents are balances held with financial institutions at current interest rates on overnight or call investments and approximate fair value.

Investments with Banks consist of term deposits and advances to customers invested at market rates applicable at the time of investment.

Deposits Received are the short term liabilities of funds placed with the Economic Entity by Member credit unions, building societies, and customers on which the Economic Entity pays interest. The balance reported approximates their fair values.

Financial Instruments by Category	Economic Entity	
	2019	2018 (Restated)
	$000	$000
Cash and Cash equivalents	1,270	-
Accounts Receivable	3,082	7,765
Investments	5,875	15,583
Lease Deposit	80	147
Total Loans and Receivables	10,307	23,495
Total Financial Assets	**10,307**	**23,495**
Financial Liabilities at Amortised Cost		
Bank Overdraft	-	1,152
Deposits Received	6,439	15,240
Accounts Payable	2,218	1,951
Borrowings	3,850	-
Total Financial Liabilities at Amortised Cost	12,507	18,343
Total Financial Liabilities	**12,507**	**18,343**

22 INVESTMENT IN CONTROLLED ENTITIES

Controlled Entities controlled at 30 June:

Name	Economic Entity and Association Percentage Holding at Balance Date		Principal Activities	Balance Date
	2019	2018		
CU Securities Limited as Trustee of the CU Group Trust	100%	100%	Corporate Trustee	30 June
CU Group Trust	100%	100%	Corporate Trust	30 June
FACTS Limited (trading as Co-op Services NZ)	100%	100%	Provision of services to non Members	30 June
CUI Insurance Limited (trading as Co-op Insurance NZ)	100%	100%	Insurance Underwriter	30 June
Credit Union Services Limited	100%	100%	Non Trading	30 June
Credit Union New Zealand Limited	100%	100%	Non Trading	30 June

The Controlling Entity and all its Controlled Entities are incorporated in New Zealand and their place of business is Level 3 25 Teed Street, Newmarket, Auckland.
There are no significant restrictions on any of the Controlled Entities.

23 RELATED PARTY DISCLOSURES

Controlling Entity

The Controlling Entity in the consolidated entity is the New Zealand Association of Credit Unions (Co-op Money NZ).

Equity Interests in Related Parties

Details of the equity interests held in Controlled Entities are disclosed in notes 22. Co-op Money NZ does not hold any other equity interests.

Credit Union members

Following the merger of credit unions, Co-op Money NZ's members reduced to 7. This reduction created a related party relationship between the credit unions and Co-op Money NZ in the period ended 30 June 2019.
Current 7 member credit unions are:
First Credit Union
Fisher & Paykel Credit Union
NZ Firefighters Credit Union
NZCU Auckland
NZCU Baywide
NZCU Employees
NZCU Steelsands

Each credit union has control of 14.3% of the voting rights of Co-op Money NZ.
This created a related party relationship between the credit unions and Co-op Money NZ.
Co-op Money has a range of exposures to credit unions, including a transaction banking facility services, bank software access, membership fee, contribution to the software development.

	2019
	$000
Total revenue received from members	8,070

Co-op Money NZ also received a $3.85m loan from one of its credit union members. Interest rate is 8.85% until 20 Sep 2019, and thereafter, the applicable official cash rate set by the Reserve Bank of New Zealand at the relevant time plus the margin, which will be notified by the lender to the borrower from time to time. The terms of loan are 36 months for Tranche A ($1.65m), 24 months for Tranche B ($1.2m), 12 months for Tranche C ($0.5m), and 12 months for Tranche D ($0.5m).

Colin Smith Memorial Fund

The Colin Smith Memorial Fund is registered as a Charity and ensures that New Zealand credit unions have access to funds to make a real difference in their communities. It's all about helping people help themselves through the credit union model.

The Colin Smith Memorial Fund has $99,000 term deposit in Co-op Money NZ as at 30 June 2019 (2018: $99,000).

New Zealand Credit Union Foundation

Included in the financial statements are the following assets of the New Zealand Credit Union Foundation. The Foundation is a self-administered fund within the Member Services Division of the Association, established pursuant to the Rules of the Association with the objective of promoting and assisting in the development of Credit Unions both in New Zealand and overseas. It is administered by a Board of up to five Foundation Managers appointed by the Board of Co-op Money NZ.

	2019	2018
	$000	$000
Current Assets		
Cash	105	105
NET ASSETS	105	105

Included in the financial statements are the following income and expenses relating to the New Zealand Credit Union Foundation:

Grants Received / (Paid)	-	1
OPERATING SURPLUS/(LOSS)	-	1

Key Management Personnel Compensation

The compensation of the Directors and executives, being the key management personnel of the entity, is set out below:

	2019	2018
	$000	$000
Short Term Employee Benefits	1,461	2,042

There were no other payments made to Key Management Personnel.

24 COMMITMENTS

Undrawn advances under credit facilities	1,511	4,041
Capital expenditure	340	77
	1,851	4,118

25 CONTINGENT LIABILITIES

Co-op Insurance NZ as vendor and Co-op Money NZ as guarantor have received a warranty claim from Provident Insurance Corporation Ltd (Provident) in relation to the sale of Co-op Insurance's book of business. As part of the finalisation of the sale of the Co-op Insurance NZ insurance portfolio to Provident, Provident has informed Co-op Insurance NZ that it believes there is difference in the amount of the balance sheet technical provision to be transferred by Co-op Insurance NZ to Provident as calculated by Co-op Insurance NZ's independent actuary and Provident's appointed actuary (Prescribed Cash). Commercial negotiations are in progress at the time of signing these accounts. The accounts reflect the expected outcome of these negotiations. However, should this matter not be settled then the matter would be referred to the determination of a single independent chartered accountant where Co-op Insurance NZ believes it has a strong case. The range of outcomes in this process for Co-op Insurance NZ could be between a payment to Provident from Co-op Insurance NZ of $726k plus costs or a payment from Provident to Co-op Insurance NZ of $156k plus costs.

Finzsoft Solutions (New Zealand) Limited and Co-op Money NZ are parties to a Master Services Agreement (MSA) dated 31 March 2014. On 31 March 2019, Finzsoft issued an invoice for annual license fees payable by Co-op Money NZ with its interpretation of annual licence fee. Co-op Money NZ disputes that the invoice is payable on the basis that Finzsoft's interpretation of the annual licence fee is incorrect.
Co-op Money NZ has referred the matter to arbitration under the dispute provisions of the MSA and it is anticipated that an arbitration of this matter will take place later this year.

26 NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Net Profit After Tax to Net Operating Cash Flows	2019 $000	2018 (Restated) $000
Profit / (Loss) after Tax	168	(3,026)
Adjustments to reconcile operating profit to net cash flow from operating activities		
Add/(less) non cash items:		
Depreciation	327	395
Amortisation	1,088	898
Gain on Disposal of Property, Plant & Equipment	-	(4)
Net Cash (gain) / loss on sale of insurance	(673)	-
	742	1,289
Add/(less) movement in Working Capital:		
Decrease / (Increase) in Inventory	46	(9)
Decrease / (Increase) in Accounts Receivable and Expected Recoveries	1,702	1,834
Decrease / (Increase) in Prepayments	(56)	954
Increase / (decrease) in Accounts Payable	15	396
Increase / (decrease) in Unearned Premium Liability	(194)	(1,967)
Increase / (decrease) in Provisions	(33)	(113)
Increase / (decrease) in Outstanding Claims Liability	(220)	(1,198)
	1,260	(103)
Add/(less) items classified as Investing Activities		
Non Cash movement in Investments	97	1,987
Add items included within Financing Activities:		
Non Cash movement in Deposits Received	(2,376)	(250)
Net Cash Flow to Operating Activities	(109)	(102)

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27 CORRECTION OF PRIOR PERIOD ERROR

Correction of error in accounting for MasterCard International fees between April 17 and October 18

In November 2018 the Economic Entity identified the issue of non-recoverability of MasterCard International fees for the period between 11 April 2017 and 26 October 2018. The non-recoverability issue was related to the inadequate notification message of charging international fees to customers when they are using international services on ATMs. As a consequence, the fee income that was recognised in the periods was not subsequently able to be recovered.

The error has been corrected by restating each of the affected financial statement lines for the prior period as per the table below. The Economic Entity has also presented an opening Statement of Financial Position in accordance with PBE IPSAS 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30 June 2018	Increase/ (Decrease)	30 June 2018 (Restated)	1 July 2017	Increase/ (Decrease)	1 July 2017 (Restated)
	$000	$000	$000	$000	$000	$000
Retained Earnings/(Accumulated Losses)	(2,874)	(738)	(3,612)	(482)	(104)	(586)
Deposit Received	14,502	738	15,240	56,120	104	56,224

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES	FY 2018	Increase/ (Decrease)	FY 2018 (Restated)
Banking Services Revenue	12,026	(506)	11,520
Transaction Costs	4,997	128	5,125

28 SUBSEQUENT EVENTS

There were no event subsequent to the balance sheet date which would materially affect the financial statements.

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Independent auditor's report

To the members of New Zealand Association of Credit Unions trading as Co-op Money NZ

We have audited the consolidated financial statements which comprise:

- the consolidated statement of comprehensive revenue and expenses for the year ended 30 June 2019;
- the consolidated statement of changes in net assets/equity (members' funds) for the year ended 30 June 2019;
- the consolidated statement of financial position as at 30 June 2019;
- the consolidated statement of cash flows for the year ended 30 June 2019; and
- the notes to the consolidated financial statements, which include a summary of accounting policies.

Our opinion

In our opinion, the accompanying consolidated financial statements of New Zealand Association of Credit Unions (the Association), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Basis for opinion

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

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

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

Our firm carries out other services for the Group in the areas of tax compliance, assurance on internal controls and review of the valuation of Base Capital Notes. The provision of these other services has not impaired our independence as auditor of the Group.

Information other than the financial statements and auditor's report

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information

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that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Directors for the consolidated financial statements

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

In preparing the consolidated financial statements, 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Directors, 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 Association and the Directors, 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 Karl Deutschle.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
10 September 2019

Auckland