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CO-OP MONEY NZ GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Co-op Money NZ Group
(Co-op Money NZ is the trading name of New Zealand Association of Credit Unions)
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FOR THE YEAR ENDED 30 JUNE 2020

Co-op Money NZ Group

(Co-op Money NZ is the trading name of New Zealand Association of Credit Unions)

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	**2020**	**2019 (Restated)**
		$000	**$000**
Interest Revenue	2	469	488
Interest Expenses	3	393	525
NET INTEREST REVENUE / (EXPENSE)		**76**	**(36)**
Banking Services Revenue		14,217	11,358
Other Revenue	4	776	992
TOTAL REVENUE NET OF INTEREST EXPENSES		**15,069**	**12,313**
Employee Costs	5	4,262	3,900
Transaction Costs		4,573	4,438
Operating Expenses	6	7,201	6,171
TOTAL EXPENDITURE		**16,035**	**14,509**
NET PROFIT / (LOSS) BEFORE IMPAIRMENT AND OTHERS		**(966)**	**(2,196)**
Impairment	7	101	-
NET PROFIT / (LOSS) BEFORE TAXATION		**(1,068)**	**(2,196)**
Taxation Expenses	8	-	-
NET PROFIT / (LOSS) FROM CONTINUING OPERATIONS		**(1,068)**	**(2,196)**
NET PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS	**9**	**(205)**	**1,537**
TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR		**(1,273)**	**(659)**

This statement should be read in conjunction with the accompanying notes.

Co-op Money NZ Group
(Co-op Money NZ is 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 2020

	Notes	Base Capital Notes $000	Accumulated .osses/Retained Earnings $000	Total $000
Opening Balance - 1 July 2018 (as previously reported)		13,695	(3,612)	10,083
Prior Period Adjustments	29	-	(239)	(239)
Balance at 1 July 2018 (Restated)		13,695	(3,851)	9,844
Total Comprehensive Revenue and Expenses for the Year		-	(659)	(659)
Balance as at 30 June 2019 (Restated)		13,695	(4,511)	9,184
Balance at 1 July 2019 (Restated)		13,695	(4,511)	9,184
Total Comprehensive Revenue and Expenses for the Year		-	(1,273)	(1,273)
Balance as at 30 June 2020		13,695	(5,783)	7,912

This statement should be read in conjunction with the accompanying notes.

Co-op Money NZ Group

(Co-op Money NZ is the trading name of New Zealand Association of Credit Unions)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	2020 $000	2019 (Restated) $000	2018 (Restated) $000
NET ASSETS/EQUITY (MEMBERS FUNDS)				
Base Capital Notes	10	13,695	13,695	13,695
Retained Earnings/(Accumulated Losses)	11	(5,783)	(4,511)	(3,851)
TOTAL EQUITY (MEMBERS' FUNDS)		7,912	9,184	9,844
ASSETS				
Cash and Cash Equivalents	12	10,686	1,270	-
Accounts Receivable	13	959	3,082	1,606
Investments	14	7,831	5,875	15,583
Prepayments		336	643	573
Inventory		37	37	83
Work in Progress	15	348	436	-
Lease Deposit		80	80	80
Property, Plant and Equipment	16	212	291	571
Intangible Assets	17	14,465	14,997	11,763
Assets classified as held for sale	9	-	-	10,194
TOTAL ASSETS		**34,954**	**26,711**	**40,453**
LIABILITIES				
Bank Overdraft		-	-	1,152
Deposits Received	18	17,194	6,439	15,240
Accounts Payable	19	2,521	2,707	2,190
Deferred Revenue	20	3,689	4,267	3,168
Borrowings	25	3,350	3,850	-
Accruals and Provisions	21	288	264	297
Liabilities directly associated with assets classified as held for sale	9	-	-	8,562
TOTAL LIABILITIES		**27,042**	**17,527**	**30,609**
NET ASSETS		**7,912**	**9,184**	**9,844**

This statement should be read in conjunction with the accompanying notes.

These financial statements were authorised for issue by the Board of Directors on 28 October 2020 and were signed for on its behalf.

Chair Co-op Money NZ **Director Co-op Money NZ**

Co-op Money NZ Group
(Co-op Money NZ is the trading name of New Zealand Association of Credit Unions)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $000	2019 $000
Cash Flows from Operating Activities			
Cash was provided from			
Membership Contributions Received		231	603
Insurance Premiums Received		-	816
Receipts from Customers		18,413	14,358
Investment Interest Received		181	331
Motor Vehicle Claims Recoveries		-	36
		18,825	**16,144**
Cash was applied to			
Payments to Suppliers and Employees		17,718	14,988
Insurance Claims, Acquisition Costs and Rebates Paid		-	1,003
Interest Paid		117	262
		17,835	**16,253**
NET CASH FLOWS FROM / (TO) OPERATING ACTIVITIES	28	**990**	**(109)**
Cash Flows from Investing activities			
Cash was provided from			
Proceeds from Maturities of Investments		80,277	131,989
		80,277	**131,989**
Cash was applied to			
Purchase of Property, Plant and Equipment		153	40
Purchase of Intangible Assets		498	4,887
Purchase of Investments		82,690	122,867
		83,341	**127,794**
NET CASH FLOWS FROM FROM INVESTING ACTIVITIES		(3,064)	4,195
Cash Flows from Financing activities			
Cash was provided from / applied to			
Net increase / (decrease) in Deposits		11,990	(4,908)
Loan received / (repaid)		(500)	-
NET CASH FLOWS FROM / (TO) FINANCING ACTIVITIES		**11,490**	**(4,908)**
Net (decrease)/increase in Cash and Cash Equivalents		9,416	(822)
Cash and Cash Equivalents at the Beginning of the Year		1,270	2,092
Cash and Cash Equivalents at the End of the Year	12	10,686	1,270

This statement should be read in conjunction with the accompanying notes.

Co-op Money NZ Group
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2020

1 SUMMARY OF ACCOUNTING POLICIES

REPORTING ENTITY

The Co-op Money NZ Group "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, is an association of Credit Unions registered under the Friendly Societies and Credit Unions Act 1982.

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

Co-op Services NZ is the trading name for FACTS Limited (a wholly controlled entity of Co-op Money NZ) is domiciled in New Zealand and its principal activities are to provide banking and other services for non-credit union customers.

On 22 November 2019 Credit Union Baywide purchased 100% of the Base Capital Notes issued by Co-op Money NZ to other Member credit unions of Co-op Money NZ. Base Capital Notes are effectively the capital issued by Co-op Money NZ.

Following Credit Union Baywide's acquisition of these Base Capital Notes, four of the then seven Member credit unions resigned from Co-op Money NZ. Credit Union Baywide, alongside two other Member credit unions, remain members of Co-op Money NZ. Refer to note 25 for further details.

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 other than those disclosed below, the accounting policies have been applied consistently throughout the current and prior year periods.

- **Going Concern**

The accounts have been prepared on a going concern basis which means the Economic Entity is viewed as continuing in business for the foreseeable future.

For the year to 30 June 2020, the Economic Entity is reporting an earnings loss from continuing activities of $1,068,000 (2019: a loss of $2,196,000). Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and discontinued activities for the reporting year is a surplus of $1,163,000 (2019: a loss of $485,000). This result includes absorbing the negative impact of Covid-19 on the operating activities of the Economic Entity which principally related to the lockdown period from March to June 2020.

The Economic Entity earns a material percentage of its revenue from ATM acquiring activities and these activities are particularly susceptible to Government imposed lockdowns for domestic transactions and are impacted by the reduction in ATM transactions from international cardholders (e.g. from tourism and international visitors). Actions were taken during the financial year to mitigate the financial impact of the lockdown during the first lockdown including accessing the Government Wage Subsidy (refer Note 4).

Looking forward, the Economic Entity has assessed various possible lockdown scenarios that could occur during the foreseeable future and assessed its ability to continue to fund its operations should these scenarios materialise. Specifically, the Economic Entity has budget for a conservative return to "normal" over the coming financial year and has also modelled potential additional lockdowns that could occur in the foreseeable future. Performance is ahead of budget for both the months of July and August 2020 even including the latest lockdown during August. The Economic Entity has also arranged for additional access to funds from Credit Union Baywide which may be used to absorb future unexpected events (whether these be due to Covid-19 or otherwise). Under scenario modelling performed, the Economic Entity remains solvent and able to continue to trade. Refer to Note 25 for further information regarding access to funding from Credit Union Baywide.

The organisation also intends to complete a corporate restructure within the next 12 months to shift its business operations from operating as an Association of Credit Unions under the Friendly Societies and Credit Unions Act 1982 into a company form under the Companies Act 1993 controlled by Credit Union Baywide. The Economic Entity continues to reply on Credit Union Baywide for ongoing financial support and provides essential services to Credit Union Baywide. The underlying business activities will not change as part of this entity restructure. However, this restructure will improve the ability to introduce new funding into the Economic Entity should this be deemed beneficial.

It is the considered view of the Board that committed funding from Credit Union Baywide and those generated through its normal operations will be sufficient to ensure that the Economic Entity will be able to settle its obligations as they fall due for at least the next 12 months from the date of the financial statements.

- **New Accounting Standards adopted during the year**

The PBE IPSAS 35 Consolidated Financial Statements (effective for periods commencing on or after 1 January 2019) relates to the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The impact of this new standard is minimal.

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 Consolidated Statement of Comprehensive Revenue and Expense.

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Significant Judgements, Estimates and Assumptions
In the application of PBE Standards, the Economic Entity 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 the Economic Entity believes 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 the Economic Entity 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.

- **Useful life of Intangible Assets**
  When assessing the useful life of intangible assets, consideration is given to contractual terms, and the ability of an asset to generate future cashflows.

- **Provision for Prescribed Cash Payable to Provident Insurance Corporation Limited ("Provident")**
  As part of the finalisation of the sale of the Co-op Insurance NZ insurance portfolio to Provident last financial year, Provident informed Co-op Insurance NZ that it believed there was a 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). A commercial settlement has been agreed with Provident regarding this amount which is contingent upon future decisions by Credit Union Baywide. A range of outcomes have been considered in regard to these possible decisions and a provision made based on the weighted average probability of each outcome (Refer Note 9).

- **Impairment of Intangibles**
  Significant judgements, estimates and assumptions are made by the Economic Entity when considering the impairment of intangible assets. Refer to Note 1 (c) (i), and Note 17.

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.

Services Implementation Revenue
Revenue received from customers for the implementation of new services is recognised based on contractual terms over the period for which this revenue is earned. Generally this is on completion of User Acceptance Testing to implement the new service, however, it could be over a longer period if "claw back" provisions apply to the revenue.

Wage Subsidy
The Covid-19 global pandemic has had a significant impact on the New Zealand economy, including the Economic Entity. The Government implemented a number of measures to assist organisations deal with the financial ramifications of this pandemic and the Government's response to it. This included a wage subsidy initiative, whereby organisations that met certain criteria qualified for defined economic assistance (https://www.workandincome.govt.nz/covid-19/wage-subsidy/index.html). On 30 March 2020 the Economic Entity met this criteria, and accordingly, the Ministry of Social Development paid the Economic Entity a wage subsidy totalling $253,065 for a 12 week period from 17 March 2020.

The wage subsidy received meets the definition of revenue from non-exchange transactions and therefore PBE IPSAS 23 Revenue from non-exchange transactions applies. The wage subsidy is reported as Other Revenue (refer Note 4).

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.

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 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 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 accrual 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 balances 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. Any accrued foreign currency transactions are valued at rate of when the commitment arises.

(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 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.

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 face 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 are classified as liabilities 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.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings. Borrowings are classified as current liabilities unless the Economic Entity has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

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

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

(i) 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.

(ii) 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 board 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.

(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 Co-op Money NZ and the following entities:

- Co-op Insurance NZ (wholly owned controlled entity) – a non-trading company;
- Co-op Services NZ (wholly owned controlled entity) – a company providing services to non-credit unions;
- CU Group Trust the investment holding trust of the parent entity.
- CU Securities Limited as Trustee of the CU Group Trust
- Credit Union Services Limited (wholly owned controlled entity) - a non-trading company
- Credit Union New Zealand Limited (wholly owned controlled entity) - a non-trading company

Controlled Entities

Controlled Entities are all entities (including special purpose entities) over which Co-op Money NZ 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 Co-op Money NZ, 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 at bank.

(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 of Computer Software (including licence costs, and internal and external development costs). Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible asset under development at balance date are recorded as capital work in progress and are not subject to amortisation.

Expenditure on intangible assets is capitalised if the product is technically and commercially feasible, how the asset will generate future economic benefits, the entity has sufficient resources to complete development, so that it will be available for use. 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 as follows:

- Flexcube core banking platform: 7% per annum
- Strategic payments related assets: 10% per annum
- Others: between 20% and 40% per annum

(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 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

Co-op Money NZ 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 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 GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from Inland Revenue, in which case the unrecoverable GST is recognised as an expense separately within Other Operating Expenses (refer Note 6); and
- Accounts Receivables and Accounts Payable, which are stated inclusive of GST.

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.

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 the Economic Entity'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 at bank.
- 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 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.

	2020	2019 (Restated)
2 INTEREST REVENUE	**$000**	**$000**
Bank, Money Market Securities, Local Authority and Floating Rate Note Interest	42	87
Other Interest	427	401
TOTAL INTEREST REVENUE	**469**	**488**

3 INTEREST EXPENSES		
Interest on Deposits	393	525
TOTAL INTEREST EXPENSES	**393**	**525**

4 OTHER REVENUE		
Membership Contributions	105	584
COVID-19 wage subsidy	253	-
Other Revenue	418	408
TOTAL OTHER REVENUE	**776**	**992**

5 EMPLOYEE COSTS		
Salaries and Wages	4,206	3,889
Other Staff Costs	56	11
TOTAL EMPLOYEE COSTS	**4,262**	**3,900**

6 OPERATING EXPENSES		
Auditor's Remuneration:		
- Audit of Financial Statements	99	58
- Tax consulting and compliance fees	83	25
- Controls Assurance over Information System	50	98
- Review on the valuation of Base Capital Notes fee	-	34
Total Auditor's Remuneration for Co-op Money NZ	**232**	**215**
Depreciation:		
- Furniture, Fittings, Office Equipment & Vehicles	50	56
- Computer Equipment	182	265
Amortisation of Intangible Assets	1,606	865
Directors' Fees	219	266
Directors' Expenses	27	50
Leasing Charges	275	304
Legal fee	356	437
Other Operating Expenses	4,254	3,713
TOTAL OPERATING EXPENSES	**7,201**	**6,171**

7 IMPAIRMENT AND OTHERS		
Intangible asset impairment	101	-
IMPAIRMENT EXPENSE	**101**	**-**

Refer to Note 17 for further information on impairment testing. The intangible software impairment noted above reflects an assessment whereby the econmic benefit expected from future international card transations on ATMs from a specific card customer is expected to be less than the carrying value of the capitalised software cost.

8 TAXATION	**2020 $000**	**2019 $000**
Profit / (Loss) before Taxation	(1,273)	168
Income Tax at current rate of 28%	(357)	47
Exempt Income	569	(171)
Non Deductible Expenses	-	152
Prior Period Adjustments	(23)	112
Tax Losses not recognised (Utilisation of Tax Losses)	(189)	(140)
TAXATION EXPENSE	-	-

Taxation losses have been recognised to the extent of the deferred tax liability on temporary differences. The additional tax losses are currently available and will be recognised as required. Tax losses are subject to Inland Revenue assessment in the next tax return and shareholder continuity requirements. Tax losses not recognised are $5,408,872 ($1,514,484 at the tax rate of 28%) (2019: $5,950,342 ($1,661,940 at the tax rate of 28%)).

2020	**Opening Balance $000**	**Charged to Income $000**	**Closing Balance $000**
Deferred Tax Assets:			
PPE	2	(2)	-
Intangibles	20	(20)	-
Provisions	25	(25)	-
	47	(47)	-
Deferred Tax Liabilities:			
Tax losses utilised	(47)	47	-
	(47)	47	-

2019	**Opening Balance $000**	**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)

9 DISCONTINUED OPERATIONS

On 15 December 2017, the sale of the Co-op Insurance NZ insurance business to Provident Insurance Corporation Limited (Provident) was agreed. 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.

On 3 March 2020, the Economic Entity and Provident agreed a commercial settlement to close out the dispute with Provident regarding the Prescribed Cash payable to Provident as finalisation of the insurance book sale. As a result of this settlement, the Economic Entity has recognised a provision for the potential erosion of economic benefit.

In addition, as a consequence of ceasing Member Services Division activities from 20 November 2019, it is no longer appropriate for Co-op Money NZ to provide the activities of the New Zealand Credit Union Foundation (NZCUF). Work is being undertaken to transfer these funds held by Co-op Money NZ to the Colin Smith Memorial Fund. Given the NZCUF is a self-administered fund within Co-op Money NZ, the transfer is recognised as an expense to the business from this discontinued activity. Refer to Note 25 for further information.

	2020 $000	2019 $000
NET PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS	(205)	1,537

10 BASE CAPITAL NOTES

	Economic Entity and Co-op Money NZ			
	2020 '000 Units	**2019 '000 Units**	**2020 $000**	**2019 $000**
Issue I	10	10	100	100
Issue II	13,595	13,595	13,595	13,595
TOTAL	**13,605**	**13,605**	**13,695**	**13,695**

Base Capital Notes are those unsecured subordinated Capital Notes forming the capital of the Economic Entity. On 22 November 2019, Credit Union Baywide acquired 100% of the Base Capital Notes of the Economic Entity.
All notes qualify for Dividends as determined by the Directors.

	Economic Entity and Co-op Money NZ			
	2020 '000 Units	**2019 '000 Units**	**2020 $000**	**2019 $000**
Issue I				
Balance as at July	10	11	100	110
Notes redeemed by transfer to Base Capital Notes II	-	(1)	-	(10)
Balance as at 30 June	**10**	**10**	**100**	**100**

	Economic Entity and Co-op Money NZ			
	2020 '000 Units	**2019 '000 Units**	**2020 $000**	**2019 $000**
Issue II				
Balance as at July	13,595	13,585	13,595	13,585
Notes Issued:				
By transfer from Base Capital Notes I	-	10	-	10
Balance as at 30 June	**13,595**	**13,595**	**13,595**	**13,595**

Base Capital Notes Issue II have a face value of $1.
Base Capital Notes Issues constitute unsecured subordinated obligations of the Economic Entity and rank pari passu and without priority or preference among themselves.

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	2020 $000	2019 (Restated) $000
11 ACCUMULATED LOSSES		
Balance as at 1 July	(4,511)	(3,612)
Prior period adjustment	-	(239)
Total Comprehensive Revenue and Expenses for the year	(1,273)	(659)
	(5,783)	(4,511)
Balance as at 30 June	(5,783)	(4,511)
TOTAL ACCUMULATED LOSSES	(5,783)	(4,511)

12 CASH AND CASH EQUIVALENTS	2020 $000	2019 $000
Cash at Bank	10,686	724
Deposit held in Soliciter's trust account	-	546
	10,686	1,270

13 ACCOUNTS RECEIVABLE

Trade Receivables	959	3,082
Total Carrying Amount	959	3,082

Trade Receivables are mainly due from Member credit unions, and other customers. The provision for Doubtful Debts was $Nil (2019: $Nil). During the year, the write off in respect of bad debts was $16,459 (2019 : $Nil)

The average credit period is 20 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.

14 INVESTMENTS

Bank Deposits	1,200	1,200
Bailment cash and others	6,631	4,675
Investments	**7,831**	**5,875**

15 WORK IN PROGRESS

Software development for customers	348	436
Work in Progress	**348**	**436**

16 PROPERTY, PLANT AND EQUIPMENT	2020 $000	2019 $000
Furniture and Fittings, Office Equipment and Vehicles		
Opening Cost at 1 July	690	689
Additions	-	1
Write-off	-	-
Closing Cost at 30 June	**690**	**690**
Opening Accumulated Depreciation at 1 July	(605)	(549)
Depreciation Expense	(50)	(56)
Write-off	-	-
Closing Accumulated Depreciation at 30 June	**(655)**	**(605)**
Net Book Value at 30 June	**35**	**85**
Computer Equipment		
Opening Cost at 1 July	1,992	1,952
Additions	153	40
Write-off	-	-
Closing Cost at 30 June	**2,145**	**1,992**
Opening Accumulated Depreciation at 1 July	(1,786)	(1,521)
Depreciation Expense	(182)	(265)
Write-off	-	-
Closing Accumulated Depreciation at 30 June	**(1,968)**	**(1,786)**
Net Book Value at 30 June	**177**	**206**
Carrying Amount at 30 June	**212**	**291**

17 INTANGIBLES ASSETS	**2020** **$000**	**2019 (Restated)** **$000**
Computer Software		
Opening Cost at 1 July	20,512	16,539
Additions	1,074	4,753
Write-off/Impaired	(101)	(780)
Closing Cost at 30 June	**21,485**	**20,512**
Opening Accumulated Amortisation at 1 July	(5,515)	(4,776)
Amortisation Expense	(1,606)	(865)
Write-off/Impaired	101	126
Closing Accumulated Amortisation at 30 June	**(7,020)**	**(5,515)**
Net Book Value at 30 June	**14,465**	**14,997**

In accordance with Note 1, Particular Accounting Policy (c)(i), the Economic Entity tests annually whether any software development intangible assets have suffered asset impairment due to the expected net cashflows to be generated from these intangible assets being less than their carrying values.

Intangible assets have been assessed separately where revenue streams and costs can be reasonably attributed to a specific software build, and in aggregate for remaining banking software intangible assets and the remaining payments intangible assets where component builds cannot be directly attributable to a specific revenue stream. The recoverable amount of the intangible assets was determined as its value in use.

The key assumptions underpinning the cash generation from these assets are as follows:

Intangible asset	Key assumptions
Intangible assets related to banking (primarily for the implementation of the new Oracle Flexcube core banking system):	Charges paid by Credit Union Baywide for the provision of the Oracle core banking system. Discounted cashflows are based on the period consistent with the amortisation period of the Oracle Flexcube asset.
Payment intangible assets:	The level of ATM transactions in future years from international card customers. This is particularly difficult to assess due to the uncertainty surrounding Covid-19 and its impact on international tourism. The Economic Enity has assumed ATM volumes from international card customers will not return to pre-covid-19 levels until the 2022/23 financial year. In addition, for software builds related to relatively new ATM revenue streams heavy reliance is placed on customer / business partner volume assumptions as there is limited internal history for which to reasonably predict/model future volumes. The Economic Entity assumes that new business revenue will continue to be earned in the future at a similar level as to the 2019/20 financial year. Discounted cashflows are generally assessed over either five years for specific customer or enhancement builds or 10 years for strategic infrastructure investment.
Discount rate	A discount rate of 7.35% has been used for all asset impairment testing

Based on this impairment testing, the impairment disclosed in Note 7 was reflected in the 30 June 2020 carrying value for one payment related asset.

18 DEPOSITS RECEIVED	**2020 $000**	**2019 $000**
Deposits Received from Credit Unions	15,190	4,701
Deposits Received from Other Parties	2,004	1,738
	17,194	**6,439**

Deposits are accepted on an unsecured basis. Average interest rates, repricing terms and durations are shown in note 23.

19 ACCOUNTS PAYABLE	**2020 $000**	**2019 (Restated) $000**
Trade Payables	1,660	2,327
Accrued Expenses	861	380
	2,521	**2,707**
20 DEFERRED REVENUE		
Credit Unions contributions to Flexcube	2,699	3,051
Other Deferred Revenue	990	1,216
	3,689	**4,267**

Credit unions' contributions to Flexcube and its prior period adjustment are shown in note 29.

21 ACCRUALS AND PROVISIONS	**2020 $000**	**2019 $000**
Accrued Annual Leave		
Carrying amount at 1 July	264	297
Additional in the period	335	306
Amounts used during the period	(311)	(339)
Unused amounts reversed during the period	-	-
The Carry amount at 30 June	**288**	**264**

22 LEASES	**2020 $000**	**2019 $000**
Non Cancellable Operating Lease Payments		
Lease commitments are payable:		
Not later than 1 year	246	343
Later than 1 year and not later than 2 years	126	29
	371	**372**

23 FINANCIAL INSTRUMENTS

Financial Risk Management Objectives
The Economic Entity provides banking facilities and manages external banking relationships. 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. 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.

Interest Rate Risk Management
Interest rate risk is the risk of loss to the Economic Entity 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. The Economic Entity 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 interest rate repricing profile:

As at 30 June 2020	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%	10,686	-	-	-	-	-	**10,686**
Accounts Receivable		-	-	-	-	-	959	**959**
Investments	4.75%	-	7,831	-	-	-	-	**7,831**
Lease Deposit		-	-	-	-	-	80	**80**
		10,686	**7,831**	-	-	-	**1,039**	**19,556**
Liabilities								
Deposits Received	0.24%	15,511	774	909	-	-	-	**17,194**
Accounts Payable		-	-	-	-	-	2,521	**2,521**
Borrowings	4.25%	-	1,200	2,150	-	-	-	**3,350**
		15,511	**1,974**	**3,059**	-	-	**2,521**	**23,065**
On Balance Sheet Interest Sensitivity Gap - 30 June 2020		**(4,825)**	**5,857**	**(3,059)**	-	-	**(1,482)**	**(3,509)**

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								
Deposit 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)**

23 FINANCIAL INSTRUMENTS (Cont.)

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 an investment portfolio with controls over maturity of investments. Investments undertaken directly by the Economic Entity, 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. A maximum of 15% of investment portfolio may be invested at any time with non rated counterparties.

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 The Economic Entity. The Economic Entity 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 are detailed in a policy manual which is reviewed annually by the Economic Entity Board. Amongst other matters, the policy manual addresses areas with a specific bearing on liquidity such as Investment Constraints and Lending Constraints.

The following tables detail the Economic Entity's remaining contractual maturity for their financial assets and liabilities. The table has 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	3 months to 1 year	1-2 years	2-5 years	5+ years	Economic Entity Total
		$000	$000	$000	$000	$000	$000
2020							
Assets							
Cash and Cash Equivalents		10,686	-	-	-	-	**10,686**
Accounts Receivable		959		-	-	-	**959**
Investments		-	7,831	-	-	-	**7,831**
Lease Deposit		-	80	-	-	-	**80**
Total Financial Assets		**11,645**	**7,911**	-	-	-	**19,556**
Liabilities							
Deposits Received		15,511	774	909	-	-	**17,194**
Accounts Payable		2,521	-	-	-	-	**2,521**
Borrowings		-	1,200	2,150	-	-	**3,350**
Total Financial Liabilities		**18,032**	**1,974**	**3,059**	-	-	**23,065**
Net Financial Assets		(6,387)	5,937	(3,059)	-	-	**(3,509)**
Unrecognised Commitments	26	(431)	(574)	-	-	-	**(1,005)**
Net Liquidity Gap at 30 June 2020		**(6,818)**	**5,363**	**(3,059)**	-	-	**(4,514)**

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	Note	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Economic Entity Total
		$000	$000	$000	$000	$000	$000
2019							**(Restated)**
Assets							
Cash and Cash Equivalents		1,270	-	-	-	-	**1,270**
Accounts Receivable		2,494	588	-	-	-	**3,082**
Investment Securities		-	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	26	(123)	(217)	-	-	-	**(340)**
Net Liquidity Gap at 30 June 2019		**(4,688)**	**4,998**	**(1,200)**	**(1,650)**	**-**	**(2,540)**

The Economic Entity has access to financing facilities of $1,200,000 (2019 : $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:

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's customers on which the Economic Entity pays interest. The balance reported approximates their fair values.

Financial Instruments by Category	**Economic Entity**	
	2020	**2019**
	$000	**$000**
Cash and Cash equivalents	10,686	1,270
Accounts Receivable	959	3,082
Investments	7,831	5,875
Lease Deposit	80	80
Total Loans and Receivables	19,556	10,307
Total Financial Assets	**19,556**	**10,307**
Financial Liabilities at Amortised Cost		
Bank Overdraft	-	-
Deposits Received	17,194	6,439
Accounts Payable	2,521	2,218
Borrowings	3,350	3,850
Total Financial Liabilities at Amortised Cost	23,065	12,507
Total Financial Liabilities	**23,065**	**12,507**

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24 INVESTMENT IN CONTROLLED ENTITIES

Controlled Entities controlled at 30 June:

Name	Economic Entity and Association Percentage Holding at Balance Date		Principal Activities	Balance Date
	2020	2019		
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 Credit Unions	30 June
CUI Insurance Limited (trading as Co-op Insurance NZ)	100%	100%	Non Trading	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.

25 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 Note 23. The Economic Entity does not hold any other equity interests.

Member credit unions

At the beginning of the financial year, Co-op Money NZ had seven Member credit unions, of which each held Base Capital Notes in Co-op Money NZ. On 19 November 2019, Credit Union Baywide acquired 100% of these Base Capital Notes from each of these other credit unions, and the following day on 20 November 2020, four credit unions ceased their membership of Co-op Money NZ in accordance with the Sale and Purchase Agreement with Credit Union Baywide.

The four credit unions that resigned membership (First Credit Union, Credit Union Auckland, Credit Union Employees, Credit Union Steelsands) were related parites to Co-op Money NZ for the financial year up to 20 November 2019.

From 21 November 2019, each remaining Member credit union had control of 33.33% of the voting rights of Co-op Money NZ. The three remaining Member credit unions are Credit Union Baywide, Fisher & Paykel Credit Union and NZ Firefighters Credit Union. There is a related party relationship between each of these three Member credit unions and Co-op Money NZ for the complete financial year.

Co-op Money NZ has a range of exposures to its Member credit unions, including a transaction banking facility services, bank software access, membership fee, contribution to the software development.

	2020
	$000
Total revenue received from Members	**7,328**

25 RELATED PARTY DISCLOSURES (Cont.)

$3.35m following repayment of $0.5m on 18 May 2020. At balance date, this lending was repayable by the following dates:

$1.2m on 18 June 2021
$0.5m on 31 July 2021
$1.65m on 18 June 2022

The repayment date for this lending of $3.35m was extended on 24 August 2020 to 31 December 2021.

As at 30 June 2020, Co-op Money NZ also had a Cash Advance Facility of up to $1m from Credit Union Baywide which expired on 31 July 2021. On 24 August 2020 this facility limit was increased from $1.0m to $2.0m and the expiry date of the facility extended to 31 December 2021. The facility was undrawn as at 30 June 2020 nor has it been drawn upon since balance date.

The rate for all funding from Credit Union Baywide was the Reserve Banking of New Zealand's Official Cash Rate plus a margin of 7.35% until 19 February 2020 when this margin was reduced to 4.00%.

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 $0 term deposit with the Economic Entity as at 30 June 2020 (2019: $99,000).

New Zealand Credit Union Foundation

The New Zealand Credit Union Foundation (the Foundation) is a self-administered fund within Co-op Money NZ established pursuant to its Rules 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 Co-op Money NZ. With the* discontinuance of Member Services activities from 20 November 2019 this fund is in the process of being wound up. The intention is for the funds held on behalf of the Foundation to be transferred to the Colin Smith Memorial Fund.

As at 30 June 2020, Co-op Money NZ held cash on behalf of the Foundation of $105k (2019: $105k).

Key Management Personnel Compensation

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

	2020 $000	2019 $000
Short Term Employee Benefits	1,134	1,461
	2020	**2,019**
Number of Key Management Personnel	9	11

There were no other payments made to Key Management Personnel.

26 COMMITMENTS

Undrawn advances under credit facilities	-	1,511
Capital expenditure	20	340
	20	1,851

27 CONTINGENT LIABILITIES

A number of New Zealand organisations have self-identified, or had the Labour Inspectorate identify, issues with their respective calculation of leave entitlements under the Holiday Act 20003. The application of the laws is uncertain and yet to be definitely determined. As such, as at the signing date, management was continuing to work in relation to the matter. There were no other material contingent liabilities as at 30 June 2020.

28 NOTES TO THE STATEMENT OF CASH FLOWS	**2020**	**2019 (Restated)**
Reconciliation of Net Profit After Tax to Net Operating Cash Flows	**$000**	**$000**
Profit / (Loss) after Tax	(1,273)	(659)
Adjustments to reconcile operating profit to net cash flow from operating activities		
Add/(less) non cash items:		
Depreciation	232	321
Amortisation	1,606	1,088
Deferred Revenue & other prior period adjustment	(480)	833
Net Cash (gain) / loss on sale of Insurance	-	(673)
	1,358	1,569
Add/(less) movement in Working Capital:		
Decrease / (Increase) in Inventory	-	46
Decrease / (Increase) in Accounts Receivable and Expected Recoveries	2,123	1,702
Decrease / (increase) in Prepayments	307	(56)
Increase / (decrease) in Accounts Payable and Deferred Revenue	(764)	15
Increase / (decrease) in Unearned Premium Liability	-	(194)
Increase / (decrease) in Provisions	24	(33)
Increase / (decrease) in Outstanding Claims Liability	-	(220)
	1,690	1,260
Add/(less) items classified as Investing Activities		
Non Cash movement in Investments	-	97
Add items included within Financing Activities:		
Non Cash movement in Deposits Received	(785)	(2,376)
Net Cash Flow from / (to) Operating Activities	**990**	**(109)**

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29 PRIOR PERIOD ADJUSTMENTS

Correction for Mastercard International fees between April 2017 and October 2018

As noted, in last year's financial statements, 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.

Adjustment of accounting treatment for Flexcube customer contributions

Customer contributions to fund the Oracle Flexcube core banking implementation ($3.2m) were incorrectly offset against the fixed asset build in 2018 (instead of being treated as revenue received in advance). The Oracle intangible asset has been increased to reverse this offset, and the contributions are recorded as Income In Advance and will be released over a period consistent with customer contracts for the service.

GST Adjustment

The Economic Entity has conducted an internal review on non-recoverable GST from making exempt supplies. The review was conducted for last four financial years from 1 July 2016 to 30 June 2020, and resulted a voluntary disclosure of net underpayment of GST of $495,000 (including estimated Use of Money interest). Of this amount, $368,000 related to the prior financial years.

Software Project Work-In-Progress

The Economic Entity has identified intangible assets on the balance sheet in Work-in-Progress at the previous year end which should have been transferred to fixed assets and amortised. It also identified project costs capitalised to Work-In-Progress which could not subsequently be transferred to an asset and amortised, and so should have been expensed.

Presentation of Interest Revenue

The Economic Entity has identified some revenue shown under Banking Services Revenue which is better presented under Interest Revenue.

Business partner charges

Following a contractual review of charges paid by the Economic Entity to a business partner, it was agreed that charges should attach to certain transactions not previously charged. Charges were recalculated which resulted in a higher expense associated with these transaction volumes of which $120k related to prior financial years.

Above adjustments have been made 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	NOTES	30 June 2019	Increase/ (Decrease)	30 June 2019 (Restated)	1 July 2018	Increase/ (Decrease)	1 July 2018 (Restated)
		$000	$000	$000	$000	$000	$000
Retained Earnings/(Accumulated Losses)		(3,444)	(1,067)	(4,511)	(3,612)	(239)	(3,851)
Flexcube customer contributions			46			-	
GST Adjustment			(369)			(181)	
Software project work-in-progress			(624)			-	
Business Partner charges			(120)			(58)	
Intangible Assets	17	12,524	2,473	14,997	8,595	3,168	11,763
Flexcube customer contributions			3,097			3,168	
Software project work-in-progress			(624)			-	
Deferred Revenue	20	1,216	3,051	4,267	-	3,168	3,168
Flexcube customer contributions			3,051			3,168	
Accounts Payable	19	2,218	489	2,707	1,951	239	2,190
GST Adjustment			369			181	
Business Partner charges			120			58	

29 PRIOR PERIOD ADJUSTMENTS (Cont.)

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES	NOTES	FY 2019 $000	Increase/ (Decrease) $000	FY 2019 (Restated) $000
Interest Revenue	2	260	228	488
Presentation of Interest Revenue			228	
Banking Services Revenue		11,469	(111)	11,358
Presentation of Interest Revenue			(228)	
Flexcube customer contributions			117	
Employee Costs	5	3,600	300	3,900
Software project work-in-progress			300	
Transaction Costs		4,377	61	4,438
Business Partner charges			61	
Operating Expenses	6	5,588	583	6,171
Software project work-in-progress			324	
Flexcube customer contributions			71	
GST Adjustment			188	

30 SUBSEQUENT EVENTS

The Economic Entity intends to complete a a corporate restructure within the next 12 months to shift its business operations from operating as an Association of Credit Unions under the Friendly Societies and Credit Unions Act 1982 into a company form under the Companies Act 1993. The underlying business activities will not change as part of this entity restructure.

Other than as specifically referenced in preceding Notes, there were no other 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 the 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 financial position as at 30 June 2020;
- the consolidated statement of comprehensive revenue and expenses for the year then ended;
- the consolidated statement of changes in net assets/equity (members' funds) for the year then ended;
- the consolidated statement of cash flows for the year then ended; 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 the 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 2020, its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for 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 and consulting and controls assurance over the information system. The provision of these other services has not impaired our independence as auditor of the Group.

Emphasis of Matter

We draw attention to the "Basis of Preparation" section in note 1 of the financial statements which describes the intended corporate restructure of the Association from an association of credit unions to a company controlled by Credit Union Baywide. The Group continues to rely on Credit Union Baywide for ongoing financial support and provides essential services to Credit Union Baywide. The corporate restructure will improve the ability to introduce new sources of funding into the Group. Our opinion is not modified in respect of this matter.

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 financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/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 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 Association 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 Karl Deutschle.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
28 October 2020

Auckland