STEELSANDS CREDIT UNION INCORPORATED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

STEELSANDS CREDIT UNION INCORPORATED

DIRECTORY

FOR THE YEAR ENDED 30 JUNE 2021

Board of Directors	**Chairman**	B Bhana	
	Treasurer	P Eves	
	Secretary	B Ross	(Appointed 19/10/2020)
	Directors	D Hovell	
		H Cooper	(Appointed 24/09/2020)
		L Bell	(Resigned 31/05/2021)
		S Rattenbury	(Appointed 25/03/2021)
		S Oerder	(Appointed 25/03/2021)
		S Marsic	

Trustee Supervisors	Covenant Trustee Services Ltd
Auditors	BDO Auckland Ltd
Bankers	Banzpay NZ Kiwibank Westpac New Zealand Limited Westpac Bank Australia ANZ
Solicitors	Michael Dineen Law Anthony Harper Lane Neave
Affiliations	Banzpay NZ

STEELSANDS CREDIT UNION INCORPORATED

CONTENTS OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

STEELSANDS CREDIT UNION INCORPORATED

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 $	2020 $
REVENUE			
Interest revenue	3	1,397,737	1,679,659
Other revenue	3	316,624	266,713
TOTAL REVENUE		**1,714,361**	**1,946,372**
EXPENDITURE			
Interest expenditure	3	238,704	513,118
Loan impairment expenses	3	77,878	21,150
Employee benefits	3	763,056	642,512
Depreciation	3	11,573	14,075
Other expenditure	3	929,416	766,610
TOTAL EXPENDITURE		2,020,627	1,957,465
Total deficit for the period attributable to members		(306,266)	(11,093)
Other comprehensive revenue & expense		-	-
Total comprehensive revenue & expense for the period attributable to members		(306,266)	(11,093)

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

STEELSANDS CREDIT UNION INCORPORATED

STATEMENT OF CHANGES IN EQUITY/NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	Accumulated Revenue and Expense $	Total Members Funds $
Balance at 1 July 2020		3,541,362	3,541,362
Deficit for the period		(306,266)	(306,266)
Total comprehensive revenue and expense for the year		(306,266)	(306,266)
Amalgamation of NZ Employees Credit Union	26	(148,185)	(148,185)
Balance at 30 June 2021		**3,086,911**	**3,086,911**
Balance at 1 July 2019		3,552,455	3,552,455
Deficit for the period		(11,093)	(11,093)
Total comprehensive revenue and expense for the year		(11,093)	(11,093)
Balance at 30 June 2020		**3,541,362**	**3,541,362**

STEELSANDS CREDIT UNION INCORPORATED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2021	2020
		$	$
MEMBERS' FUNDS			
Accumulated comprehensive revenue and expense	5	3,086,911	3,541,362
TOTAL MEMBERS' FUNDS		3,086,911	3,541,362
ASSETS			
Cash and cash equivalents	6a	11,845,870	5,529,685
Trade and other receivables	7	8,160	62,587
Short term investments	6b	9,451,400	14,043,120
Prepayments	8	188,738	160,026
Loans to members	9-10	11,608,053	11,070,778
Plant & equipment	11	18,168	19,699
Long-term receivables	12	90,242	90,242
TOTAL ASSETS		33,210,631	30,976,137
LIABILITIES			
Trade and other payables	13	399,760	245,699
Employee entitlements		20,200	18,032
Members' deposits	14	29,703,760	27,171,044
TOTAL LIABILITIES		30,123,720	27,434,775
NET ASSETS		3,086,911	3,541,362

These Financial Statements are authorised for issue by:

Director

Date 11/11/2021

Director

Date 11/11/2021

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

STEELSANDS CREDIT UNION INCORPORATED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021	2020
		$	$
Cash flows from operating activities			
Interest received on members loans		1,211,208	1,257,337
Fees and commissions received		176,838	266,713
Interest received on bank deposits		237,125	422,322
Interest paid		(234,483)	(510,401)
Payments to suppliers and employees		(1,709,911)	(1,475,753)
Changes in operating assets and liabilities			
Net movement in member loans		2,440,729	3,828,403
Net movement in member deposits		(1,858,974)	604,587
Net movement in investments		4,591,720	(3,700,506)
Net cash provided/(used) by operating activities	25	4,854,252	692,703
Cash flows from investing activities			
Purchase of plant & equipment		(8,908)	(13,356)
Sale of base capital notes		-	270,726
Net cash provided/(used) by investing activities		(8,908)	257,370
Total net increase/(decrease) in cash and cash equivalents held		4,845,344	950,073
Cash received on combination with NZ Employees Credit Union	26	1,470,841	-
Cash and cash equivalents at the beginning of the period		5,529,685	4,579,612
Cash and cash equivalents at the end of the year	6a	11,845,870	5,529,685

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

1. GENERAL INFORMATION

Reporting Entity

Steelsands Credit Union Incorporated ("the Credit Union") is a financial institution registered and incorporated in New Zealand under the Friendly Societies and Credit Unions Act 1982. The Credit Union is a financial markt conduct ("FMC") reporting entity for the purposes of both the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013, and a Public Benefit Entity as defined by the External Reporting Board (XRB) A1 Framework. The Credit Union is a licensed Non-bank Deposit Taker by the Reserve Bank of New Zealand under the Non Bank Deposit Takers Act 2013.

This financial report is a general purpose financial report for the Credit Union as an individual entity which has been prepared in accordance with the Financial Reporting Act 2013 and the Friendly Societies and Credit Unions Act 1982. The Credit Union is domiciled in New Zealand and its principal place of business is 131 Mission Road, Glenbrook, Auckland.

Nature of Business

The purpose of a Credit Union is to promote savings among its members and to use those savings for their mutual benefit.

The Credit Union is restricted in its borrowings, and members contribute to the Credit Union, by way of share subscriptions (member deposits). The shares cannot be transferred or sold. Members are able to withdraw their funds subject to certain conditions, as per the Credit Union Rules and Product Disclosure Statement dated 03 November 2016. The Credit Union makes loans to members or invests funds on the members' behalf. Interest and other income are received by the Credit Union and interest is paid to depositing members in the form of interest on shares.

The Credit Union became an incorporated entity on 1 January 2020, under the Friendly Societies and Credit Unions Act 1982.

Transfer of Engagement on 5 December 2020, a process known as a transfer of engagement was completed, whereby NZ Employees Credit Union transferred all of their engagements to Steelsands Credit Union. The transfer of engagement means that Steelsands Credit Union assumed all assets and liabilities of NZ Employees Credit Union and now operates as a single merged entity, with NZ Employees Credit Union de-registering - refer to note 26.

Trust Deed

A Trust Deed was entered into on the 21st June 2001 between the Trustees of the Credit Union and Covenant Trustee Services Ltd and amended on the 9th November 2016. Covenant Trustee Services Ltd as the Supervisor, was appointed to act in the interests of the members of the Credit Union by monitoring the compliance by the Credit Union of its obligations, its Rules, the Trust Deed and the Friendly Societies and Credit Unions Act 1982 and Financial Markets Conduct Act 2013. In addition, the Supervisor is under duty to exercise reasonable diligence to ascertain whether the Credit Union has committed any breach of the Trust Deed or any of the conditions of issue of the shares; and has sufficient assets to meet its obligations to members, as they fall due.

Basis of Preparation

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with Public Benefit Entity Standards for not-for-profit entities (Tier 1 "PBE Standards") and the requirements of part 7 of the Financial Markets Conduct Act 2013.

The Credit Union is a reporting entity for the purposes of the Financial Market Conduct Act 2013.

The financial statements have been prepared on a historical cost convention, as identified in specific accounting policies below.

These financial statements were authorised for issue by the Directors on the date reflected on the Statement of Financial Position.

The presentational and functional currency is New Zealand dollars, rounded to the nearest dollar.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the Credit Union in the preparation of the financial repot. Except where stated, the accounting policies have been consistently applied to all periods presented.

(a) Critical Estimates, Judgements and Assumptions in Applying the Accounting Policies

The preparation of financial statements requires the Credit Union to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The Credit Union continually evaluates its judgements and estimates and bases these on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following critical accounting policies have been identified for which significant judgements, estimates and assumptions are made:

- the recognition of Software as a Service ("SaaS") (refer Note 2k);
- the impairment allowance for loans to members (refer Note 9 & 10);
- the assessment of long-term receivables (refer Note 12);
- the use of the going concern assumption (refer Note 2m); and
- the amalgamation of NZ Employees Credit Union (refer Note 26).

(b) Revenue

Interest Income on Loans

Interest income is recognised using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a finacial liability and of allocating the interest revenue or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Credit Union estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Other Revenue

Fees, Commissions and Cost Recoveries are brought to account on an accrual basis when the service has been completed. Income is recognised only once and the fees and commissions have been earnt.

(c) Expense Recognition

Interest expense

Interest on members' shares is recognised as an expense in the period that it relates to using the effective interest method.

(d) Goods & Services Tax

The Credit Union is not registered for GST. Consequently, GST is included in the amounts recognised as income, expenses, assets and liabilities (where applicable).

(e) Income Tax

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

(f) Plant and Equipment

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

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

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

Computer Equipment	33%
Office Furniture and Equipment	20% - 100%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains & losses are included in surplus or deficit. There were no changes in accounting estimates in the current year.

(g) Impairment of Non Financial Assets

The carrying amounts of the Credit Union's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of the cash flows of other assets or groups of assets ("the cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in surplus or deficit. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation if no impairment loss had been recognised.

(h) Employee Benefits

Liabilities for wages and salaries, including non monetary benefits, annual leave, long service leave and sick leave expected to be settled wholly before 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled on an undiscounted basis. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(i) Financial Instruments Recognition

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

A financial asset or liability are offset only when the Credit Union has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less impairment allowance. Loans and receivables consists of cash and cash equivalents (see Note 6a), short term investments (Note 6b), trade and other receivables (see Note 7), loans to members (see Note 9) and long-term receivables (see note 12).

Loans and receivables are initially recognised at fair value plus directly attributable transaction costs and thereafter carried at amortised cost using the effective interest method less impairment allowances.

Purchase and sales of financial assets are recognised on trade date – the date on which the Credit Union commits to purchase or sell the asset.

The Credit Union assesses at each reporting date whether there is objective evidence that a financial asset, or a group of financial assets, is impaired.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Credit Union has transferred substantially all the risks and rewards of ownership.

Refer to note 10 for accounting policy on impairment of loans and receivables.

Cash and cash equivalents

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

Loans to members

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

Financial liabilities

Non-derivative financial liabilities are classified as other financial liabilities and measured at amortised cost using the effective interest rate method. Other financial liabilities consist of members deposits and trade and other payables.

(j) PBE Combinations

The Credit Union uses the modified pooling of interests method to account for PBE combinations. The acquired assets and liabilities are recorded at their existing carrying values rather than at fair value and accordingly no goodwill is recognised.

(k) Changes to Accounting Policies

During the year, the Credit Union revised its accounting policy in relation to accounting for configuration and customisation costs in a Software-as-a-Service ("SaaS") arrangement. The revision of the accounting policy resulted from the IFRS Interpreations Committee (IFRIC) published final agenda decision on SaaS arrangements. A SaaS arrangement are service contracts providing the Credit Union with the right to access the software provider's application software over the contract period. It was determined that costs incurred to configure and customise the software were not distinct from the wider services offered under a Bureau Services arrangement. Acordingly the costs incurred are better recognised as a prepaid Bureau Service costs and released to profit and loss over the contract term.

Historical financial information has been restated to account for the impact of this change in accounting policy is as follows:
Statement of Comprehensive Revenue and Expense:

- A decrease of amortisation expense of $18,179 and an increase in other expenditure of $18,179, resulting in an nil effect of Total Comprehensive Revenue and Expense for the 2020 year;
- A decrease of amortisation expense of $18,179 and an increase in other expenditure of $18,179, resulting in an nil effect of Total Comprehensive Revenue and Expense for the 2021 year.

Statement of Financial Position:

- A decrease of Intangible Assets of $148,461 and an increase in Prepayments of $148,461 for 2020;
- A decrease of Intangible Assets of $130,282 and an increase in Prepayments of $130,282 for 2021;

(l) Standards, Interpretations and Amendments to Published Standards that are not yet effective

At the date of authorisation for issue of these financial statements of the Credit Union for the year ended 30 June 2021, the following PBE Standards that will be applicable to the Credit Union were in issue but not yet effective:

PBE IPSAS 41 – Financial Instruments	Effective 1 January 2022
PBE FRS 48 – Service Performance Reporting	Effective 1 January 2022

There are other issued standards not mentioned that will not impact the Credit Union. PBE IPSAS 41 standard will require a reassessment of financial asset classification which could lead to recognition and measurement changes, the expected credit loss provision may likely result in higher impairment provisions. PBE FRS 48 standard requires additional disclosures which are currently being worked on. The impact of the application of these standards above are yet to be assessed.

All applicable PBE Standards will be adopted at their effective date (except for those PBE Standards that are not applicable to the entity).

Adoption of new and amended accounting standards that are first operative

PBE IPSAS 40 *PBE Combinations* was issued in July 2019 and is effective for annual financial statements covering periods beginning on or after 1 January 2021. PBE IPSAS 40 requires a PBE combination be classified as either an amalgamation or an acquisition. When a combination qualifies for an amalgamation rather than an acquisition when the amalagamation gives rise to a resulting entity from the combination of the mutual entities and no consideration is transferred, consideration is the carrying value of the acquiree's indentifiable assets acquired and liabilities assumed at acqusition date. The Credit Union has early adopted PBE IPSAS 40 and applied the standard to the transfer of Engagements between New Zealand Employees Credit Union and Steelsands Credit Union effective 5 December 2020. This has resulted in New Zealand Employees Credit Union being amalgamated with Steelsands Credit Union with Steelsands Credit Union being the resulting entity. As such the combined results of the resulting entity are presented from the date of the amalgamation and the comparative information is presented for Steelsands Credit Union only. Further information about the amalgamation is disclosed in Note 26 and to accounting policy (j).

The were no other new or amended standards adopted for the first time during the year ended 30 June 2021 that had a material impact on the recognition, measurement or presentation of these financial statements.

(m) Going Concern

The Credit Union reported a deficit of $306,266 for the year ended 30 June 2021 (2020: deficit of $11,093). As at 30 June 2021 the Credit Union has a contractual liability deficiency of $23,041,000 within the on call category (2020: $21,920,000) as disclosed in Note 19.

The considered view of the Directors of the Credit Union is that the Credit Union has adequate resources to continue operations for the foreseeable future. For this reason, the Board of Directors continue to adopt the going concern assumption in preparing the financial statements of the Credit Union for the year ended 30 June 2021.

The Board of Directors has reached this conclusion having regard to circumstances which it considers likely to affect the Credit Union during the period of at least one year from date of approval of these financial statements, and to circumstances which it considers will occur after the date which will affect the validity of the going concern assumption. The Board of Directors assessment included reviewing forecasts (including financial performance and cash flows) for the period of at least one year from date of approval of these financial statements.

The Board has identified there are events and conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern:

- Restructurings at two of its key member sites: NZ Refining (Marsden Point) and NZ Steel at Glenbrook
- Larger than expected loss caused by a number of factors, such as:
    - Loss of business due to Covid-19 lockdowns,
    - Increased competition for loans from mainstream banks,
    - Any future Covid-19 lockdowns, especially with respect to Auckland, will have a material impact on the Credit Union's operations; and
- Deterioration of key capital and liquidity coverage ratio's as a result of the above.

The ongoing impact of Covid-19 on the economy and membership base of the Credit Union could lead to a further deterioration of ratio's which may materially impact the Credit Union's ability to continue as a going concern.

The Board, when approving the going concern assessment, have agreed a plan to mitigate the effect of events and the conditions described above:

- Broadening the membership base to lessen our exposure to NZ Refining and NZ Steel through the recently completed transfer to engagement with New Zealand Employee Credit Union (Note 26) which provides a foothold in the Auckland market which is not dependent on closed site employers; and is currently under-served by other credit unions
- Reviewing our current branches to determine their individual level of profitability within the wider Credit Union
- implementing an administration fee and increasing the loan application fee, along with other miscellaneous fees, to mitigate the impact of rising operational costs
- lnvestigating the possibility of outsourcing 'back office' functions to external providers in order to reduce costs and enable our staff to focus on 'value'adding' activities
- Reviewing our processes at branch level to determine the real cost of specific business activities and identify ways in which to mitigate the cost of these
- ldentify and implement new products and/or services, where appropriate, into our service offering that will benefit our members and increase our profitability
- On a short-term basis, and in conjuction with our external financial advisors, take appropriate action to continue to improve our Capital Ratio from the current level in September 2021 of 13.15% to strategic levels
- The Board will revisit the option of applying for a credit rating, which will allow us to focus on driving improved lending opportunities generally and allow us to maintain a reduced Capital Ratio of 8%

Whilst the Covid-19 pandemic and the public health, social and economic measures have lowered overall economic activity and confidence management have accessed and determined that the Credit Union's application of the going concern basis of accounting remains appropriate. In assessing whether the Credit Union's application of the going concern basis of accounting remains appropriate, management has applied judgement, having undertaken the responses and considerations described above to reaffirm the Credit Union's application of the going concern basis of accounting remains appropriate.

The Credit Union has a requirement to file its audited financial statements with a number of regulatory and oversight bodies within four months of reporting date. Due to impacts of COVID-19 the Credit Union requested an extension of an additional month from these bodies.

Global pandemic of coronavirus disease 2019

During the previous year, the World Health Organization declared an ongoing global outbreak of a novel coronavirus, known as 'coronavirus disease 2019' ('COVID-19'), as a pandemic.
The rapid spread of COVID-19 has seen an unprecedented global response by governments, regulators and numerous industry sectors. Governments and regulators worldwide (including in New Zealand) have and continue to implement a range of:

- public health and social measures to prevent and contain the transmission of COVID-19; and
- economic responses to provide financial stimulus and welfare support to mitigate the economic impacts of the COVID-19 pandemic.

The Credit Union was deemed an essential service during country-wide lockdowns and continued to offer access to banking and call centre services during all alert levels. Services within Branches were limited during levels 3 and 4, however staff working from home were available by telephone or email and were able to respond to member needs.
The Credit Union's earnings, cash flow and financial position have been impacted since the pandemic was declared and up to the date of the signing of these financial statements.
During periods of lockdown, the Credit Union saw an increase in member savings and a corresponding decrease in transactional activity and loan advances to members. The ongoing pandemic has increased the estimation uncertainty in the determination of the provision for the impairment of loans and advances to members due to uncertainty over future economic impacts. The Credit Union was also eligible for, and received, the government wage subsidy. Except as noted above, as at the date of the signing of these financial statements, the Credit Union has not experienced any significant decreases in its activities or cash flows.
The COVID-19 pandemic and responses described above, continue to inhibit economic activity and confidence levels within the community, the economy and the operations of the Credit Union's business. While the scale and duration of these developments remain uncertain as at the date of signing these financial statements, they could impact the Credit Union's members and its ability to maintain revenue levels, which could in turn impact the Credit Union's earnings, cash flow, financial position and capital ratio. Consequently, there has been an increase in the level of inherent uncertainty in the critical accounting estimates and judgements applied by Management in the preparation of these financial statements.

In response to the COVID-19 pandemic and measures, management have:

- Implemented appropriate health and saftely responses to ensure the continuity of its business operations under each of the alert levels under the NZ Government's public health and social meausres, whilst complying with the applicable public health and social measures for that level;
- Implemented measures to reduce operating costs and capital expenditures (where applicable deferring non-essential capital projects);
- Implemented initiatives to support members during these uncertain times; and
- Considered and reaffirmed that the Credit Union's application of the going concern basis of accounting remains appropriate as at date of the signing of these financial statements.

COVID-19 has had a significant impact on the bottom line of the business for year ended 30 June 2021. Most specifically, there has been a steady decline in new lending applications since the global pandemic hit in around March 2020 to date. We have made reasonable adjustments to our business practices during this time, including making allowances for hardship applications within approved criteria and appropriate terms and conditions. We have also been mindful of our impairments during this time and increased our provisions accordingly which has also been a result of the ToE of Employees into Steelsands. Our staff have been able to successfully work remotely to ensure our members are supported and have remained front of focus during these periods of lockdown and the far-reaching impacts of COVID-19 over the past year.

These financial statements have been prepared based upon conditions existing at the end of the reporting period, 30 June 2021, and considering those events occurring subsequent to that date, up to the date of the signing of these financial statements, that provide evidence of conditions that existed at the end of the reporting period.

3 REVENUE AND EXPENDITURE

	Note	2021	2020
REVENUE			
Interest - Loans and Receivables		$	$
Interest on Loans		1,160,612	1,257,337
Interest on Banzpay NZ and Bank Deposits		237,125	422,322
Total Interest Income		**1,397,737**	**1,679,659**
Other Revenue			
Cost Recoveries		110,556	74,117
Loan Administration Fees		102,168	36,212
Commissions		39,532	104,263
Other Revenue		64,368	52,121
Total Other Revenue		316,624	266,713
TOTAL EXCHANGE REVENUE		**1,714,361**	**1,946,372**
EXPENDITURE			
Interest - Liabilities at amortised cost			
Interest on Members Call Shares		147,920	403,507
Interest on Members Term Shares		90,784	109,611
Total Interest Expenditure		**238,704**	**513,118**
Other Expenditure			
Auditor Remuneration - BDO Auckland			
- Reporting to the Supervisor		2,000	
- External Audit Fees		60,608	52,532
- External Audit Fees in relation to NZ Employees Credit Union		29,431	-
Printing and Stationery		19,041	23,460
Data Processing & Support		214,752	135,163
Banking Services Fees		36,777	34,609
Accesscard Costs		113,295	79,013
Coop Money Dues		-	25,720
Trustee Fees		19,966	15,150
Members Savings & Loan Insurance		45,429	65,252
Other Expenses		388,117	335,711
Total Other Expenditure		**929,416**	**766,610**
Loan Impairment Expenses			
Movement in Allowance for Impaired Loans		56,802	20,263
Bad Debts Written Off		21,076	887
Total Impairment Expenses	10a	**77,878**	**21,150**
Employee Expenses			
Short-term Employee Benefits			
Salaries and Wages		711,711	607,500
Other Short-Term Employee Benefits		12,640	11,883
Total Short-Term Employee Benefits		**724,351**	**619,383**
Post-Employment Benefits			
Defined Contribution Plans - KiwiSaver		38,705	23,129
Total Employee Expenses		**763,056**	**642,512**
Depreciation Expenditure			
Computer Equipment		10,203	12,807
Office Furniture and Equipment		1,370	1,268
Total Depreciation Expenditure	11	**11,573**	**14,075**

4 INTEREST PAID - MEMBERS' DEPOSITS

Interest is paid to depositing members. At times during the period the Credit Union may offer depositors special accounts that have a pre-set interest rate. Interest rates applied to members' deposits for the period were:

	2021	2020
S1 - S4 Everyday, Billpay and Special Savings Accounts	0.00%	0.00%
S5 Goal Saver Account	0.05% - 1.00%	0.25% - 2.40%
S6 Loan Provider Account	0.25% - 2.00%	0.25% - 2.00%
S7 Christmas Club	0.40% - 3.00%	1.40% - 4.00%
S8 Jimmy J Account	0.80% - 3.00%	3.00% - 3.25%
I3 Term Deposit - 3 months	0.30% - 0.40%	1.05% - 2.40%
I4 Term Deposit - 6 months	0.70% - 1.30%	1.60% - 3.00%
I6 Term Deposit - 12 months	0.70% - 1.30%	1.60% - 3.10%

5 RESERVES

Reserves at 30 June 2021	Retained Earnings $
Balance carried forward	3,541,362
Deficit for the period	(306,266)
Combination of NZ Employees Credit Union	(148,185)
Balance carried forward	3,086,911
The Reserve % to Total Assets	9.29%

Reserves at 30 June 2020	Retained Earnings $
Balance brought forward	3,552,455
Deficit for the period	(11,093)
Balance carried forward	3,541,362
The Reserve % to Total Assets	11.43%

Reserves arise from accumulated revenue and expenses of $3,235,096 (2020: $3,541,362) accumulated from operations and accumulations from NZ Employees Credit Union as a result of the combination of $(148,185), refer note 26.

Total Reserves

The Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 requires that the Credit Union must:

. maintain a minimum risk weighted capital ratio of 12%. This ratio is to be calculated by measuring the Credit Union's capital against specified weightings for credit, market and operational risks that the Credit Union is exposed to in the course of its business; and

. Limit its aggregate related party exposures to no more than 15% of its capital. Related parties to the Credit Union include directors, senior management and relatives of directors or senior managers. The related party exposure at 30 June 2021 was 2.61% (2020: 7.17%), meeting this requirement.

The Credit Union has been in complaince with the Deposit Takers Regulations 2010 during the reporting period.

6a CASH AND CASH EQUIVALENTS

	Average Interest Rates	**2021 $**	**2020 $**
Cash on hand and bank balances	0.00%	138,586	50,933
Cash on hand at Banzpay NZ	0 - 0.50%	633,410	229,055
Deposits at Other Banks	0 - 1.00%	11,073,874	5,249,697
		11,845,870	5,529,685

The deposits with Banzpay NZ’s central banking facility are excess funds held by the Credit Union. Banzpay NZ minimises its exposure to credit risk by maintaining a diversified portfolio with controls over maturity, counter party and concentration of investment risks. All cash and cash equivalents are current assets. The bank deposits have original maturities of less than three months.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and other financial institutions (i.e Banzpay).

Deposits at other banks include Kiwbank, ANZ and Westpac banks.

Statement of Cash Flows

<u>Definitions of Terms Used in the Statement of Cash Flows:</u>
"Cash and Cash Equivalents" includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by the organisation as part of their day-to-day cash management.
"Investing Activities" are those activities relating to the acquisition and disposal of current and non-current investments and any other non current assets.
"Financing Activities" are those activities relating to changes the size and composition of the capital structure of the Credit Union.
"Operating Activities" include all transactions and other events that are not investing or financing activities.

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

Cash and Cash Equivalents
The carrying amount is considered to approximate the fair value due to the short-term nature of the financial assets.

6b SHORT TERM INVESTMENTS

		2021 $	2020 $
Deposits at Banzpay NZ	0.00%	274,500	-
Deposits at Other Banks	0.75 - 3.00%	9,176,900	14,043,120
		9,451,400	14,043,120

Short term investments are bank deposits with an original maturity between three months and one year.
Short term investments are current assets. $274,500 of the deposits at other banks (2020: $274,500) relates to a settlement bond with Westpac Bank, it is restricted and held by Banzpay NZ.

Deposits at other banks include Kiwibank and Westpac banks. Deposits at other banks are measured at amortised cost, using the effective interest method, less any impairment losses.

7 TRADE AND OTHER RECEIVABLES

	2021 $	2020 $
Other receivables	8,160	62,587
	8,160	62,587

Trade and other receivables are current assets and not impaired.

These amounts represent amounts due for services performed by the Credit Union prior to the end of the financial period which are not received. The amounts are expected to be received within a year of recognition. They are initially recorded at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less impairment.

8 PREPAYMENTS

	2021 $	2020 $
Prepayments	188,738	160,026
	188,738	160,026

9 LOANS TO MEMBERS

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

Loans are made in accordance with the lending policy of the Credit Union. An allowance for impairment has been made at the end of the reporting period. Bad loans are written off through surplus or deficit and the allowance for impairment is assessed and adjusted at the end of each reporting period.

(a) Loans to members comprise:	Note	2021 $	2020 $
Neither Past Due nor Impaired		10,084,427	10,379,309
Past due but not impaired			
1 - 30 days		920,004	336,368
Over 30 days		189,085	208,325
Impaired loans			
0 - 30 days		-	-
31 - 60 days		115,812	33,624
61 - 90 days		138,270	46,612
over 90 days		580,582	205,466
Gross Loans		12,028,180	11,209,704
Less:			
Allowance for Impaired Individually	10	225,038	113,457
Allowance for Restructured	10	195,089	25,469
Net		11,608,053	11,070,778

(b) Credit quality - Security dissection		
Secured by members' shares	195,245	125,431
Partially secured by vehicles and other collateral	10,071,291	8,919,525
Secured by mortgage	1,580,006	2,102,259
Unsecured loans	181,638	62,489
	12,028,180	11,209,704

It is impractical to provide a valuation of the security held against loans due to the large number of assets to be valued to arrive at the amount.

Interest rates for loans are disclosed in Note 21 (d).

(c) Credit quality - Concentration of loans	2021	2020
(i) Loans to individual or related groups of members which exceed 10% of member funds in aggregate	0%	0%
(ii) Loans to members are concentrated to individuals employed in the NZ Steel Ltd, Refining NZ, NZME Ltd and Alliance Group Ltd industries	70%	70%
(iii) Loans to members are concentrated solely in New Zealand and principally within the common bond of the Credit Union; The common bond is any employee (present or past) of NZ Steel Ltd, the Credit Union, a company or organisation in New Zealand or a charity or incorporated society, or any person in relation to other members.	100%	100%

Considerations have been made in respect of loan quality and recoverability during the year and after the reporting date due to the impact of COVID-19. No impairment has been recorded due to the impact of COVID-19 as the recoverability of loans have remained consistent.

	$	$
Current	4,327,459	4,047,622
Non Current	7,700,721	7,162,082
Total	12,028,180	11,209,704

10 IMPAIRMENT OF LOANS AND ADVANCES

Impairment – Loans & Receivables

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

- loan in arrears greater than 30 days;
- significant financial difficulty of the member;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- a concession granted to the borrower that the lender would not otherwise consider for economic or legal reasons relating to the borrower's 'financial difficulty; or
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The Credit Union considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level.

All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Credit Union uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in surplus or deficit and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit.

The various components of impaired assets are as follows:

Individually impaired loans are loans and advances for which there is reasonable doubt that the Credit Union will be able to collect all amounts of principal and interest in accordance with the terms of the agreement and for which an individual assessment of impairment is made.

Collectively impaired loans are loans and advances that are not individually assessed for which a collective assessment of impairment is made based on the length of time the loan is in arrears.

Restructured loans are loans where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member.

Assets acquired through the enforcement of security are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

Past-due loans are loans or similar facilities in arrears when a member has failed to make payment when contractually due which are not impaired loans. 90 day past due loans are loans which have not been operated by the member within its key terms for at least 90 days and which are not impaired loans.

Key assumptions in determining the allowance for impairment
Impairment is assessed initially for assets that are individually significant. Impairment is then collectively assessed for assets that are not individually significant. Where an asset is determined to note be individually impaired, it is included in a group of assets with similar risk characteristics tested with that group for impairment.

The estimated individual impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows discounted to their present value at the original effective interest rate. The process of estimating the amount and timing of cash flows involves considerable management judgement. These judgements are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

For the purpose 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 Credit Union's grading process that considers asset type, 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 debtor's 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 in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The provision for credit impairment (specific and collective) is deducted from loans to members in the statement of financial position and the movement in the provision for the reporting period is reflected in the statement of comprehensive revenue and expense as an loan impairment expense.

When a loan to members is uncollectible, it is written off against the related provision for loans to members impairment. Subsequent recoveries of amounts previously written off are taken to the statement of comprehensive revenue and expense.

Where impairment losses recognised in previous periods are subsequently decreased or no longer exist, such impairments are reversed in the statement of comprehensive revenue and expense.

10 IMPAIRMENT OF LOANS AND ADVANCES (Continued)

(a) Impairment Expense	**Note**	**2021**	**2020**
		$	**$**
Allowances for impairment - increase in the year		56,802	20,263
Bad loans written off as expense in the year		21,076	887
		77,878	21,150

(b) Impairment of Loans		**2021**	**2020**
Individually Impaired Assets Provision		**$**	**$**
Opening Balance		113,457	99,522
Amalgamation of NZ Employees Credit Union	26	85,724	-
Provisions made during the year		25,857	13,934
Closing Balance		225,038	113,457
Restructured Assets Provision			
Opening Balance		25,469	19,140
Amalgamation of NZ Employees Credit Union	26	138,674	-
Increase in provision for the year		30,946	6,329
Closing Balance		195,089	25,469
Total Assets Provision		420,127	138,925

Loans with no indicators of impairment or arrears total $10,084,427 (2020: $10,378,669).

	2021	**2020**
	$	**$**
(c) Interest and Other Income recognised and foregone		
Interest Income on restructured loans	24,341	1,789
Interest foregone on restructured loans	6,807	3,867
	31,148	5,657

11 PLANT AND EQUIPMENT

	2021	**2020**
	$	**$**
Office Furniture & Equipment		
At cost	155,910	41,600
Accumulated depreciation	(154,782)	(40,236)
	1,128	1,364
Computer Equipment		
At cost	221,685	149,849
Accumulated depreciation	(204,645)	(131,514)
	17,040	18,335
Total Plant & Equipment	18,168	19,699

Plant and equipment are non current assets. Plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset as approriate, only when it is probable that future economic benefits associated with the item will flow to the credit union and the cost of the item can be measured reliably. All other repairs and maintenance are charged to surplus or deficit during the financial period in which they are incurred.

(a) Movements in Carrying Amounts
Reconciliations of the carrying amounts of each class of plant and equipment between the beginning and end of the current financial year are set out below:

	Computer Equipment	**Office Furniture & Equipment**	**Total**
2021	**$**	**$**	**$**
Balance at Beginning of Period	18,335	1,364	19,699
Additions resulting from Amalgamation (note 26)	-	1,134	1,134
Additions	8,908	-	8,908
Depreciation Expense	(10,203)	(1,370)	(11,573)
Carrying amount at Period End	17,040	1,128	18,168
2020			
Balance at Beginning of Period	18,333	2,084	20,417
Additions	12,809	548	13,357
Depreciation Expense	(12,807)	(1,268)	(14,075)
Carrying amount at Period End	18,335	1,364	19,699

(b) Impairment Losses
There were no impairment losses in respect of plant and equipment.

12 LONG TERM RECEIVABLES

New Zealand Association of Credit Union (NZACU, trading as Co-Op Money NZ) Business Services Division Trust Base Capital Notes (Capital Notes) represent monies invested with the NZACU Business Services Division Trust for an open-ended term. The Capital Notes consitute unsecured obligations of the NZACU Business Services Division Trust and rank equally and without priority or preference among themselves. The Capital Notes rank after creditors in the event of the winding up of the NZACU themselves. The Capital Notes rank after creditors in the event of the winding up of the NZACU Business Services Division Trust. Capital Notes may only be sold or transferred to another Credit Union that is a member of the NZACU Business Services Division Trust and with the consent of the NZACU Business Services Division Trust Board of Directors. There is no active market for these securities which have no guaranteed interest rate return.

The Capital Notes were sold in the year ended 30 June 2020 to Credit Union Baywide (Baywide) for $270,726, which resulted in a price per Capital Note of $0.75, being 75% of the face value of the Capital Notes at 30 June 2019 ($360,968), with the residual amount of $90,242 to be received under a loyalty bonus payment arrangement.

Under the agreement, if the Credit Union continues to use the bureau services from NZACU after 1 July 2022, Baywide will pay the Credit Union an amount equal to $0.05 (or 5%) for each Capital Note for each financial year that the Credit Union continues to use the bureau services up to 30 June 2027. The first financial year this amount is payable is for the year ended 30 June 2023. If the Credit Union ceases to use the bureau services at any point before this period, they will not be entitled to the loyalty bonus in full, and if they cease to use the bureau services during the above-mentioned period, they will not be entitled to the loyalty bonus for that period and future periods to the year ended 30 June 2027. The consideration received for the Capital Notes cannot be clawed back under the arrangement.

The Directors are satisfied that, at the date of signing these financial statements, that the Credit Union will continue to use the bureau services from NZACU for the forseeable future, and the balance is recoverable from NZACU. A receivable was recognised at fair value upon initial recognition and the balance carried forward is to be carried at amortised cost.

	2021 $	2020 $
Long-term receivable		
Opening balance of receivable	90,242	-
Sale of capital notes to Baywide	-	90,242
Balance at the end of the year	90,242	90,242

The balance is carried forward as a long-term receivable as the balance is not due to start being received until the year ended 30 June 2023, on the basis that the Credit Union continues to use the bureau services from NZACU on an ongoing basis.

13 TRADE AND OTHER PAYABLES

	2021 $	2020 $
Trade Payables	298,166	193,412
Sundry Creditors and Accrued Expenses	6,108	-
Accesscard and Accessdebit Settlement	95,486	52,287
	399,760	245,699

Trade payables generally have terms of 30 days and are interest free. Trade payables of a short-term duration are not discounted. Trade and other payables are current liabilities.

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

14 MEMBERS' DEPOSITS

	2021	2020
Call Shares:	**$**	**$**
Everyday Savings Accounts	5,131,700	4,374,391
Goal Saver Account	16,881,338	16,692,979
Loan Provider Account	1,779,857	816,573
Christmas Club	860,453	658,561
Jimmy J Account	578,208	699,703
Total Call Shares	25,231,558	23,242,207
Term Shares:		
(Original Maturity Terms)		
3 months	-	-
6 months	1,135,010	1,096,410
12 Months	3,337,193	2,832,427
Total Term Shares	4,472,202	3,928,837
Total Members' Deposits	29,703,760	27,171,044

This represented by:	**$**	**$**
Current	29,703,760	27,171,044
Non Current	-	-
Total	29,703,760	27,171,044

Interest rates on members shares are disclosed in Note 4.
All members deposits are current liabilities.

Members' deposits are the members' shares in the Credit Union. For the purposes of financial reporting, members' shares are recognised as debt instruments as they are essentially savings accounts in nature. The Credit Union has the ability to supend withdrawals for a period, if required.

They are recorded initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost, using the effective interest method. All payments of dividends on these shares are recorded as interest payments.
Interest on deposits is brought to account on an accrual basis.

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

Members' shares are secured by a first ranking equitable assignment by the way of security over the whole of the Credit Union's present and future undertaking, assets and income, including the proceeds received for the subscription shares. The equitable assignment by way of security was granted in favour of the Prudential Supervisor of the Credit Union, under the Trust Deed dated 5 April 2001 which has been registered with the Registrar of Companies.

15 COMMITMENTS

(a) Lease commitments
There are no lease commitments as at 30 June 2021 (2020 : Nil).

(b) Outstanding Loan Commitments

Loans and credit facilities to members approved but not funded or drawn at the end of the financial year:

	2021	2020
	$	**$**
Loans approved but not funded	30,361	6,235
Undrawn overdraft, line-of-credit and Accesscredit	10,109	25,788
	40,470	32,023

Of the loans in approved at 30 June 2021, $Nil related to mortgage loans (2020 : $Nil).

16 STANDBY BORROWING FACILITIES

There is no overdraft facility in place as at 30 June 2021. The unused overdraft facility for 30 June 2020 was $Nil.

17 CONTINGENT LIABILITIES

There are no material contingent liabilities not provided for in the financial statements (2020: Nil).

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The board had endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union.

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

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

Market Risk
The Credit Union is not exposed to currency risk. The Credit Union does not trade in the financial instruments it holds on its books.

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

The policy of the Credit Union to manage the risk is to maintain a balanced "on book" strategy by ensuring the net interest rate gaps between members loans and members shares are not excessive. The measured gap in each 3-month range to be maintained is between 3.25% to 9.00% of the difference between loans and members deposits. The gap is measured monthly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposits liabilities to rectify the imbalance to within acceptable levels. The policy of the Credit Union is not to undertake derivatives to match the interest rate risks. The Credit Unions exposure to interest rate risk is set out in Note 18 which details the contractual interest rate risk profile.

The following tables summarise the sensitivity of the Credit Union's assets and financial liabilities to 1% movement In interest rate risk on the Credit Union's financial position and results.

The Board and Management consider that given the relatively stable nature of the New Zealand financial environment, good response to Covid19 and ability to manage interest rate risk, a 1% movement in interest rate risk is reasonable.

	2021 - Interest Rate Risk			2020 - Interest Rate Risk		
	Carrying Amount $	-1% Profit & Equity $	+1% Profit & Equity $	Carrying Amount $	-1% Profit & Equity $	+1% Equity $
Financial Assets						
Short-term deposits	9,451,400	-94,514	94,514	14,043,120	-140,431	140,431
Loan to Members	11,608,053	-116,081	116,081	11,070,778	-110,708	110,708
		-210,595	210,595		-251,139	251,139
Financial Liabilities						
Members' deposits	29,703,760	-297,038	297,038	27,171,044	-271,710	271,710
Total Increase / (Decrease)		-507,633	507,633		-522,849	522,849

The Credit Union performs sensitivity analysis to measure market risk exposures. The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing between the members' loans and members' deposits for the next 12 months. In doing the calculation the assumptions applied were that:
- The interest rate change would be applied over the loan products and term deposits to maintain the margin within the target measured gap of 6%-10%
- The rate change would be as at the beginning of the 12-month period and no other rate changes would be effective during the period
- The term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposit with similar terms and rates applicable
- All loans would be repaid in accordance with the current contractual repayment terms
- The value and mix of call savings to term deposits would change to reflect planned business forecasts
- The value and mix of personal loans to mortgage loans will be unchanged

There has been no change to the Credit Union's exposure to market risk or the way the Credit Union manages and measures market risk in the reporting period due to the ability to quickly change deposit interest rates and relatively smaller percentage of member term deposits.

Credit Risk - Loans
Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the entity. The Credit Union minimises concentration of credit risk in relation to loans by undertaking transactions with a large number of members. Loans are concentrated in and limited to the area of "common bond" and consequently the Credit Unions lending is almost exclusively to individuals residing within New Zealand. Approximately 74% of loans are concentrated within the following employers NZ Steel Ltd, Refining NZ, Alliance Group and NZME Ltd. The credit policy is that loans and investments are only made to members that are credit worthy. Due to the potential effect of Covid19 lockdowns on the income of members and Government guidance, the Credit Union has instigated a modified approach to gathering of credit information as part of the loan application. This is intended to provide a members current and future financial situation in order minimise hardship and improved security.

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

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES Continued

Regular reviews of compliance are conducted as part of the internal audit scope. The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The Credit Union has a concentration in the retail lending for members who comprise employees and family at NZ Steel Ltd, Refining NZ, Alliance Group, NZME Ltd and NZ employees, with a concentration of members and activity in Waiuku, Pukekohe, Marsden Point, Invercargill and in the Auckland area for NZME members and NZ employees. This concentration is considered acceptable on the basis that the Credit Union was formed to service these members, and the employment concentration is not exclusive. Should members leave the industry the loans continue and other employment opportunities are available to the members to facilitate the repayment of loans.

Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days if not rectified. Alternatives for members under hardship have been developed and are offered as required to members. For loans where repayments are doubtful, external consultants maybe engaged to conduct recovery action once the loan is over 30 days in arrears. The exposures to losses arise predominantly in the non-secure personal loans and facilities. The significant accounting judgements related to the determination of the provision for impairment of loans are set out in Note 10.

The Credit risk of loans are reviewed on an ongoing basis, as well as taking into the account the impact of COVID-19 during the year.

Credit Risk - Deposits at Banzpay NZ and Other Banks
Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Credit Union.

There is a risk of concentration of credit risk with respect to investment receivables, consequently investment with Banzpay NZ has been limited to funds required to operate banking services and all other investments are with the some of the main registered banks in New Zealand, namely Westpac, Kiwibank and ANZ.

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

The Board policy is to maintain investments as required in Banzpay NZ, as the Credit Union's financial services provider. The Fitch credit rating for Banzpay NZ as at April 2021 was BB-. Any other investments must be with New Zealand registered Banks who have credit ratings.

The trading banks used have ratings of A+ (Westpac & ANZ) and AA (Kiwibank) issued by Fitch.

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

The Credit Union manages liquidity risk by:
- Continuously monitoring forecast and actual daily cash flows
- Reviewing the maturity profiles of financial assets and liabilities
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities
- The maturity of the loans to members is disclosed as per the terms in the members' loan contracts. In the event that members require their shares repaid and insufficient funds are available, the Credit Union will make no further loans until all applications for share withdrawals are honoured. If required the Board can limit/suspend withdrawals where appropriate.

The Credit Union's policy is to maintain at least 8% of total assets as liquid assets capable of being converted to cash within 7 days. The ratio is checked daily. Should the liquidity ratio fall below this level, the management and board are to address the matter and ensure that the liquid funds are obtained from new deposits or borrowing facilities available.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out specifically in Note 19.

The Credit Union has a financial covenant to ensure that the liquidity coverage ratio shall not fall below 1.2 at any time

Liquidity Coverage Ratio (LCR) 5.33 (2020: 4.86)

Calculated as liquid assets plus expected loan receivables within that month plus expected gross share contributions within that month divide by the expected gross share redemptions within that month.

The terms used in this covenant, and the calculations under this covenant, are in accordance with the terms of the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposure) Regulations 2010.

Risk Weighted Capital Ratio 13.72% (2020: 16.71%)

The Risk Weighted Capital Return has been calculated in accordance with the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010.

The Credit Union's capital is determined as follows:

Tier 1	2021	2020
Retained earnings & other Income reserves	3,086,911	3,541,362
Total reserves	**3,086,911**	**3,541,362**

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

19 MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans, the repayment amount and frequency. The associated table shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained. For term loans the above dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied.

2021 - Monetary Assets Receivable	On Call	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	No Maturity	Total
	'000's	'000's	'000's	'000's	'000's	'000's	'000's	'000's	'000's	'000's
	$	$	$	$	$	$	$	$	$	$
Cash & Bank	2,215	-	-	-	-	-	-	-	-	2,215
Other Bank Deposits	-	3,171	10,072	2,432	3,406	-	-	-	-	19,081
Trade & other receivables	-	8	-	-	-	-	-	-	-	8
Future interest receivable	-	101	180	259	436	575	540	515	-	2,606
Loans to members	-	718	686	1,032	1,866	3,154	3,675	876	-	12,007
Long-term Receivable	-	-	-	-	-	-	-	-	90	90
	2,215	3,998	10,938	3,723	5,708	3,729	4,215	1,391	90	36,007

2021 - Monetary Liabilities Payable	On Call	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	No Maturity	Total
Trade & other payables	-	400	-	-	-	-	-	-	-	400
Members Deposits	25,256	752	626	1,388	1,360	56	266	-	-	29,704
Future Interest payable	-	4	3	2	3	0	1	-	-	14
	25,256	1,155	629	1,390	1,363	56	267	-	-	30,118

2020 - Monetary Assets Receivable	On Call	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	No Maturity	Total
	'000's	'000's	'000's	'000's	'000's	'000's	'000's	'000's	'000's	'000's
	$	$	$	$	$	$	$	$	$	$
Cash & Bank	664	-	-	-	-	-	-	-	-	664
Other Bank Deposits	-	2,768	10,593	3,655	1,818	-	-	-	-	18,834
Trade & other receivables	-	334	-	-	-	-	-	-	-	334
Future interest receivable	-	92	154	224	374	501	506	408	-	2,259
Loans to members	-	557	568	883	1,942	2,645	3,708	806	-	11,109
Long-term Receivable	-	-	-	-	-	-	-	-	90	90
	664	3,751	11,315	4,762	4,134	3,146	4,214	1,214	90	33,290

2020 - Monetary Liabilities Payable	On Call	Within 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	No Maturity	Total
Trade & other payables	-	264	-	-	-	-	-	-	-	264
Members Deposits	22,584	882	408	1,808	1,469	-	-	-	-	27,151
Future Interest payable	-	29	-	-	-	-	-	-	-	29
	22,584	1,175	408	1,808	1,469	-	-	-	-	27,444

STEELSANDS CREDIT UNION INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

20 INTEREST RATE RISK

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

	Repricing period at 30 June 2021																			
			Fixed Interest Rate Maturing in:																	
	Floating Interest Rate		0 to 3 months		3 to 6 months		6 to 12 months		1 to 2 years		2 to 5 years		Over 5 years		Non-interest sensitive		Total		Weighted average effective interest rate*	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020		
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**2021**	2020
Monetary Assets																				
Cash & Bank	**11,846**	5,530															**11,846**	5,530	**0.25%**	0.70%
Deposits at Other Banks			**3,338**	8,570	**2,432**	3,655	**3,406**	1,818									**9,176**	14,043	**0.99%**	2.46%
Trade & other receivables															**8**	63	**8**	63	**-**	-
Loans to members	**12,028**	11,210															**12,028**	11,210	**11.68%**	10.69%
Long-term Receivable													**90**	90			**90**	90	**-**	-
Total Monetary Assets	**23,874**	16,740	**3,338**	8,570	**2,432**	3,655	**3,406**	1,818	**-**	-	**-**	-	**90**	90	**8**	63	**33,148**	30,936		
Monetary Liabilities																				
Deposits	**24,371**	22,584	**2,263**	1,290	**1,388**	1,808	**1,360**	1,469	**56**	**-**	**266**	-					**29,704**	27,151	**2.20%**	2.63%
Other payables															**400**	246	**400**	246	**-**	-
Total Monetary Liabilities	**24,371**	22,584	**2,263**	1,290	**1,388**	1,808	**1,360**	1,469	**56**	-	**266**	-	**-**	-	**400**	246	**30,104**	27,397		

21 OTHER CREDIT RISKS

(a) Maximum Credit Risk Exposure

The Credit Union's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the Statement of Financial Position. Financial Assets for the Credit Union that create credit risk are trade and other receivables, loans to members and capital notes.

(b) Concentrations of Credit Risk

The Credit Union minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of customers. Credit risk is currently managed in accordance with the Prudential Standards to reduce the Credit Union's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement. The majority of loans are within the employee group. The Credit Union has a lending policy, which is used to manage this concentration risk exposure.

(c) Large Counterparties

The Credit Union has exposure to counter-parties as follows:

	Number of Counter-parties	
	Assets	**Liabilities**
Greater than 100% of equity	1	-
Between 90% and 100% of equity	-	-
Between 80% and 90% of equity	-	-
Between 70% and 80% of equity	-	-
Between 60% and 70% of equity	-	-
Between 50% and 60% of equity	-	-
Between 40% and 50% of equity	-	-
Between 30% and 40% of equity	-	-
Between 20% and 30% of equity	-	-
Between 10% and 20% of equity	3	-

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

(d) Loans to Members

Loans can only be made to Credit Union members. Loan interest rates range from 4.25 - 21% p.a. (30 June 2020 : 3.50 - 14% p.a.)
The Credit Union has a lending policy that requires various levels and types of security for loans and includes that a portion of loans may be secured over the borrowing members shares.

	2021	**2020**
The proportion of loans with repayments in arrears in excess of three months is:	6.24%	3.04%
Other than loans, there are no other monetary assets in arrears.		
	Mths	**Mths**
The monthly repayments on the loans for the past period represent an average loan of :	13.13	12.58
Loans are for varying terms but the standard loan contract includes an "on demand" clause.		
	2021	**2020**
The proportion of loans owed in aggregate by the debtors who owe the six largest amounts is:	13.84%	19.05%

	2021	**2020**
The Credit Union offers an overdraft facility.		
Amount Drawn Down:	$7,462	$6,626

(e) Economic Dependency

As NZ Steel Ltd, Refining NZ, Alliance Group and NZME Ltd, considers the Credit Union to be a staff benefit, the Credit Union is not charged rent or other accommodation expenses in relation to the space occupied at New Zealand Steel Limited, Refining New Zealand, Alliance Group and NZME Limited.

(f) Credit Rating

Steelsands Credit Union Incorporated is exempt from the requirement to have its creditworthiness assessed by an approved rating agency. This is because Steelsands Credit Union is exempted under the Non-Bank Deposit Takers (Credit Ratings Minimum Thresholds) Exemption Notice 2016 ("Exemption Notice"). The Exemption Notice applies because the average consolidated liabilities of the Credit Union are $20 million or more but less than $40 million and it maintains a capital ratio of at least of 12%, making it unduly onerous to comply with the requirement under the Act to have a credit rating. This means that the Credit Union has not received an independent opinion of its capability and willingness to repay its debts from an approved source.

22 CONCENTRATION OF FUNDING

The Credit Union's source of funding is members' deposits. Accordingly, the funding is concentrated in and limited to the area of the 'common bond' which includes all of New Zealand. The Credit Union has a high concentration of funding from individuals residing within the Waiuku, Pukekohe, Marsden Point, Invercargill areas, and in the Auckland area for NZME members. A siginificant number of the members are employees and their families of New Zealand Steel Ltd, Refining NZ, Alliance Group and NZME Ltd and Fletcher Steel. The funding from members is recorded as Members' Shares in the Statement of Financial Position.

23 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability. Significant assumptions used in the determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts. The information is only relevant to circumstances at reporting date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Credit Union.

	2021			2020		
FINANCIAL ASSETS	Fair Value	Carrying Value	Variance	Fair Value	Carrying Value	Variance
	$	$	$	$	$	$
Loans and receivables						
Cash & Bank	11,845,870	11,845,870	-	5,529,685	5,529,685	-
Short term investments	9,451,400	9,451,400	-	14,043,120	14,043,120	-
Trade & other receivables	8,160	8,160	-	62,587	62,587	-
Loans to members	11,608,053	11,608,053	-	11,070,778	11,070,778	-
Other Assets						
Long-term receivable	90,242	90,242	-	90,242	90,242	-
Total Financial Assets	33,003,725	33,003,725	-	30,796,412	30,796,412	-
FINANCIAL LIABILITIES						
Other financial liabilities						
Trade & other payables	399,760	399,760	-	245,699	245,699	-
Deposits from members	29,703,760	29,703,760	-	27,171,044	27,171,044	-
Total Financial Liabilities	30,103,520	30,103,520	-	27,416,743	27,416,743	-

The net fair value estimates were determined by the following methodologies and assumptions:

Financial Assets
Loans to Members
As detailed in the accounting policies, loans are carried at amortised cost after allowing for impairment losses. The directors believe that any differences between carrying value and fair value are not material because the loan periods are relatively short and can be changed to "on demand" by the trustees. In addition, interest rate differences between lending dates and reporting date are not significant.

Receivables
The reported amount takes into account the likelihood of collecting the amounts owed. The Directors believe these amounts reflect their fair value due to the short term nature of these investments.

Deposits at Banzpay NZ and Other Banks
Deposits at Banzpay NZ and Other Banks are disclosed at fair value.

Trade and Other Payables
Trade and Other Payables are carried at amortised cost but due to the short term nature of these financial liabilities, carrying value is deemed to approximate fair value.

Long Term Receivables
Long Term Receivables are disclosed at their carrying value.

24 DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

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

Key management persons (KMP) has been taken to comprise the 7 (2020: 7) Directors and Trustees and 3 (2020: 2) members of the executive management responsible for the day-to-day financial and operational management of the Credit Union.

Connected Parties are defined as the immediate relatives of Directors, Trustees and Executive Management.

The aggregate compensation of directors, trustees and key management persons during the year comprising amounts paid or payable or provided for was as follows:

	2021		2020	
	Directors	Other KMP	Directors	Other KMP
	$	$	$	$
(a) short-term employee benefits	16,650	189,673	13,320	190,828
(b) post-employment benefits - Kiwisaver	-	8,830	-	3,471
Total	16,650	198,503	13,320	194,299

In the above table, remuneration shown as short-term benefits means (where applicable) wages, salaries, paid annual leave and sick leave, profit-sharing and bonuses, value of fringe benefits received, but excludes out-of-pocket expense reimbursements.

Directors', Trustees' and Key management persons' holdings at reporting date are:	2021	2020
	$	$
Owing to Directors & Trustees (Shares)	121,909	107,287
Owing from Directors & Trustees (Loans)	74,891	67,598
Owing to Key Management Persons (Shares)	3,695	4,380
Owing from Key Management Persons (Loans)	-	-
Owing to Connected Parties (Shares)	178,206	50,643
Owing from Connected Parties (Loans)	71	175,533

The Credit Union deals with Directors,Trustees, key management persons and connected parties on the same terms and conditions applied to all members. Staff are provided with a Loan rate of 5.45 - 8.00% (2020: 5.45 - 8.00%).

During the year under review loan advances made to Directors, Trustees and Key Management personnel totalled $74,891 (2020: $67,598) and repayments other than scheduled repayments totalled $Nil (2020: $Nil). There were no new term deposits received (2020 : $Nil).

There are no shares from directors, trustees, key management persons or connected parties exceeding 12 months and all loans are repayable upon demand.

25 RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES WITH OPERATING SURPLUS

	Note	2021	2020
		$	$
Deficit for the Period		(306,266)	(11,093)
Non-Cash Items			
Depreciation		11,573	14,075
Allowance for Loan Impairment		56,802	20,263
Bad Debts		21,076	887
Amalgamation balances from NZ Employees Credit Union	26	(1,620,160)	-
		(1,530,709)	35,226
Changes in Assets and Liabilities			
Movements in Member Loans		(615,153)	3,828,403
Movements in Member Deposits		2,532,716	604,586
Movements in Investments		4,591,720	(3,700,506)
Movements in Trade & Other Receivables and Prepayments		25,715	10,260
Movements in Trade Payables & Other Accruals		156,229	(74,172)
Net Cash Provided by/(Used in) Operating Activities		**4,854,252**	**692,703**

26 AMALGAMATION OF NEW ZEALAND EMPLOYEES CREDIT UNION

Following a Special General Meeting of the members of the New Zealand Employees Credit Union on 21 October 2020, a Transfer of Engagements between New Zealand Employees Credit Union and Steelsands Credit Union ('Steelsands') became effective on 5 December 2020. Accordingly the assets and liabilities of New Zealand Employees Credit Union have been amalgamated with Steelsands Credit Union.

NZCU Steelsands had a long term strategy on reducing reliance on specific businesses, such as our industrial sites at NZ Steel, Alliance Lorneville and Marsden Point Refinery. The move to including Employees allowed us to reach industrial and community members by giving us a clear pathway to increasing our access to community members and therefore additional growth. Given that it was in Auckland was another key opportunity for us. Employees has also brought improved income to the Credit Union, With an expected loan income stream of $360k per year, this was a great opportunity for Steelsands to grow even further into our Auckland communities. Unfortunately with the impacts of Covid-19 lockdowns, both Steelsands and Employees has seen a decrease in our expected loan income streams which has challenged our initial reasons behind the TOE.

The assets and liabilities transferred by New Zealand Employees Credit Union and recognised as a result of the amalgamation are as follows:

	$
ASSETS	
Cash and cash equivalents	1,470,841
Trade and other receivables	8,160
Prepayments	15,060
Loans to members	2,966,692
Plant & equipment	1,134
TOTAL ASSETS	4,461,887
LIABILITIES	
Trade and other payables	222,604
Member deposits	4,387,468
TOTAL LIABILITIES	4,610,072
NET ASSETS	**(148,185)**

Included in loans to members transferred as a result of the amalgamation includes impairment provision of $224,398.

The last reporting date for Steelsands Credit Union and New Zealand Employees Credit Union was 30 June 2020, revenue and expense and deficit from from 1 July 2020 to the date of the amalgamation (5 December 2020) and the amounts reported for each major class of assets and liabilities and for components of equity/net assets is shown below:

	Steelsands Credit Union $	NZ Employees Credit Union $
REVENUE		
Interest Revenue	536,684	176,958
Other Revenue	102,103	117,866
TOTAL REVENUE	**638,787**	**294,824**
EXPENDITURE		
Interest expenditure	120,820	35,219
Loan impairment expenses	-	16,798
Employee benefits	283,551	145,739
Depreciation	13,153	550
Other expenditure	361,442	259,884
TOTAL EXPENDITURE	**778,966**	**458,190**
DEFICIT FOR THE PERIOD 1 JULY 2020 to 5 DECEMBER 2020	(140,178)	(163,366)
ASSETS AS AT 5 DECEMBER 2020		
Cash and cash equivalents	5,404,895	1,470,841
Short term investments	13,699,979	-
Trade and other receivables	61,005	8,160
Prepayments	81,753	15,060
Loans to members	9,449,274	2,966,692
Plant & equipment	16,655	1,134
Intangible assets	140,887	-
Long Term Receivable	90,242	-
TOTAL ASSETS	28,944,690	4,461,887
LIABILITIES AS AT 5 DECEMBER 2020		
Trade and other payables	294,725	222,604
Employee entitlements	33,586	4,387,468
Member deposits	25,215,191	-
TOTAL LIABILITIES	25,543,502	4,610,072
NET ASSETS/EQUITY AS AT 5 DECEMBER 2020	3,401,188	(148,185)
Accumulated comprehensive revenue and expenses	3,401,188	(148,185)
TOTAL NET ASSETS/EQUITY AS AT 5 DECEMBER 2020	3,401,188	(148,185)

There were no adjustments made to components of net assets/equity where required to conform the accounting policies of the combining operations with those of the resulting entity.

There were no adjustments made to eliminate transactions between the combining operations.

27 EVENTS SUBSEQUENT TO REPORTING DATE

Global pandemic of coronavirus disease 2019

Note 1(m) of these financial statements described the impact of the ongoing outbreak of COVID-19 pandemic which occurred before 30 June 2021 and continues as at the date of the signing of these financial statements. Subsequent to reporting date, on 17 August 2021 the New Zealand government announced a level 4 lockdown of all of New Zealand. The Credit Union has continued to operate at full business practice during the Alert Level 4 lockdowns in August 2021. The Credit Union has not experienced any significant adverse impact from the increased alert levels. While we have seen a reduction in lending applications during this time, this is an industry wide observation and we continue to monitor this and keep this at the forefront of our focus heading into the new financial year. It is not practicable to provide any further quantitative or qualitative estimate of the potential impact of this recent outbreak on the Credit Union at this time.

There has been no other matter or circumstance, which has arisen since 30 June 2021 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2021, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2021.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF STEELSANDS CREDIT UNION INCORPORATED

Opinion
We have audited the financial statements of Steelsands Credit Union Incorporated ("the Credit Union") which comprise the statement of financial position as at 30 June 2021, and the statement of comprehensive revenue and expense, statement of changes in equity/net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at 30 June 2021 and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards ("PBE Standards") issued by the New Zealand Accounting Standards Board.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Credit Union in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor, we provide reporting to the Credit Union's Supervisor under a tripartite engagement with the Credit Union, Covenant Trustee Services Limited and BDO Auckland. We have no other relationships with, or interests in, the Credit Union.

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

<table>
<tr><th colspan="2">Impairment of Loans to Members</th></tr>
<tr><th>Key Audit Matter</th><th>How the Matter Was Addressed in Our Audit</th></tr>
<tr><td>The Credit Union reported loans to members of $11,608,053 for the year ended 30 June 2021.

As disclosed in Note 10 of the financial statements, the Credit Union recorded an impairment allowance of $420,127 in respect of these loans which are deemed partially or completely uncollectable (impaired loans). Management determined the specific loan provision based on the individual circumstances of each loan, including the length of time a loan has been in arrears and the value and nature of security held. This required significant judgement and estimation.

We considered this to be a key audit matter based on the materiality of the loans to members and the significant judgments and estimates used by Management in quantifying the allowance for impaired loans.</td><td>We performed the following procedures:
▪ Obtained an understanding of the lending process and particularly the process for assessing the recoverability of loans to members and the calculation of the provision for impairment and obtained an understanding of the relevant controls relating to the impairment assessment and provisioning of loans to members, to ensure that impairment allowances are recognised in a timely manner.
▪ Obtained the loans to members portfolio listing and reconciled this to the loans to members balance included in the financial statements.
▪ Selected a sample of loans to members and agreed them to loan agreement, security provided, original loan balance and assessed whether repayment terms had been met.</td></tr>
</table>

	▪ Performed a negative confirmation process using member statements, where members were asked to contact the auditor directly if the balance per the Credit Union's statement did not agree to the members' records. ▪ Reviewed loans to members in arrears and assessed the adequacy of allowance recorded against loans which were outside of terms. As part of this we reviewed payments made to date and security underpinning loans in arrears. ▪ Assessed the provision recorded by Management in respect of the loans to members against the Credit Union's provisioning policy and prudential guidelines. ▪ Challenged management in respect of the likelihood of collecting outstanding amounts pertaining to loans to members identified as potentially impaired. ▪ Evaluated the extent and appropriateness of the disclosures in the notes to the financial statements in relation to the loans to members and provision balances.

Going Concern Assessment	
Key Audit Matter	How the Matter Was Addressed in Our Audit

The financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business as disclosed in note 2(m) of the financial statements.
 	
Management's going concern assessment identified events and conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern as disclosed in note 2(m) of the financial statements, including a history of operating losses and the deterioration of key capital and liquidity coverage ratios.
 	
We have identified a key audit matter related to the going concern assessment as a result of the significant judgement required in the Management's assessment.
	We performed the following procedures over the director's going concern assessment:
	• Evaluated Management's assessment of the Credit Union's ability to continue as a going concern including whether it covers the relevant period.
	• Evaluated Management's plans for future actions in relation to its going concern assessment and whether the outcome of these plans is likely to improve the situation and whether Management's plans are feasible in the circumstances. This included:
	  o Assessing ratio levels subsequent to reporting date;
	  o Challenging Management's forecasts and plans for managing operating covenant compliance; and
	  o Assessing the levels of reserves available should further losses be incurred.
	• Analysed Management's forecast financial performance, cash flows and financial covenants including whether there is adequate support for the assumptions underlying the forecast and comparing subsequent performance to forecast performance.

	• Considered whether any additional facts or information have become available since the date on which management made its assessment. • Evaluated the extent and appropriateness of the disclosures in the notes to the financial statements in relation to the going concern basis.

Transfer of Engagement	
Key Audit Matter	**How the Matter Was Addressed in Our Audit**
The Credit Union undertook a transfer of engagement with New Zealand Employees Credit Union during the year ended 30 June 2021. As disclosed in Note 26 of the financial statements, the Credit Union recognised net liabilities of \$148,185 (including loans to members of \$2,966,692 and member deposits of \$4,387,468) as a result of the transfer of engagement. Management determined the accounting policy for the transfer of engagement as the modified pooling of interest method having early adopted PBE IPSAS 40 *PBE Combinations*. We considered this to be a key audit matter based on the materiality (quantitatively and qualitatively) of the transfer of engagement and the significant judgment used by Management in determining the accounting policy.	We performed the following procedures over the transfer of engagement: • Obtained an understanding of the key terms and conditions of the transfer of engagement. • Evaluated Management's accounting expert's accounting opinion including challenging key judgements. • Evaluated the recognition and measurement of assets and liabilities were transferred in accordance with PBE IPSAS 40 PBE Combinations • Evaluated the extent and appropriateness of the disclosures in the notes to the financial statements in relation to the transfer of engagement.

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) 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 decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/.

This description forms part of our auditor's report.

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

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

BDO Auckland

BDO Auckland
Auckland
New Zealand
11 November 2021