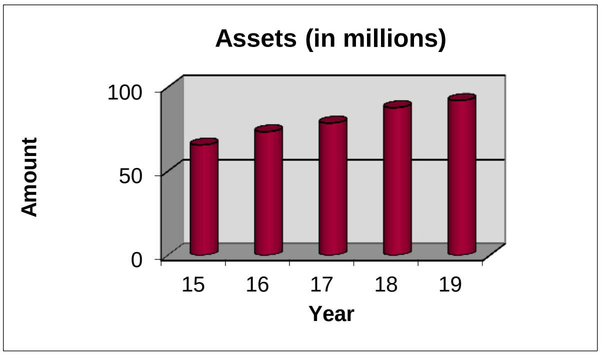
Central Murray
CREDIT UNION LIMITED

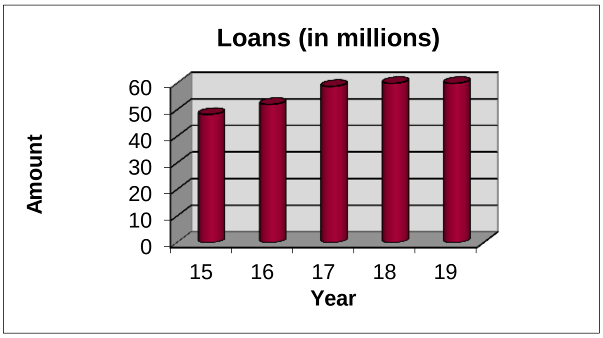
**Customer
Owned
Banking**

2019 Annual Report

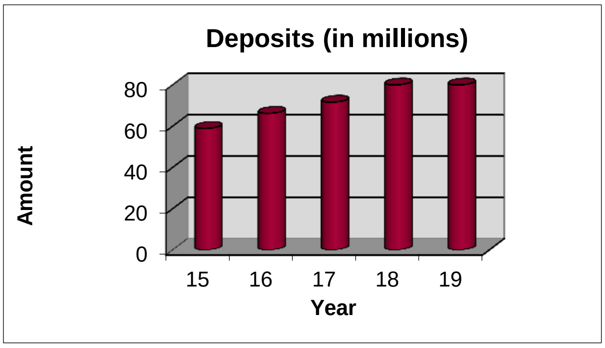
Performance Review Comparison



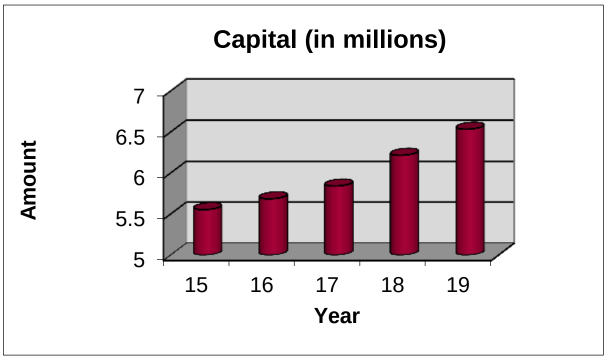
2012	$59,887,194		
2013	$62,706,860	growth	4.71%
2014	$62,497,350	loss	-0.33%
2015	$65,652,726	growth	5.05%
2016	$73,525,908	growth	11.99%
2017	$78,692,940	growth	7.03%
2018	$87,841,693	growth	11.63%
2019	$92,093,850	growth	4.84%



2012	$44,554,820		
2013	$44,091,650	loss	-1.04%
2014	$47,563,235	growth	7.87%
2015	$48,295,439	growth	1.54%
2016	$52,080,020	growth	7.84%
2017	$58,857,579	growth	13.01%
2018	$63,116,177	growth	7.24%
2019	$67,745,196	growth	7.33%



2012	$53,299,401		
2013	$55,994,082	growth	5.06%
2014	$55,651,104	loss	-0.61%
2015	$58,889,216	growth	5.82%
2016	$66,224,383	growth	12.46%
2017	$71,643,723	growth	8.18%
2018	$80,107,351	growth	11.81%
2019	$83,885,309	growth	4.72%



2012	$5,077,082	growth	
2013	$5,173,494	growth	1.90%
2014	$5,332,689	growth	3.08%
2015	$5,555,099	growth	4.17%
2016	$5,686,408	growth	2.36%
2017	$5,842,175	growth	2.74%
2018	$6,217,440	growth	6.42%
2019	$6,534,954	growth	5.11%

Contents

Directors

John Gorman LL.B,B.Juris	Michael Forster-Knight
Michael O'Dwyer	Joshua Vagg
Linda Douglas	Faith McCallum

Company Secretary

John Edward Pattison

Management

Chief Executive Officer:	John Pattison
Finance Manager:	Julie Barnes
Operations Manager:	Sally Eales

Staff

Assistant Accountant:	Bree Williams
Senior Loans Officer	Amanda Seccull
Loans Officer:	Jessica Westwood

Member Services Staff

Member Services Supervisor Yarrwonga:	Allison Lewis
Branch Supervisor (Cobram)	Leeanne Williams
Member Services Officers:	Jade Barany Emma Horne Tracy Knight Shantal Spencer Rebecca MacDonald

Registered Office

58 Belmore Street
Yarrawonga Vic 3730 Australia
Ph: (03) 5744 3713
Fax: (03) 5744 1926
Website: www.cmcu.com.au
Email: info@cmcu.com.au

Solicitor

Purcell Partners Pty Ltd, Level 1 (East) 327 Police Road, Mulgrave Vic 3170

Bankers

Credit Union Services Corporation (Australia) Limited

Auditors

External - Crowe, 491 Smollett Street Albury NSW 2640
Internal – AFS & Associates Pty Ltd, 61 Bull Street, Bendigo Vic 3550

Notice of the Forty Seventh Annual General Meeting

An invitation is extended to members of Central Murray Credit Union Limited to join us at the 47th Annual General Meeting.

When: Wednesday 6th November 2019 at 5:30pm registration for start at 6pm

Where: Club Mulwala, Melbourne Street, Mulwala.

For members attending the meeting in person it will be necessary to register your name for voting purposes prior to the commencement of the meeting. Registration will commence at 5:30pm.

Members who wish to raise any queries or seek information at the AGM about the Financial Statements or about the overall performance of CMCU are asked to give the CEO notice in writing of their queries or request at least 7 days prior to the meeting. This will enable properly researched replies to be prepared for the benefit or members'.

By Order of the Board

John Pattison

Secretary

AGENDA

1. **Apologies**
2. **Minutes** - To confirm the minutes of the Forty Sixth Annual General Meeting held on Wednesday 7h November 2018.
3. **Business Arising** – To consider any business arising from the above Minutes.
4. **Reports** - To receive and consider and adopt the following reports for the year ended 30th June 2019
    a. Directors Report;
    b. Financial Statements; and
    c. Auditors report.
5. **Directors Remuneration** - To consider the honorarium for Directors on the Board of Directors of the Central Murray Credit Union Limited for the current year.
6. **Election of Director** – To elect two (2) directors. The following directors retire in accordance with the constitution of the Central Murray Credit Union Limited: Ms Faith McCallum and Mr Michael Forster-Knight.
7. **Any business for which due notice has been given**
8. **General Business.**

Notes

Copies of all Financial Statements and the Directors' and Auditors reports are available by visiting our website www.cmcu.com.au or from any Credit Union offices or by calling 03 5744 3713.

Should a member be unable to attend the AGM, the member may vote by proxy. Proxy forms, together with instruction for completion and return are available on application to Julie Barnes on (03) 5744 3713 or jbarnes@cmcu.com.au. Please note that proxy forms must be received by the Secretary no later than 5:00pm on 30th October 2019.

Chairman's Report

As chair of Central Murray Credit Union Limited (CMCU), I am delighted to introduce to our members the Annual Report for the 2018-2019 financial year.

CMCU achieved a solid financial result amidst challenging and difficult economic times. A pre-tax operating profit of $459,683 resulting in a net operating profit of $320,421 was recorded. This amount, when added to our existing surplus, brings the total reserves of CMCU to $6,534,954.

Market conditions throughout the financial year continued to be challenging however, CMCU again recorded growth in its balance sheet, with total assets increasing by 4.85% on the previous year to $92,093,850.

CMCU maintained its budgeted forecast surplus throughout the financial year. CMCU is aware domestic circumstances are changing in line with other world economies as a result of the on-going trade and tariff war between China and the USA. CMCU expect that the Reserve Bank (RBA) will react and announce further official Interest Rate cuts below the all-time low of just 1.50%.

In achieving this result some pleasing positives did occur. Targets set in operational areas were still achieved and in most areas surpassed. Total assets, deposit and loans also surpassed predicted growth targets.

Importantly for CMCU strong customer demand for our loan products remained high. For the past five years, monthly loan funding has averaged $1 million, and pleasingly the level of loan enquiries throughout the financial year resulted in total loan growth for the year of 7.83%.

Low interest rates will remain for some time and will continue to have an impact on our business model and profitability. The Board of Directors are focused on cost-control wherever possible and are constantly looking at areas for increasing non-interest income revenue to ensure stronger future financial results.

The Board of Directors is committed to ensuring financial products available to CMCU members are comparable to all other financial services providers operating within our communities and include loans, savings and access products as well as the latest technology for our members to access their accounts. A planned upgrade to our banking platform is scheduled for March 2020 which will enhance our operations to our members and provide new product opportunities.

What is beyond comparison is our service. No other financial institution within our local communities provides customer service levels to the standard of CMCU.

CMCU is the only customer-owned banking institution where all benefits remain within the community. No other banking institution operating within our communities support local clubs, schools and events to the equivalent level. CMCU donated $37,400 towards sponsorships for the 2018/2019 year.

Chairman's Report (continued)

CMCU continues to comply with all Regulatory Authorities, in particular, ASIC (Australian Securities & Investments Commission) and APRA (Australian Prudential Regulatory Authority). CMCU as an ADI (Authorised Deposit-Taking Institution) is required to maintain minimum specific standards. As shown below the Credit Union maintains levels well in excess of the required minimum standards.

Liquidity:	Standard Requirement 9%	Central Murray Credit Union actual 22.59%
Capital:	Standard Requirement 8%	Central Murray Credit Union actual 14.61%

The Board of Directors are required to, and remain focused on, maintaining Prudential Compliance in accordance with the regulatory governing bodies APRA and ASIC. Director responsibility has continually increased over the years and will continue to do so each year. The introduction of APRA Prudential Standard CPS510 Fit and Proper details the message from the regulators expectations of senior members associated with ADI'S. CPS510 places greater challenges and expectations upon each director to fulfil their role as a director of CMCU. New regulation CPS220 Risk Management requires the formation of a Risk Committee. The new committee will see a reassignment of duties between the Audit and Risk committees.

Throughout the 2018/2019 financial year, we have seen significant changes in the financial and banking sector. Some changes have been positive for Mutuals i.e. (Credit Unions, Building Societies and Mutual Banks) in particular the availability to raise Capital and the removal of restrictions due to size allowing smaller Mutual's to have the option to instigate a change of name to a Mutual Bank.

On the negative side, we have all been impacted by the findings of the Banking Royal Commission. The Big Four Majors, in particular, drew significant condemnation from the enquiry resulting in significant regulatory changes (Mutuals do not operate like the Big Four Majors and are collateral damage due to their indiscretions). APRA has imposed new tougher lending guidelines on all ADI's which will have a dramatic impact on all loan approvals.

At the time of preparing my Chairman's report, we have seen the RBA in recent months reduce official rates on 3 (three) occasions each one by 25 basis points a total of.75% reducing the official cash rate from 1.50% to a new all-time low of 0.75%.

On behalf of my fellow Directors, I would like to thank John and his entire staff. Without dedicated staff, we would be unable to excel in the service levels provided to our customers and owners.

To my fellow Directors, I would like to acknowledge my appreciation for their support and dedication during the past year in overseeing CMCU operations on behalf of all our customers and owners.

In closing, I would like to thank all Central Murray Credit Union customers and owners for their continued support.

Directors' report

The Directors present their report together with the financial statements of Central Murray Credit Union Limited (the 'Credit Union') for the year ended 30 June 2019 and the auditor's report thereon.

Directors

The names and details of the Directors of the Credit Union in office during the financial year and until the date of this report are:

J Gorman
Board Chairperson
Occupation: Solicitor
Director since 1984

M O'Dwyer
Board Vice Chairperson
Occupation: Marketing Manager
Director since 2002

M Forster-Knight
Board Audit Committee Chairman
Occupation: Business Manager
Director since 2004

L Douglas
Occupation: Human Resource Officer
Director since 2003

F McCallum
Occupation: Bookkeeper
Director since 2010

S Cusack
Occupation: Marketing Consultant
Director since 2011 (Resigned May 2019)

J Vagg
Board Risk Committee Chairman
Occupation: Accountant
Directors since 2017

All Directors were in office from the beginning of the financial year until the date of this report, unless otherwise indicated. All Directors are considered independent, non-executive directors.

Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Board of Directors	Board Audit Committee	Board Risk Committee
Number of meetings held	13	6	12
Number of meetings attended:			
J Gorman	12	-	-
M O'Dwyer	12	-	-
L Douglas	9	6	11
M Forster-Knight	12	6	11
F McCallum	12	6	11
S Cusack*	6	-	-
J Vagg	12	6	12

*Director resigned May 2019

Directors' report (continued)

Company Secretary

Mr John Pattison, the Credit Union's Chief Executive Officer, was appointed to the position of Company Secretary in February 1996 and continues to act in this capacity as at and since the end of the financial year.

Principal activities

The principal activity of the Credit Union is to raise funds from the Credit Union's members for the purpose of making loans to members. No significant change in the nature of the activity has occurred during the year.

Trading results

The operating profit for the financial year before income tax was $459,683 (2018: $277,980). Income tax expense was $139,262 (2018: $110,096).

Operating and financial review

Net loans and advances for the year have increased by $4,629,019 to $67,745,196.
Member deposits increased during the year by $3,777,958 to $83,885,309.
Members' equity during the year has increased by $317,514 to $6,534,954.

Dividends

The Credit Union does not have a permanent share capital and has therefore not paid or declared any dividends for the financial year.

State of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Credit Union during the financial year under review.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union in subsequent financial years.

Likely developments

No material likely developments are foreseen at this time that may affect the Credit Union's operations.

Further information about likely developments in the operations of the Credit Union and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Credit Union.

Directors' report (continued)

Environmental regulation

The Credit Union's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Credit Union has adequate systems in place for the management of its environmental requirements.

Directors' benefits

During or since the end of the financial year, no Director of the Credit Union has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration paid or payable to the Directors as shown in the general purpose financial statements) by reason of a contract entered into by the Credit Union (or an entity that the Credit Union controlled, or a body corporate that was related to the Credit Union when the contract was made, or when the Director received, or became entitled to receive, the benefit) with:

- a Director,
- a firm of which a Director is a member, or
- an entity in which a Director has a substantial financial interest, except for those outlined in Note 23 to the financial statements.

Public Prudential Disclosure

In accordance with the APS 330 Public Disclosure requirements, the Credit Union is to publicly disclose certain information in respect of:

- details on the composition and features of capital and risk weighted assets; and
- both qualitative disclosure and quantitative disclosures for Senior Managers and material risk-takers.

These disclosures can be viewed on the Credit Union's website:
http://www.cmcu.com.au/about_cmcu/aps330_public_disclosure_of_prudential_information (under About Us section).

Indemnification and insurance of Directors and Officers

During the year, a premium was paid in respect of a contract insuring Directors and Officers of the Credit Union against liability. The Officers of the Credit Union covered by the insurance contract include the Directors, Executive Officers, Secretary and employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the Credit Union.

Auditor's independence declaration

The Lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 10 of the financial report.

Signed in accordance with a resolution of the Directors.

Michael O'Dwyer.

M O'Dwyer
Vice Chairperson

M Forster-Knight
Chairperson – Board Audit Committee

Dated at Yarrawonga this 18th September 2019.

Crowe Albury
ABN 16 673 023 918
491 Smollett Street
Albury NSW 2640 Australia

PO Box 500
Albury NSW 2640 Australia

Main 02 6021 1111
Fax 02 6041 1892
www.crowe.com.au

Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* to the Directors of Central Murray Credit Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2019 there have been no contraventions of:

(1) The auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(2) Any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Central Murray Credit Union Limited during the financial year ended 30 June 2019.

CROWE ALBURY

BRADLEY D BOHUN
Partner

18 September 2019
Albury

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30th June 2019

	Note	2019 $	2018 $
Interest revenue	2	3,741,434	3,517,978
Interest expense	2	(1,200,738)	(1,265,485)
Net interest income		2,540,696	2,252,493
Non-interest revenue	3	515,789	524,470
Other income	4	(21,318)	-
		3,035,167	2,776,963
Impairment charge	11	(651)	(35,924)
Other expenses	5	(2,574,833)	(2,463,059)
Profit from operations before income tax		459,683	277,980
Income tax expense	6	(139,262)	(110,096)
Profit after tax		320,421	167,884
Other comprehensive income		-	-
Net gain on revaluation of property, plant and equipment, net of tax		-	207,381
Total comprehensive income for the year		320,421	375,265

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes set out on pages 10 to 56.

Statement of Changes in Equity

For the year ended 30 June 2019

	Retained profits $	Member share redemption reserve $	Lending risk reserve $	Asset revaluation reserve $	General reserve $	Financial asset reserve $	Total $
Year ended 30 June 2018							
Opening balance at 1 July 2017	4,633,097	44,512	178,799	435,767	550,000	-	5,842,175
Profit after tax	167,884	-	-	-	-	-	167,884
Other comprehensive income for the period	-	-	-	207,381	-	-	207,381
Total recognised income and expense for the period	167,884	-	-	-	-	-	167,884
Transfer to member share redemption reserve	(1,998)	1,998	-	-	-	-	-
Transfer to lending risk reserve	(15,000)	-	15,000	-	-	-	-
Closing balance at 30 June 2018	4,783,983	46,510	193,799	643,148	550,000	-	6,217,440
Year ended 30 June 2019							
Opening balance at 1 July 2018	4,783,983	46,510	193,799	643,148	550,000	-	6,217,440
Effect of adoption of new accounting standards	(47,981)	-	-	-	-	45,074	(2,907)
Opening balance at 1 July 2018 - Restated	4,736,002	46,510	193,799	643,148	550,000	45,074	6,214,533
Other comprehensive income for the period	-	-	-	-	-	-	-
Total recognised income and expense for the period	320,421	-	-	-	-	-	320,421
Transfer to member share redemption reserve	(2,415)	2,415	-	-	-	-	-
Transfer to lending risk reserve	-	-	-	-	-	-	-
Closing balance at 30 June 2019	5,054,008	48,925	193,799	643,148	550,000	45,074	6,534,954

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes set out on pages 10 to 56.

Statement of Financial Position

As at 30 June 2019

	Note	2019 $	2018 $
ASSETS			
Cash and cash equivalents	8	21,898,664	22,252,629
Other receivables	9	55,636	70,794
Loans and advances	10	67,745,196	63,116,177
Other financial assets	12	192,260	130,089
Property, plant and equipment	13	1,883,611	1,890,311
Intangible assets	14	153,877	219,108
Deferred tax assets	7	85,454	79,574
Other assets	15	79,152	83,011
TOTAL ASSETS		92,093,850	87,841,693
LIABILITIES			
Member deposits	16	83,885,309	80,107,351
Trade and other payables	17	1,202,515	1,182,093
Employee benefits	18	187,167	161,136
Income tax payable	7	114,710	48,364
Deferred tax liabilities	7	169,195	125,309
TOTAL LIABILITIES		85,558,896	81,624,253
NET ASSETS		6,534,954	6,217,440
EQUITY			
Reserves		1,480,946	1,433,457
Retained profits		5,054,008	4,783,983
TOTAL EQUITY		6,534,954	6,217,440

The Statement of Financial Position is to be read in conjunction with the accompanying notes set out on pages 10 to 56.

Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Interest received on loans and advances		3,759,560	3,518,172
Interest paid on member deposits		(1,243,679)	(1,234,539)
Dividends received		8,292	13,435
Other non-interest income received		505,668	511,021
Income tax paid/(refund received)		(34,910)	(39,270)
Payments to employees and suppliers		(2,376,872)	(2,055,885)
		618,059	712,934
Net (increase)/decrease in loans and advances		(4,629,019)	(4,294,522)
Net increase/(decrease) in deposits		3,777,958	8,463,628
Net cash from (used in) operating activities	19	(233,002)	4,882,040
Cash flows from investing activities			
Acquisition of property, plant and equipment		(105,020)	(10,923)
Proceeds from sale of property, plant and equipment		20,621	7,935
Acquisition of intangible assets		(36,564)	(184,955)
Net cash from (used in) investing activities		(120,963)	(187,943)
Net increase/(decrease) in cash and cash equivalents		(353,965)	4,694,097
Cash and cash equivalents at 1 July		22,252,629	17,558,532
Cash and cash equivalents at 30 June	8	21,898,664	22,252,629

The Statement of Cash Flows is to be read in conjunction with the accompanying notes set out on pages 10 to 56.

Notes to the Financial Statements

For the year ended 30 June 2019

1 Significant accounting policies

Central Murray Credit Union Limited (the "Credit Union") is a company domiciled in Australia. The financial statements were authorised for issuance by the Directors on 18th September 2019.

(a) Statement of compliance

The Financial Statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

Not-for-profit status
The Credit Union has analysed its purpose, objectives and operating philosophy and determined that it does not have profit generation as its prime objective.

(b) Basis of preparation

The financial statements are presented in Australian dollars.

The financial statements have been prepared on the basis of historical costs except that the following assets and liabilities (if applicable) are stated at their fair value: land and buildings and other financial assets.

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Credit Union.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1(t).

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits at call and other short-term deposits with Approved Deposit-taking Institutions that can be readily converted into cash. This includes negotiable certificates of deposits and floating rate note securities (FRNS). Negotiable certificates of deposits and floating rate note securities are held via the Austraclear system with the Reserve Bank of Australia, to enable conversion to cash. Cash and cash equivalents are recognised at the gross value of the outstanding balance.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

1. Significant accounting policies (continued)

(d) Receivables due from other financial institutions

Receivables due from other financial institutions are financial assets with fixed or determinable payments that are held within a business model whose objective is to hold assets to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are recognised initially at cost plus any directly attributable transaction costs.

Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any expected credit losses / impairment losses.

(e) Loans and advances

Loans and advances are financial assets with fixed or determinable payments that are held within a business model whose objective is to hold assets to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are recognised initially at cost plus any directly attributable transaction costs.

Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any expected credit losses / impairment losses.

Loan origination fees
Loan establishment fees, discounts and other fees that are deemed to be an integral part of the effective interest rate are initially deferred as part of the loan balance and are brought to account as income over the expected life of the loan or other relevant period. The amounts brought to account are included as part of interest revenue.

Transaction costs
Transaction costs are expenses which are direct and incremental to the establishment of the loan. These costs are initially deferred as part of the loan balance, and are brought to account as a reduction to income over the expected life of the loan. The amounts brought to account are included as part of interest revenue.

An analysis of the Credit Union’s loan origination fees and associated cost structure indicated that the net amount of fee revenue required to be deferred is not material, and accordingly no deduction from loans has been made.

(f) Provision for impairment / expected credit loses of financial assets

Policy applicable after 1 July 2018
AASB 9’s impairment requirements use forward-looking information to recognise expected credit losses – the “expected credit loss model” (ECL).

The Credit Union considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial asset. In applying this forward-looking approach, a distinction is made between:
- Financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans) (‘Stage 1’); and
- Financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (‘Stage 2’).

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

1. Significant accounting policies (continued)

(f) Provision for impairment / expected credit loses of financial assets (continued)

'Stage 3' would cover financial assets that have objective evidence of impairment (loans in default) at the reporting date.

Measurement of ECL
The Credit Union applies a three-stage approach to measuring expected credit losses (ECLs) for financial assets that are not measured at fair value through profit or loss.

- 12-months ECL (Stage 1) - The portion of lifetime ECL associated with the probability of default events occurring within the next 12 months.
- Lifetime ECL – not impaired (Stage 2) - ECL associated with the probability of default events occurring throughout the life of an instrument.
- Lifetime ECL – impaired (Stage 3) - Lifetime ECL, but interest revenue is measured based on the carrying amount of the instrument net of the associated ECL.

Exposures are assessed on a collective basis in Stage 1, and on individual basis in Stage 2 and Stage 3.

At each reporting date, the Credit Union assesses the credit risk of exposures in comparison to the risk at initial recognition, to determine the stage that applies to the associated ECL measurement. If the credit risk of an exposure has increased significantly since initial recognition, the asset will migrate to Stage 2. If no significant increase in credit risk is observed, the asset will remain in Stage 1. Should an asset become credit-impaired it will be transferred to Stage 3.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost of effort at the reporting rate about past events, current conditions and forecasts of future economic conditions.

Critical accounting estimates and judgments in the ECL
A number of significant judgments are required in applying the accounting requirements for measuring ECL, which are detailed below:

Assumptions used for estimating impairment
In assessing the impairment of financial assets under the expected credit loss model, the Credit Union defines default as occurring when a loan obligation is past 90 days due. The definition of default largely aligns with that applied by APRA for regulatory reporting purposes, and the criteria used for internal credit risk management purposes.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

1. Significant accounting policies (continued)

(f) Provision for impairment / expected credit loses of financial assets (continued)

Critical accounting estimates and judgments in the ECL (continued)
Assessment of significant increase in credit risk
In determining whether the risk of default has increased significantly since recognition, the Credit Union considers both quantitative and qualitative factors. These include:
- When a loan reaches 30 days past due;
- Loan with approved hardship or modified terms.

Calculation of expected credit losses
Expected credit losses (ECLs) are calculated using three main parameters i.e. a probability of default (PD), a loss given default (LGD) and an exposure at default (EAD). These parameters are derived from industry standards and historical loss models.

For accounting purposes, the 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date.

The LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral and its expected value when realised.

The EAD represents the expected exposure at default.

The 12-months ECL is equal to the sum over the next 12-month PD multiplied by LGD and EAD. Lifetime ECL is calculated using the sum of PD over the full remaining life multiplied by LGD and EAD.

Incorporation of forward looking information
The Credit Union has taken into consideration several macro-economic factors including unemployment rate, gross domestic product, housing price index and interest rates. The affects these data points have on ECL are reviewed regularly.

The Credit Union considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by the Credit Union for other purposes, such as strategic planning and budgeting. Periodically, the Credit Union carries out stress testing of more extreme shocks to calibrate its determination of other potential scenarios.

Grouping of loans for losses measured on a collective basis
For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous. The Credit Union has elected to use the following segments when assessing credit risk for Stage 1 of the ECL model:
- Mortgage loans – over 80% loan-to-valuation ratio, and no lenders mortgage insurance;
- Mortgage loans – under 80% loan-to-valuation ratio or loans with lenders mortgage insurance.
- Personal loans – secured and unsecured
- Secured by funds
- Overdrafts / overdrawn

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

1. Significant accounting policies (continued)

(f) Provision for impairment / expected credit loses of financial assets (continued)

Policy applicable before 1 July 2018
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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 original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

<u>Specific provision</u>
Losses for impaired loans are recognised when there is objective evidence that the impairment of a loan has occurred. Impairment losses are calculated on individual loans in arrears. The amount provided for impaired loans is determined by Management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement.

<u>Collective provision</u>
APRA Prudential Standards require a minimum provision to be maintained, based on specific percentages of the loan balance which are contingent upon the length of time the repayments are in arrears.

(g) Other financial assets

Policy applicable after 1 July 2018
AASB 9 requires the Credit Union's equity investments in other financial assets to be held at fair value. The Credit Union has elected for these to be held at fair value through other comprehensive income (FVOCI). Subsequent movements in fair value are recognised in other comprehensive income and never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss, unless the dividend clearly represents return of capital.

Policy applicable before 1 July 2018
The equity investments in other financial assets are measured at cost less any impairment charges, as the equity instruments do not have a quoted price in an active market. Impairment charges are recognised in profit or loss.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

1. Significant accounting policies (continued)

(h) Property, plant and equipment & intangible assets

Land and buildings

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings.

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

Leasehold improvements
Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

Depreciation/amortisation
Depreciation/amortisation is charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The maximum estimated useful lives in the current and comparative periods are as follows:

- Buildings 40 years
- Plant & Equipment 2 to 20 years
- Leasehold improvements 3 to 50 years

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

Land is not depreciated.

Disposals
An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any Asset Revaluation Reserve surplus relating to the item disposed of is transferred directly to retained profits.

Intangible assets
Items of computer software which are not integral to the computer hardware owned by the Credit Union are classified as intangible assets.

Computer software is amortised over the expected useful life of the software. The maximum estimated useful lives in the current and comparative periods are as follows:

- Computer software 3 years

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

1. Significant accounting policies (continued)

(i) Impairment of non-financial assets

At each reporting date the Credit Union assesses whether there is any indication that individual non-financial assets are impaired. Where impairment indicators exist, recoverable amount is determined, and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount.

(j) Employee entitlements

Long term service benefits
The Credit Union's net obligation in respect of long term service benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to high quality corporate bonds at the balance date which have maturity dates approximating to the terms of the Credit Union's obligations.

Short term benefits
Liabilities for employee benefits for wages, salaries and annual leave expected to be taken within 12 months represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wages and salary rates that the Credit Union expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax. Annual leave expected to be taken after 12 months is discounted back to present value using the rates attached to high quality corporate bond rates at balance date.

(k) Member Deposits

Member deposits are held at amortised cost.

Interest payable
Interest on deposits is calculated on the daily balance and posted to the accounts periodically, or on maturity or redemption of the term deposit. Interest on deposits is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each deposit and term deposit account as varied from time to time. The amount of the accrual is shown as part of accounts payable and other liabilities.

(l) Accounts payable and other liabilities

These amounts represent liabilities for goods and services provided to the Credit Union prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

1. Significant accounting policies (continued)

(m) Income Recognition

Interest revenue
Interest income arising from financial assets held at amortised cost is recognised using the effective interest rate method.

Fees income
Loan, account and transaction fees that are not deemed to be an integral part of the effective interest rate are generally recognised on an accrual basis over the period during which the service is provided.

Commissions
Commissions are recognised as revenues on an accrual basis, and are reflected in the period to which they apply.

Dividend income
Dividend income is taken into revenue as received.

Income from property
Rental income from leases is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

(n) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases
Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(o) Income tax

Income tax for the periods presented comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

1. Significant accounting policies (continued)

(o) Income tax (continued)

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance date.

A deferred tax asset is recognised only to the extent it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

(p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of accounting of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cashflows are included on the Statement of Cashflows on a gross basis. The GST components of cashflows from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

As a financial institution, the Credit Union is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases is generally recovered on a proportionate basis, using the safe harbour apportionment rate of 18% adopted per Practical Compliance Guide 2018/15 from 1 July 2018. In addition, certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

(q) Off balance sheet funding

The Credit Union has facilitated the funding of Integris Securitisation Services Pty Ltd (Perpetual Trustees) securitised loans totalling $579,454 at 30 June 2019 (2018: $880,841) whereby the Credit Union has acted as an agent to promote and complete loans on their behalf for on-sale to an investment trust. The Credit Union receives a management fee in relation to each separate loan funded via this method. The Credit Union bears no risk exposure in respect of these loans.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

1. Significant accounting policies (continued)

(r) Reserves

Member share redemption reserve
The Credit Union has, in accordance with ASIC Compliance Note 2001.84, complied with Section 254K of the *Corporations Act 2001* via the creation of a member share redemption reserve. At the conclusion of each financial year the Credit Union establishes the number of members that resigned during the financial year and transfers the equivalent monetary amount to a member share redemption reserve from retained profits as the law requires that the redemption of the shares be made out of profits. The balance represents the amount of redeemable preference shares redeemed by the Credit Union since 1 July 1999. The reserve has a balance of $48,925 as at 30 June 2019 (2018: $46,510).

Lending risk reserve
The Credit Union has a lending risk reserve of $193,799 as at 30 June 2019 (2018: $193,799). This reserve is calculated at a minimum rate of 0.5% of risk weighted assets.

Asset revaluation reserve
The asset revaluation reserve relates to the revaluation of owner occupied land and buildings. The asset revaluation reserve as at 30 June 2019 is $643,148 (2018: $643,148).

General reserve
The general reserve represents a carry forward from a prior year equity transaction relating to the Credit Union. The general reserve as at 30 June 2019 is $550,000 (2018: $550,000).

Financial asset reserve
The financial asset reserve relates to the revaluation of equity investments (other financial assets) classified as fair value through other comprehensive income. The financial assets reserve as at 30 June 2019 is $45,074 (2018: nil).

(s) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and assumes that the transaction will take place either in the principal market or, in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques are used that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

1. Significant accounting policies (continued)

(s) Fair value measurement (continued)

Fair value measurement hierarchy
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective. The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

(t) Accounting estimates and judgements

Management has been involved in the development, selection and disclosure of the Credit Union's critical accounting policies and estimates and the application of these policies and estimates. In particular, information about areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 1(f) & Note 11 – Impairment of loans and advances with regards to the expected credit loss modelling and judgments, including:
  - Determining criteria for significant increase in credit risk: An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Credit Union takes into account qualitative and quantitative reasonable and supportable forward-looking information;
  - Choosing appropriate models and assumptions tor the measurement of expected credit loss; and
  - Establishing groups of similar financial assets for the purposes of measuring expected credit loss: When expected credit loss is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.
- Note 13 - Fair value assumptions used for land and buildings;
- Note 12 – Fair value assumptions used for other financial assets; and
- Note 1(u) & Note 1(v) – Judgements used in new accounting standards and interpretations.

(u) New or amended accounting standards adopted

The Credit Union has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

AASB 9 Financial Instruments
AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2018.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

1. Significant accounting policies (continued)

(u) New or amended accounting standards adopted (continued)

The adoption of AASB 9 has impacted the following areas:

Classification and measurement of financial assets
AASB 9 allows for three classification categories for financial assets – amortised cost, fair value through other comprehensive income and fair value through profit or loss. Classification is based on the business model in which a financial asset is managed and the related contractual cashflows. AASB 9 eliminates previous categories of held to maturity, loans and receivables and available for sale. Classification of financial liabilities is largely unchanged.

All financial assets and financial liabilities of the Credit Union have remained at amortised cost, with the exception of the equity instruments classified as other financial assets. These other financial assets have transitioned from being held at cost (as an 'available-for-sale asset) under AASB 139, to fair value through other comprehensive income. The impact of this change is included in the table below.

Impairment of the Credit Union's financial assets
The Group's financial assets carried at amortised cost are now subject to AASB 9's new three-stage expected credit loss model, from an incurred loss model. This means earlier recognition of expected credit losses. The impact of this change is included in the table below.

Summary of impact on transition
When adopting AASB 9, the Credit Union has applied transitional relief and opted not to restate prior periods. The impact of adoption on opening retained profits as at 1 July 2018 were as follows:

	Note	Original 30 June 2018 balance (under AASB 139)	Change	New 1 July 2018 balance (under AASB 9)
Classification & measurement impact:				
Fair value measurement of other financial assets	12	130,089	62,171	192,260
Deferred tax liability impact	7	-	(17,097)	(17,097)
Total		**130,089**	**45,074**	**175,163**
Impairment impact:				
Allowance for expected credit losses	11	(34,126)	(47,982)	(82,108)
Deferred tax asset impact	7	9,384	13,195	22,579
Total		**(24,742)**	**(34,787)**	**(59,529)**

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

1. Significant accounting policies (continued)

(v) New accounting standards and interpretations not yet mandatory

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting period. The Credit Union's assessment of the impact of these new standards and interpretations is set out below. Changes that are not likely to impact the financial report of the Credit Union have not been reported.

AASB Reference	Nature of Change	Application Date	Impact on Initial Application
AASB 15 *Revenue from Contracts With Customers*	AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces most of the existing standards and interpretations relating to revenue recognition including AASB 118 *Revenue.* The standard shifts the focus from the transaction level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to, while measurement encompasses estimation by the Credit Union of the amount expected to be entitled for performing under the contract.	Annual reporting periods beginning on or after 1 January 2019 (i.e. Credit Union's financial statements for year ended 30 June 2020), as the Credit Union is considered a not-for-profit entity for accounting purposes (refer to Note 1(a).	Based upon Management's assessment to date, AASB 15 is not expected to have a material impact upon the transactions and balances recognised when it is first adopted, as most of the Credit Union's revenue arises from the provision of financial services which are governed by AASB 9 *Financial Instruments.* There are limited revenue transactions of the Credit Union that are impacted by AASB 15. The Credit Union has identified the following revenue streams that may be impacted by AASB 15: - Insurance commission income (which is disclosed in Note 3 of the financial statements). Management have assessed there is no significant differences expected in the timing of revenue recognition for insurance commission income under AASB 15, as trail commission and renewal commission are considered constrained variable considerations. Variable consideration is estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Credit Union will apply the modified retrospective method of transition, meaning that prior periods will not be restated. Based on the above, the transitional entry to opening retained earnings as at 1 July 2019 is expected to be immaterial (if any).
AASB 16 *Leases*	AASB 16 requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low-value asset leases. It also provides new guidance on the application of the definition of lease and on sale and lease back accounting and requires new and different disclosures about leases.	Annual reporting periods beginning on or after 1 January 2019 (i.e. Credit Union's financial statements for year ended 30 June 2020).	Currently the Credit Union is the lessee of one property lease – refer to Note 1(n). Management has assessed that the first-time adoption of AASB 16 for the year ended 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements, in particular; - Lease assets and lease liabilities on the balance sheet will increase by $121,122 respectively (based on the facts at the date of the assessment) - Lease payments will be split between interest and principal reduction, rather than being included in operating expenses. - There will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly that the carrying amount of lease liabilities - Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities. The Credit Union will apply the modified retrospective method of transition, meaning that prior periods will not be restated.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

2. Interest revenue and interest expense

	2019 $	2018 $
Interest revenue		
Investment securities	317,266	326,187
Loans and advances	3,424,168	3,191,791
	3,741,434	3,517,978
Interest expense		
Member deposits	1,200,738	1,265,485
	1,200,738	1,265,485

3. Non-interest revenue

	2019 $	2018 $
Dividends	8,292	13,435
Fees and commissions		
• Loan fee income	111,727	96,022
• Other fee income	286,993	288,127
• Commissions	67,386	85,287
Bad debts recovered	-	1,430
Other income	41,391	40,169
Total non-interest revenue	515,789	524,470

4. Other income

	2019 $	2018 $
Gain/(Loss) on disposal of property, plant and equipment	(21,318)	-

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

	2019 $	2018 $
5. Other expenses		
Amortisation		
• Leasehold improvements	6,301	8,718
• Intangible assets	101,795	64,822
Depreciation		
• Buildings	13,920	12,315
• Plant and equipment	49,561	56,461
Fees and commissions	5,914	7,276
General and administration	1,343,911	1,280,134
Personnel costs		
• Wages and salaries	878,883	875,629
• Other associated personnel expenses	25,772	24,909
• Contributions to defined contribution superannuation plans	94,675	91,208
• Annual leave expense	19,938	226
• Long service leave expense	6,093	13,202
Rental on operating leases	28,070	28,159
Total other expenses	2,574,833	2,463,059

6. Income tax

	2019 $	2018 $
Profit before tax	459,683	277,980
Prima facie income tax expense calculated at effective rate of 27.5% (2018: 27.5%) on net profit	126,413	76,445
Increase/(decrease) in income tax due to:		
Imputation credits	(2,576)	(4,175)
Other adjustments from prior year	48,270	37,854
Non-deductible expenses	792	-
Under/(over) provided for in prior years	(33,637)	(28)
Income tax expense	139,262	110,096
Current tax expense	118,354	89,431
Deferred tax expense	38,005	20,665
Adjustment for DTL on ARR	(17,097)	-
Income tax expense	139,262	110,096

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

7. Recognised deferred tax assets & liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Loans & advances	20,216	9,385	-	-	20,216	9,385
Other financial assets	-	-	(17,097)	(866)	(17,097)	(866)
Prepayments	-	-	(17,115)	(19,405)	(17,115)	(19,405)
Other receivables	-	-	-	-	-	-
Property, plant & equipment (1)	-	-	(134,983)	(105,038)	(134,983)	(105,038)
Accrued expenses	13,767	25,877	-	-	13,767	25,877
Employee benefits	51,471	44,312	-	-	51,471	44,312
	85,454	79,574	(169,195)	(125,309)	(83,741)	(45,735)

(1) The Credit Union's land and buildings includes some property that is exempt from Capital Gains Tax ('CGT'). As such, a deferred tax liability in relation to the revaluation has only been recognised on the property that is subject to CGT.

Income tax payable:
The current tax payable for the Credit Union of $114,710 (2018: payable $48,364) represents the amount of income taxes payable in respect of current and prior periods.

	2019 $	2018 $
Income tax payable / (receivable)	114,710	48,364
Movement in Taxation Provision		
Balance at beginning of the year	48,364	(2,500)
Current year's income tax expense on profit before tax	118,354	89,431
Income tax paid – current year	(37,281)	(41,067)
Income tax refund/(paid) – prior year	(48,364)	2,500
Prior year adjustments	33,637	-
Balance at the end of the year	114,710	48,364

8. Cash and cash equivalents

	2019	2018
Cash on hand and at bank	3,191,261	2,550,663
Deposits at call	11,500,000	10,000,000
Term deposits and Negotiable Certificates of Deposits	7,207,403	9,701,966
	21,898,664	22,252,629
Maturity Analysis		
No maturity	14,691,261	12,550,663
Remaining maturity not longer than 3 months	6,707,403	9,201,966
Remaining maturity longer than 3 months and less than 6 months	500,000	500,000
	21,898,664	22,252,629

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

8. Cash and cash equivalents (continued)

	2019 $	2018 $
Credit rating of cash & cash equivalents		
Cuscal Limited – rated A-1	15,273,093	12,447,271
ADI's rated A-1+	500,000	500,000
ADI's rated A-1	-	1,000,000
ADI's rated A-2	2,488,858	4,474,935
ADI's rated A-3	2,488,546	497,031
Unrated	-	2,500,000
Cash on hand – N/A	1,148,167	833,392
	21,898,664	22,252,629

9. Other receivables

	2019 $	2018 $
Accrued income	37,770	56,898
Other	17,866	13,896
	55,636	70,794

10. Loans and advances

	2019 $	2018 $
Overdrafts	1,048,533	832,139
Term loans	66,770,176	62,318,164
Gross loans and advances	67,818,709	63,150,303
Provision for impairment	(73,513)	(34,126)
Net loans and advances	67,745,196	63,116,177
Maturity Analysis		
Overdrafts	1,048,533	832,139
Not longer than 3 months	856,527	798,204
Longer than 3 and not longer than 12 months	2,150,229	2,145,754
Longer than 1 and not longer than 5 years	9,968,548	10,090,961
Longer than 5 years	53,794,872	49,283,245
	67,818,709	63,150,303
Security held against loans		
Secured by mortgage over residential property	61,733,342	56,643,077
Secured by mortgage over commercial property	2,060,749	2,124,058
Total loans secured by real estate	63,794,091	58,767,135
Secured by funds	3,374	78,937
Partly secured by goods mortgage	3,780,832	4,045,558
Wholly unsecured	240,412	256,673
	67,818,709	63,150,303

It is not practicable to value all collateral as at the balance date due to the variety of assets and condition. A breakdown of the quality of the residential mortgage security on a portfolio basis is as follows:

	2019 $	2018 $
Loan to value ratio of 80% or less	50,747,084	48,530,226
Loan to value ratio of more than 80% but mortgage insured	10,991,090	8,126,533
Loan to value ratio of more than 80% not mortgage insured	2,055,917	2,110,376
	63,794,091	58,767,135

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

10. Loans and advances (continued)

	2019 $	2018 $
Concentration of risk		
Significant individual exposures		
- Individual credit facilities greater than 10% of capital in aggregate	4,375,879	3,744,185

Geographical concentrations

The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to the geographical areas of North Eastern Victoria.

	2019 $	2018 $
- Victoria	53,585,528	51,838,874
- New South Wales	13,481,188	10,894,727
- Other	751,993	416,702
	67,818,709	63,150,303

11. Impairment of loans and advances

	2019 $	2018 $
Total provision comprises of		
Collective provisions	-	34,126
Additional specific provisions	-	-
Expected credit loss allowance	73,513	-
Total provision	73,513	34,126

The loss allowance for 2019 is calculated and disclosed under the expected credit loss regime as per Note 1(f). The comparative amounts and disclosures for 2018 represents incurred impairment provisions under the previous measurement basis as per Note 1(f).

Amounts arising from expected credit loss:
An analysis of the Credit Union's credit risk exposure per class of financial asset and "stage" without reflecting the effects of any collateral or other credit enhancements is demonstrated in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

11. Impairment of loans and advances (continued)

2019 – Under AASB 9 requirements.

Credit risk exposure under expected credit loss - 2019	**Stage 1 12 month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loan category	**2019 $**	**2019 $**	**2019 $**	**2019 $**
Mortgages loans – secured by residential property				
Not in arrears and up to 30 days	60,950,147	85,965	-	61,036,112
More than 30 days, but less than 90 days	-	-	-	-
More than 90 days, but less than 180 days	-	-	-	-
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	-	-
Mortgages loans – secured by commercial property				
Not in arrears and up to 30 days	1,906,344	-	-	1,906,344
More than 30 days, but less than 90 days	-	-	-	-
More than 90 days, but less than 180 days	-	-	-	-
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	-	-
Personal loans – secured & under secured				
Not in arrears and up to 30 days	3,746,617	-	-	3,746,617
More than 30 days, but less than 90 days	-	-	-	-
More than 90 days, but less than 180 days	-	-	40,413	40,413
More than 180 days, but less than 270 days	-	-	40,690	40,690
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	-	-
Overdrafts	1,017,394	-	31,139	1,048,533
Total carrying amount – gross	**67,620,502**	**85,965**	**112,242**	**67,818,709**
Less expected credit loss allowance	(9,653)	(4,298)	(59,562)	(73,513)
Total carrying amount – net	**67,610,849**	**81,667**	**52,680**	**67,745,196**
Security analysis -Stage 2 & Stage 3	**-**	**-**	**-**	**-**
Estimated collateral – after discount	N/A	-	17,500	17,500

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

11. Impairment of loans and advances (continued)

2018 – under AASB 139 requirements:

Ageing analysis of loans and advances past due	Past due and not impaired	Past due and impaired	Total past due and impaired
Loan category	**2018 $**	**2018 $**	**2018 $**
Up to 30 days	751,239	-	751,239
More than 30 days, but less than 90 days	415,960	20,543	436,503
More than 90 days, but less than 180 days	521,053	19,603	540,656
More than 180 days, but less than 270 days	-	-	-
More than 270 days, but less than 365 days	-	-	-
More than 365 days	-	-	-
Overlimit credit facilities more than 14 days	109	25,223	25,332
Total carrying amount – net	**1,688,361**	**65,369**	**1,753,730**

Security analysis of loans and advances past due	Past due and not impaired	Past due and impaired	Total past due and impaired
Loan category	**2018 $**	**2018 $**	**2018 $**
Secured by mortgage over real estate	1,575,396	-	1,575,396
Secured by funds	-	-	-
Partly secured by goods mortgage	112,856	40,146	153,002
Full unsecured	109	25,223	25,332
Total carrying amount – net	**1,688,361**	**65,369**	**1,753,730**

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

11. Impairment of loans and advances (continued)

Reconciliation of allowance for impairment

The reconciliations from the opening to the closing balance of the allowance for impairment by class of financial instrument is shown in the table below:

2019 – under AASB 9 requirements:

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Movement category	**2019 $**	**2019 $**	**2019 $**	**2019 $**
Balance at 1 July per AASB 139	-	-	34,126	34,126
Adjustment on initial application of AASB 9	9,312	7,436	31,234	47,982
Balance at 1 July per AASB 9	**9,312**	**7,436**	**65,360**	**82,108**
Transfers between stages	-	-	-	-
Movement due to increase in loans & advances	9,587	-	-	9,587
Movement due to change in credit risk	-	(3,138)	(5,798)	(8,936)
Bad debts written off from provision	(9,246)	-	-	(9,246)
Changes in model/risk parameters	-	-	-	-
Balance at 30 June 2019	**9,653**	**4,298**	**59,562**	**73,513**

During the 2019 financial year, there was no significant change to the gross carrying amount of financial instruments subject to the expected credit loss provision.

2018 – under AASB 139 requirements:

	Collective provision	Specific provision	Total
Movement category	**2018 $**	**2018 $**	**2018 $**
Balance at 1 July 2017	12,465	-	12,465
Expenses / (written back) during the year	35,924	-	35,924
Bad debts written off from provision	(14,263)	-	(14,263)
Balance at 30 June 2018	**34,126**	**-**	**34,126**

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

11. Impairment of loans and advances (continued)

Loans restructured

During the year, some loans that were previously past due or impaired, have been restructured by the Credit Union.

	2019 $	2018 $
Loans restructured during the financial year - all	31,549	19,830
Balance at the end of the financial year	30,419	19,270

12. Other Financial Assets

	2019 $	2018 $
Available-for-sale investments securities – held at cost under AASB 139		
• Shares in Cuscal Limited (a)	-	125,516
• Shares in TransAction Solutions Pty Ltd	-	4,573
Equity investment securities designated as fair value through other comprehensive income (FVOCI) – held at fair value		
• Shares in Cuscal Limited (a)	159,600	-
• Shares in TransAction Solutions Pty Ltd	32,660	-
	192,260	130,089

(a) Cuscal Limited

This company supplies services to the member organisations which are all Credit Unions and Mutual Banks. In 2018, these investments were classified as available-for-sale and measured at cost. At 1 July 2018, the Credit Union designated its investment in CUSCAL equity securities as at FVOCI, as the Credit Union considers these investments to be strategic in nature and the shares are only able to be traded within a market limited to other mutual ADI's.

Management have used unobservable inputs to assess the fair value of the shares. Management has determined that the net tangible asset per share (from the latest available financial statement) is a reasonable approximation of fair value based on the likely value available on a sale.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

	2019 $	2018 $
13. Property, plant and equipment		
Land		
At fair value	1,150,000	1,150,000
	1,150,000	1,150,000
Buildings on freehold land		
At fair value	556,794	556,794
Accumulated depreciation	(26,141)	(12,221)
	530,653	544,573
Plant and equipment		
At cost	838,933	819,400
Accumulated depreciation	(661,848)	(662,398)
	177,085	157,002
Leasehold improvements		
At cost	160,618	170,853
Accumulated amortisation	(134,745)	(132,117)
	25,873	38,736
Total property, plant and equipment at written down value	1,883,611	1,890,311

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

13. Property, plant & equipment (continued)

(a) Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Land	*Buildings*	*Plant and equipment*	*Leasehold improvements*	*Total*
	$	$	$	$	$
Balance at 1 July 2017	1,025,000	454,638	210,475	47,454	1,737,567
Additions	-	-	10,923	-	10,923
Revaluations	125,000	102,250	-	-	227,250
Disposals	-	-	(7,935)	-	(7,935)
Depreciation	-	(12,315)	(56,461)	-	(68,776)
Amortisation	-	-	-	(8,718)	(8,718)
Balance at 30 June 2018	1,150,000	544,573	157,002	38,736	1,890,311
Balance at 1 July 2018	1,150,000	544,573	157,002	38,736	1,890,311
Additions	-	-	105,020	-	105,020
Revaluations	-	-	-	-	-
Disposals	-	-	(35,376)	(6,562)	(41,938)
Depreciation	-	(13,920)	(49,561)	-	(63,481)
Amortisation	-	-	-	(6,301)	(6,301)
Balance at 30 June 2019	1,150,000	530,653	177,085	25,873	1,883,611

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

13. Property, plant and equipment (continued)

(b) Valuations

The basis of land and buildings is fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The freehold land and buildings located at 58 Belmore Street and 60 Belmore Street, Yarrawonga were independently valued on 18 June 2018 by Roger M Porter, AAPI (Val) and applied by the Credit Union as at 30 June 2019. This valuation does not include the property located at Barr Street Tungamah, which was last independently valued in 2010. The Directors do not believe that there has been a material movement in fair value since the latest valuation in 2019 and 2010 for this property. Refer to Note 1 (h), Note 1 (s) and Note 28 for further information on fair value measurement.

	2019 $	2018 $
14. Intangible assets		
Computer and software licenses		
At cost	793,234	756,670
Accumulated amortisation	(639,357)	(537,562)
	153,877	219,108

Reconciliations

Reconciliations of the carrying amounts for each class of intangible assets are set out below:

Computer software and licences

	2019 $	2018 $
Balance at beginning of the year	219,108	98,975
Additions	36,564	184,955
Amortisation	(101,795)	(64,822)
Balance at end of the year	153,877	219,108

15. Other assets

	2019 $	2018 $
Prepayments	79,152	83,011

16. Member deposits

	2019 $	2018 $
Call deposits	43,055,951	37,936,257
Term deposits	40,829,358	42,171,094
	83,885,309	80,107,351
Maturity analysis		
At call	43,055,951	37,936,257
Not longer than 3 months	23,275,957	19,755,968
Longer than 3 and not longer than 12 months	16,617,933	20,992,664
Longer than 1 and not longer than 5 years	935,468	1,422,462
	83,885,309	80,107,351

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

16. Member deposits (continued)

	2019 $	2018 $

Concentration of deposits

Geographical concentrations
The Credit Union operates in the geographic areas of North Eastern Victoria and Southern New South Wales and member deposits at balance date were principally received from members employed in these areas.

The geographical segment details are below:	2019 $	2018 $
- Victoria	62,323,497	55,398,749
- New South Wales	21,114,270	24,349,127
- Other	447,542	359,475
	83,885,309	80,107,351

Significant individual member deposits
As at 30 June 2019 the Credit Union's deposit portfolio included $nil deposit exposures which represented 5% or more of total liabilities (2018: $nil).

17. Trade and other payables

	2019 $	2018 $
Accrued interest payable	379,720	422,660
Sundry creditors and accruals	822,795	759,433
	1,202,515	1,182,093

18. Employee benefits

	2019 $	2018 $
Current		
Liability for long service leave	72,057	70,195
Liability for annual leave	86,000	66,062
Non-current		
Liability for long service leave	29,110	24,879
	187,167	161,136

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

	2019 $	2018 $
19. Reconciliation of cash flows from operating activities		
(a) Cash flow from operating activities		
Profit after income tax	320,421	167,884
Non cash flows in operating surplus/(deficit):		
Impairment charge	651	35,924
Depreciation and amortisation	171,577	142,316
Effect for allowance for impairment losses on adoption of AASB 9	(47,982)	-
Effect for fair value adjustment for other financial assets on adoption of AASB 9	45,074	-
Loss/(gain) on disposal of non-current assets	21,317	-
Changes in assets and liabilities:		
(Increase)/Decrease in receivables	14,508	(2,419)
(Increase)/Decrease in other assets	3,859	90,711
(Increase)/Decrease in deferred tax asset	(5,880)	(13,973)
Increase/(Decrease) in payables and accruals	20,422	194,265
Increase/(Decrease) in other financial assets	(62,171)	-
Increase/(Decrease) in income tax payable	66,346	50,864
Increase/(Decrease) in employee benefits	26,031	13,427
Increase/(Decrease) in deferred tax liability	43,886	33,935
Net cash from revenue activities	618,059	712,934
Add/(deduct) non revenue operations		
(Increase)/decrease in loans and advances	(4,629,019)	(4,294,522)
Increase/(decrease) in deposits	3,777,958	8,463,628
Cash flow from operating activities	(233,002)	4,882,040

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

(i) member deposits to and withdrawals from deposit accounts;
(ii) borrowings and repayments on loans, advances and other receivables;
(iii) investment securities, including shares in special service providers.

(c) Bank overdraft facility

As at 30 June 2019, the Credit Union does not have a bank overdraft facility. This is consistent with 2018.

(d) Special finance line – standby facility

As at 30 June 2019, the Credit Union does not have a standby facility. This is consistent with 2018.

(e) CUSCAL – Settlement Security Deposit

In the 2017 financial year, CMCU lodged a Settlement Security Deposit ("SSD") with CUSCAL. The SSD is a security deposit of $1,730,000 held in a standard term deposit account with CUSCAL.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

19. Reconciliation of cash flows from operating activities (continued)

(e) CUSCAL – Settlement Security Deposit (continued)

In accordance with the agreement between CUSCAL and the Credit Union, CUSCAL need not repay the SSD:

(a) until CUSCAL have received all money the Credit Union owe them at any time or which CUSCAL determine the Credit Union will or may owe them in the future; and
(b) until CUSCAL are satisfied that they will not be asked to refund any such money (or any part of it) to a trustee in bankruptcy, a liquidator or any other person; and
(c) other than in accordance with the terms applying to each deposit.

Further, the Credit Union irrevocably authorised CUSCAL at any time to apply all or any part of any credit balance in any other deposits that the Credit Union may have with them at that time by way of set-off or counterclaim in or towards payment of any liability (whether due now or later and whether actual or contingent) which the Credit Union may owe to CUSCAL at that time.

The Credit Union has classified the SSD as cash and cash equivalents in the statement of financial position and Note 8 on the basis of a determination made by the prudential regulator (APRA) that the Settlement Security Deposit is for the purpose of facilitating or securing settlement obligations, deposits relating to industry support schemes are to be utilised for a prudential purpose and thus can be included as part of the Credit Union's prudential liquidity holding. The Credit Union has therefore included the SSD in its calculation of MLH disclosed in Note 26 Risk Management Objectives and Policies.

The Credit Union has also treated the SSD in accordance with its accounting policy for cash and cash equivalents for the purpose of interest rate risk and the maturity profile of financial assets in Note 27 Financial Instruments notwithstanding the existence of these specific contractual encumbrances.

20. Expenditure commitments

	2019 $	2018 $
Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date but not provided for:		
- payable not later than one year	-	-
Operating leases (non-cancellable)		
- not later than one year	23,124	16,714
- later than one and not later than five years	-	-
Aggregate expenditure contracted for at balance date	23,124	16,714
Operating leases receivable		
- not later than one year	21,985	23,214
- later than one and not later than five years	7,800	7,800
Aggregate income contracted for at balance date	29,785	31,014

Commitments existing as at balance date are inclusive of Goods and Services Tax.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

21. Contingent liabilities and credit commitments

In the normal course of business, the Credit Union enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of customers. The total credit related commitments and the financial guarantees do not necessarily represent future cash requirements.

The Credit Union uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets.

Credit related commitments includes approved but undrawn loans, credit limits and loan redraw facilities.

Security analysis of credit related commitments	Credit related commitments		Financial guarantees	
Secured by:	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Secured by mortgage over real estate	1,327,358	2,115,808	10,000	10,000
Secured by funds	77,337	68,927	15,000	15,000
Partly secured by goods mortgage	71,293	112,303	23,636	23,636
Fully unsecured	148,866	184,197	5,100	5,100
Guarantee	39,565	32,889	-	-
Total	**1,664,419**	**2,514,124**	**53,736**	**53,736**

Other contingent liabilities
Central Murray Credit Union Limited is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme that all credit unions who are affiliated with Cuscal Limited have agreed to participate in. CUFSS is a company limited by guarantee with each credit union's guarantee being $100.

As a member of CUFSS, the Credit Union:
- May be required to advance funds of up to 3% (excluding permanent loans) of total assets to another credit union requiring financial support;
- May be required to advance permanent loans of up to 0.2% of total assets per financial year to another credit union requiring financial support; and
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

Other commitments
The Credit Union has a number of Service Agreements with external parties for the supply of services into the future.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

22. Outsourcing arrangements

The Credit Union has outsourcing arrangements with the National Australia Bank and Cuscal Limited for the provision of corporate banking services and facilities, settlement services with bankers for member cheques and access to the direct entry system.

The Credit Union has outsourcing arrangements with Cuscal Limited for the provision of network transactions for automatic teller facilities, the provision of debit cards and personal identification numbers and access to the BPAY scheme and the New Payments Platform.

The Credit Union has outsourcing arrangements with TransAction Solutions Pty Ltd for the provision of computer data processing services and Cuscal Limited for computer software services, rights to visa cards and the provision of central banking facilities.

Ultradata Australia provides and maintains the application software (Ultracs) utilised by the Credit Union.

The Credit Union has an outsourcing arrangement with AFS & Associates for the provision of internal audit services.

23. Key management personnel

The following were key management personnel of the Credit Union at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Non-executive directors	
J Gorman	Chairperson
M O'Dwyer	Vice-Chairperson
L Douglas	
M Forster-Knight	
F McCallum	
S Cusack (Resigned May 2019)	
J Vagg	
Executive	
J Pattison	Chief Executive Officer

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

23. Key management personnel (continued)

Transactions with key management personnel
In addition to their salaries, the Credit Union also provides banking services and products to key management personnel as outlined below.

Key Management personnel compensation
The Key Management Personnel compensation included in “personnel costs” (see Note 5) are as follows:

	2019 $	2018 $
Short-term employee benefits	253,974	262,291
Other long term benefits	2,983	2,983
Post employment benefits	33,299	25,074
	290,256	290,348

Public disclosure of remuneration
In accordance with the APS 330 *Public Disclosure* requirements, the Credit Union is required to include both qualitative disclosure and quantitative disclosures for senior managers and material risk-takers in the Regulatory Disclosure section on its website.

Loans and advances to key management personnel and other related parties
Details regarding the aggregate of loans and advances made, guaranteed or secured by the Credit Union to Key Management Personnel and their related parties as at balance date are as follows:

Loans and advances to key management personnel	1,358,400	1,838,280
Loans and advances to other related parties	-	-
	1,358,400	1,838,280

All loans to Directors by the Credit Union have been made in the normal course of business and on the normal commercial terms and conditions. A concessional loan rate facility is available to all staff.

Revolving credit facilities totalling $nil (2018: $nil) were made available to Directors and Key Management Personnel during the year. The aggregate amount receivable at 30 June 2019 was $24,337 (2018: $41,076). Key Management Personnel who are not Directors receive a concessional rate of interest on their facilities. These benefits, where subject to fringe benefits tax, are included in the remuneration above. All other revolving credit facilities are at normal commercial terms and conditions.

There was $155,719 concessional loan rate facilities funded during 2019 (2018: $129,381), excluding those disclosed separately as Key Management Personnel loans.

Loans totalling $144,000 (2018: $30,000) were made to Key Management Personnel and other related parties during the year. As at 30 June 2019 there was $nil (2018: $nil) of loans approved but not yet funded in relation to Key Management Personnel.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

23. Key management personnel (continued)

Loans to key management personnel and other related parties (continued)
During the year, Mr M O'Dwyer, Ms L Douglas, Mr J Vagg, Mr M Forster-Knight, Mrs F McCallum, and Mr J Pattison (2018: Mr M O'Dwyer, Ms L Douglas, Mr M Forster-Knight, Mrs F McCallum, and Mr J Pattison) repaid $1,481,304 (2018: $787,944) of the balances outstanding on their loans and revolving credit facilities.

The Credit Union's policy for lending to Key Management Personnel and their related parties is that all loans are approved on the same terms and conditions as is applied to members of each class of loan. Interest is payable monthly. All loans are secured by either a registered first mortgage over the borrowers' residences, or by goods mortgages, over security provided by the borrower.

This note excludes loans and advances through the use of the Integris securitisation program, as outlined in Note 1(q).

Interest received on the loans to Key Management Personnel and other related parties totalled $71,654 (2018: $81,262). No amounts have been written down or recorded as allowances, as all balances outstanding are considered fully collectable.

There were no other amounts receivable at 30 June 2019 (2018: nil).

	2019 $	**2018 $**
Deposits from key management personnel and other related parties as at balance date		
Total value term and savings deposits from key management personnel	77,148	711,125
Total value term and savings deposits from other related parties	-	-
Total interest paid on deposits to key management personnel	1,901	975
Total interest paid on deposits to other related parties	-	-

The Credit Union's policy for receiving deposits from Key Management Personnel is that all transactions are approved and deposits accepted on the same terms and conditions which applied to members for each type of deposit.

Other key management personnel transactions with the Credit Union
From time to time the Key Management Personnel of the Credit Union and their related parties may conduct banking related transactions with the Credit Union. These transactions are on the same terms and conditions as those entered into by other members.

No members of the Key Management Personnel of the Credit Union, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

Each Director would hold at least 1 share in the Credit Union.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

24. Concentration of assets and liabilities

The Credit Union has cash and cash equivalents exposures in excess of 10% of member's equity in regards to a number of investment institutions. At 30 June 2019, these holdings are in accordance with the requirements of APS 221 *Large Exposures*.

One of the entities is Cuscal Limited, a Special Services Provider (SSP). The net investment totalling $15,432,693 (2018: $12,572,787) represents shares held in Cuscal Limited of $159,600 (2018: $125,516) and cash and investments with Cuscal Limited of $15,273,093 (2018: $12,447,271).

Other cash investments in excess of 10% of shareholders equity were also placed in APRA regulated deposit taking institutions at 30 June 2019.

Concentration of loans and advances and member deposits are detailed in Notes 10 and 16 respectively.

25. Auditor's remuneration

	2019 $	2018 $
Amounts received or due and receivable by the External Auditor of Central Murray Credit Union (including GST) for:		
- audit of the financial statements of the Credit Union	35,426	34,397
- other regulatory assurance services	17,270	16,770
- other services – taxation and other assistance	13,288	6,622
	65,984	57,789

Audit and related services were provided by Crowe Albury and taxation services by Findex. The above amounts exclude out of pocket expenses recovered.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

26. Risk management objectives and policies

Introduction

The Board of the Credit Union has overall responsibility for the establishment and oversight of the risk management framework. The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union.

The Credit Union's risk management focuses on the major areas of market risk, credit risk and operational risk. Authority flows from the Board to the Board Risk Committee and Board Audit Committee from there to the Management Risk Committee and from there to Internal Audit which are integral to the management of risk.

The main elements of risk governance are as follows.

- *Board:* This is the primary governing body. It approves the level of risk which the Credit Union is exposed to and the framework for reporting and mitigating those risks.
- *Board Risk Committee:* Its key role in risk management is the overview of the Credit Union's internal control framework and risk management systems.
- *Board Audit Committee:* Its key role in risk management is to consider and confirm that the significant risks and controls are to be assessed within the internal audit plan. The Committee receives the internal audit reports to assess compliance with the controls, and provides feedback to the Board for their consideration.
- *Management Risk Committee:* Its key role is to provide independent and objective challenge, oversight, monitoring and reporting to material risk arising from the Credit Union's operations.
- *Internal Audit:* Internal audit has responsibility for implementing the controls testing and assessment as required by the Board Audit Committee:

Key risk management policies encompassed within the overall risk management framework include:

- Market risk management system;
- Liquidity risk management system;
- Credit risk management system;
- Large exposures risk management system;
- Operational risk management system;
- Business continuity management policy; and
- Outsourcing policy.

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

(a) Market risk

The objective of the Credit Union's market risk management is to manage and control market risk exposures in order to optimise risk and return.

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the Credit Union's financial condition or results. The Credit Union is exposed only to interest rate risk arising from changes in market interest rates within its own banking book. The Credit Union is not exposed to currency risk or other significant price risk. The Credit Union does not trade in the financial instruments it holds on its books.

The management of market risk is the responsibility of the Chief Executive Officer, who reports directly to the Board.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

26. Risk management objectives and policies (continued)

(a) Market risk (continued)

(i) *Interest rate risk*
Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to the changes of interest rates.

Most financial institutions are exposed to interest rate risk within its treasury operations. The Credit Union does not have a treasury operation and does not trade its financial instruments.

Interest rate risk in the banking book
The Credit Union is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities.

The interest rate risk on the banking book is monitored and measured on a regular basis, including via the quarterly APRA reporting.

In the banking book the most common risk the Credit Union faces arises from fixed rate assets and liabilities. This exposes the Credit Union to the risk of sensitivity should the interest rate change.

The level of mismatch on the banking book is set out in Note 27 below. The table set out in Note 27 displays the period that each asset and liability will reprice as at the balance date. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

Method of managing risk
The Credit Union manages its interest rate risk by the use of interest rate sensitivity analysis. The details and assumptions used are set out below.

Interest rate sensitivity
The policy of the Credit Union to manage the risk is to maintain a balanced 'on book' strategy by ensuring that the net interest gap between assets and liabilities (the Gap) is not excessive.

The Gap is measured regularly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposit liabilities to rectify the imbalance to within acceptable levels. The policy of the Credit Union is not to undertake derivatives to match the interest rate risks.

Based on the calculations as at 30 June 2019, the net profit impact for a 2% increase in interest rates would be $1,097,780 increase in profit (2018: $1,061,765). A decrease of 2% in interest rates would have an equal but opposite effect.

The Credit Union performs a sensitivity analysis to measure market risk exposures on an annual basis, as part of the annual budgeting process. The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing on the banking book of the Credit Union for the next 12 months using a variety of assumptions.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

26. Risk management objectives and policies (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Credit Union will not be able to meet its financial obligations as they fall due. It is the policy of the Credit Union that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Credit Union manages liquidity risk by:
- Continuously monitoring actual daily cash flows and longer term forecasted cash flow needs;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, and
- Monitoring the prudential ratio daily.

The liquidity strategy requires the holding of surplus funds in liquid assets which meet APRA's criteria for classification as eligible Minimum Liquidity Holdings ("MLH") the availability of appropriate standby lines of funding; maintenance of reliable sources of funding and daily liquidity projections.

The Credit Union has a contractual arrangement with the Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support for the Credit Union in times of need. Further details of the CUFSS arrangements are included at Note 21.

APRA Prudential Standards place specific management and reporting requirements on ADIs in relation to liquidity risk. The Credit Union uses the MLH basis to calculate liquidity. Under this calculation the Credit Union is required to maintain at least 9% of total adjusted liabilities in specified eligible assets at all times. The Credit Union maintains a required minimum liquidity level of at least 13% (2018: 13%) to meet adequate operational cash flow requirements. The ratio is monitored daily. Should the liquidity ratio fall below this level, management and the Board are to address the matter and ensure that liquid funds are obtained from new deposits.

The maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms are set out in the notes to the financial statements.

The liquidity ratio as at the end of the financial year was:

	2019	2018
Minimum Liquidity Holdings	22.07%	18.87%
Operational Liquid Assets	0.52%	5.21%
Total	**22.59%**	**24.08%**

In order to ensure compliance with APS 210 *Liquidity*, the Credit Union has set up an Austraclear Proxy and Settlement Services agreement with FIIG Securities Limited. This facility ensures that the Credit Union has the ability to liquidate MLH assets within 48 hours as required by APS 210.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

26. Risk management objectives and policies (continued)

(c) Credit risk

Credit risk is the risk that members, financial institutions and other counterparties are unable to meet their obligations to the Credit Union which may result in financial losses. Credit risk arises principally from the Credit Union's loan book and investment assets.

(i) Credit risk – loans & advances:

All loans and facilities are within Australia. The geographic distribution is monitored and analysed, with details of the concentration detailed in Note 10.

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved and close monitoring of defaults in the repayment of loans thereafter on a weekly basis. The credit risk management policy has been endorsed by the Board to ensure that loans are only made to members that are creditworthy and capable of meeting loan repayments.

The Credit Union has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value of individual borrowers, non mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Debt recovery procedures where appropriate; and
- Establishing appropriate provisions to recognise the impairment of loans and facilities.

A regular review of the Credit Union's compliance with the credit risk management policy and associated policies and procedures is conducted as part of the internal audit program.

Past due and impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. A past due classification can trigger various actions such as a renegotiation, enforcement of covenants, or legal proceedings.

For loans where repayments are doubtful, external agencies are engaged to conduct recovery action. The exposure to losses arise predominately in personal loans and facilities not secured by registered mortgages over real estate.

Details on the expected credit loss provision used by the Credit Union for loans and advances are set out in Note 11.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

26. Risk management objectives and policies (continued)

(c) Credit risk (continued)

Bad Debts
Amounts are written off when collection of the loan or advance is considered to be remote. All write offs are on a case by case basis, taking account of the exposure at the date of the write off.

On secured loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lenders mortgage insurance.

Collateral securing loans
A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the Credit Union is exposed to risks in the reduction to Loan to Valuation Ratio (LVR) cover should the property market be subject to a substantial decline.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken.

The Credit Union maintains a general policy to attract residential mortgages which carry an 80% loan to valuation ratio or less. Note 10 details the nature and extent of the security held against the loan held as at balance date.

Concentration risk
Concentration risk is a measurement of the Credit Unions' exposure to an individual borrower or industry.

The Credit Union has in place a large exposure policy limit of 10% of regulatory capital. The Credit Union can lend above 10% of capital, however APRA must be consulted prior to undertaking the loan or facility. APRA may impose additional capital requirements on the Credit Union if the aggregate of large exposures is deemed to be higher than prudentially acceptable.

Details of the Credit Union's large exposures at balance date are set out in Note 10.

(ii) Credit risk – liquid investments:
Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss.

The risk of losses from the liquid investments undertaken is mitigated by the nature and quality of the independent rating of the investment bodies and the limits to concentration as approved by APRA from time to time.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

26. Risk management objectives and policies (continued)

(c) Credit risk (continued)

(ii) Credit risk – liquid investments (continued)

The Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA prudential guidance AGN 112. The credit quality assessment scale within this standard has been compiled with.

Given the high quality of these investments, the Credit Union does not expect any counterparty to fail to fulfil its obligations. The exposure values associated with each credit quality investment body are detailed in Notes 8 and 24.

External Credit Assessment for Institution Investments
The Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA prudential guidance AGN 112. The credit quality assessment scale within this standard has been compiled with.

The exposure values associated with each credit quality step are detailed in Note 8.

(d) Operational risk

Operational risk is the risk of loss to the Credit Union resulting from deficiencies in processes, personal technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in the Credit Union relate mainly from those risks arising from a number of sources including legal compliance, business continuity, information technology, outsources services failures, fraud and employee errors.

The Company's objective is to manage operational risk so as to balance the evidence of financial losses through implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of policies and systems to monitor the likelihood of the events and minimise the impact.

(e) Regulatory and Compliance risk

Regulatory and Compliance risk is the risk of failing to comply with regulatory requirements.

The Credit Union's compliance program identifies the key legislative and regulatory obligations that impact the Credit Union and identifies the measures in place to ensure compliance with them.

(f) Strategic risk

Strategic risk is the risk to current or prospective earnings and capital, resulting from unexpected or adverse changes in the business environment with respect to the economy, the political landscape, regulation, technology, social morals, the actions of competitors and business decisions.

Strategic risk is constantly considered through business strategy, i.e. planning and, where applicable, monitored via the quarterly risk report with additional commentary on emerging issues included in the monthly report.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

26. Risk management objectives and policies (continued)

(g) Capital risk

Capital risk is the risk that there is insufficient capital available to protect against unexpected loss.

The Credit Union's policy is to maintain a strong capital base and to maintain a balance between profitability and benefits provided to members by way of better interest rates, lower fees, convenient locations and superior service.

The Credit Union's capital management objectives are to:

- Ensure there is sufficient capital to support the Credit Union's operational requirements;
- Maintain sufficient capital to exceed internal and externally imposed capital requirements; and
- Safeguard the Credit Union's ability to continue as a going concern in all types of market conditions.

The Credit Union is subject to minimum capital requirements imposed by APRA based on the guidelines developed by the Basel Committee on Banking Supervision. The Credit Union reports to APRA under Basel III capital requirements and uses the standardised approach for credit and operational risk.

APRA requires Authorised Deposit-taking Institutions ("ADIs") to have a minimum ratio of capital to risk weighted assets of 8%. In addition, APRA imposes ADI specific minimum capital ratios which may by higher than these levels.

The Board approved internal capital assessment process requires capital to be well above the regulatory required levels.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

26. Risk management objectives and policies (continued)

(g) Capital risk (continued)

	2019 $	2018 $
Capital adequacy calculation		
Tier 1 capital		
Net tier 1 capital	5,996,708	5,669,631
Tier 2 Capital		
Net tier 2 capital	193,799	184,414
Total Capital	6,190,507	5,854,045
Risk profile		
Credit Risk	37,902,574	36,515,994
Operational Risk	4,462,122	4,458,188
Total risk weighted assets	42,364,696	40,974,182
Capital adequacy ratio	14.61%	14.29%

The level of capital ratio can be affected by growth in assets relative to growth in capital and by changes in the mix of financial assets managed by the Credit Union.

To manage the Credit Union's capital, the Credit Union reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the Board and APRA if the capital ratio falls below the internal trigger point of 14%. Further a 3 year budget projection of the capital levels is prepared annually to address how strategic decisions or trends may impact on the capital level.

Internal capital adequacy assessment process
The Credit Union manages its internal capital levels for both current and future activities through the Board in its capacity as the primary governing body. The capital required for any change in the Credit Union's strategic direction, forecasts, or unforeseen circumstances, are assessed by the Board.

Public disclosure of capital
In accordance with the APS 330 *Public Disclosure* requirements, the Credit Union is required to include details on the composition and features of capital and risk weighted assets in the Regulatory Disclosure section on its website.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

27. Financial instruments

(a) Interest rate risk

The Credit Union's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial instruments	Floating (variable) interest rate		Fixed interest rate maturing in: 1 year or less		Fixed interest rate maturing in: Over 1 to 5 years		Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 %	2018 %
Financial assets:												
Cash and cash equivalents	13,543	11,718	7,207	9,702	-	-	1,149	833	21,899	22,253	1.78%	1.76%
Other receivables	-	-	-	-	-	-	56	71	56	71	N/A	N/A
Loans and advances (gross)	65,098	57,530	204	3,965	2,517	1,655	-	-	67,819	63,150	5.20%	5.27%
Other investments	-	-	-	-	-	-	192	130	192	130	N/A	N/A
Total financial assets	78,641	69,248	7,411	13,667	2,517	1,655	1,397	1,034	89,966	85,604		
Financial liabilities:												
Members deposits	43,014	37,895	39,894	40,749	935	1,422	42	41	83,885	80,107	1.62%	1.67%
Trade and other payables	-	-	-	-	-	-	1,203	1,182	1,203	1,182	N/A	N/A
Total financial liabilities	43,014	37,895	39,894	40,749	935	1,422	1,245	1,223	85,088	81,289		

N/A - not applicable for non-interest bearing financial instruments.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

27. Financial instruments (continued)

(b) Maturity profile of financial assets and liabilities

Monetary assets and liabilities have differing maturity profiles depending on the contractual terms, and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal and future interest will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event repayment conditions are varied. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly, these values will not agree to the carrying amounts of the Statement of Financial Position.

Financial instruments	Within 3 months		From 3 to 12 months		From 1 to 5 years		More than 5 years		No maturity		Total cash flows		Total carrying amount as per the Statement of Financial Position	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial assets:														
Cash and cash equivalents	6,719	9,232	510	509	-	-	-	-	14,703	12,563	21,932	22,304	21,899	22,253
Other Receivables	-	-	-	-	-	-	-	-	18	14	18	14	56	71
Loans and advances (gross)	1,729	1,635	5,777	4,583	22,123	21,486	86,628	80,650	-	-	116,257	108,353	67,819	63,150
Other investments	-	-	-	-	-	-	-	-	192	130	192	130	192	130
Total financial assets	8,448	10,867	6,287	5,092	22,123	21,486	86,628	80,650	14,913	12,707	138,399	130,801	89,966	85,604
Financial liabilities:														
Members deposits	23,589	20,120	17,025	21,455	972	1,485	-	-	43,056	37,937	84,642	80,997	83,885	80,107
Trade and other payables	-	-	-	-	-	-	-	-	823	759	823	759	1,203	1,182
Total financial liabilities	23,589	20,120	17,025	21,455	972	1,485	-	-	43,879	38,696	85,465	81,756	85,088	81,289

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

27. Financial instruments (continued)

(c) Net fair values

The fair value is required to be disclosed where the financial instruments are not measured at fair value in the Statement of Financial Position. Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

Assets where the fair value is lower that the book value have not been written down in the accounts of the Credit Union on the basis that they are held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

The Credit Union has assessed that at balance date, the carrying amount of all financial instruments approximates fair value. The description of the valuation techniques and assumptions are detailed below:

Recognised financial instruments

Cash and cash equivalents
The carrying amounts approximate fair value because of their short-term to maturity (i.e. less than three months) or are receivable on demand.

Other receivables
The carrying amount approximates fair value as they are short term in nature.

Loan and advances
The majority of the Credit Union's loans are variable rate loans. The carrying amount of these loans is considered to approximate fair value. The net fair value of any non-variable rate loans are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by using a method not materially different from discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows. The carrying amount of loans at 30 June 2019 approximates net fair value.

Member deposits
The fair value of call deposits and fixed rate deposits repricing within 12 months, is the amount shown in the Statement of Financial Position. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related period to maturity. The maximum term for fixed term deposits accepted by the Credit Union is two years.

The Credit Union has assessed its own credit risk in regards to the fair value of deposits, and has assessed that no material valuation adjustment based on the capital management system utilised by the Credit Union as outlined in Note 26 (g).

Trade and other payables
The carrying amount approximates fair value as they are short term in nature Note 27.

Other financial assets
The Credit Union has estimated the fair value of the equity investments within other financial assets utilising the net asset of the underlying Companies from the most recent financial statements available.

Hence, the key unobservable input in regards to the fair value is the net assets/share amount. Any changes in the net assets of the underlying Company would directly impact the net asset/share amount used by the Credit Union, and impact on the fair value estimate of the other financial assets and the Financial Assets Reserve within equity.

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

27. Financial instruments (continued)

(d) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

2019 – under AASB 9 requirements:	**2019 $**
Financial assets	
Financial assets at amortised cost	
Cash and cash equivalents	3,191,261
Receivables due from other financial institutions	18,707,403
Other receivables	55,636
Member loans and advances (gross)	67,818,709
	89,773,009
Financial assets at fair value through other comprehensive income (FVOCI)	
Other financial assets	192,260
	192,260
Total financial assets	89,965,269
Financial liabilities	
Financial liabilities at amortised cost	
Accounts payable and other liabilities	1,202,515
Member deposits	83,885,309
Total financial liabilities	85,087,824

2018 – under AASB 139 requirements:	**2018 $**
Financial assets	
Loans and receivables – carried at amortised cost	
Cash and cash equivalents	22,252,629
Other receivables	70,794
Member loans and advances (gross)	63,150,303
	85,473,726
Held-to-maturity investments – carried at amortised cost	
Receivables due from other financial institutions	-
	-
Available for sale investments – carried at cost	
Other financial assets	130,089
	130,089
Total financial assets	85,603,815
Financial liabilities	
Carried at amortised cost	
Accounts payable and other liabilities	1,182,093
Member deposits	80,107,351
Total financial liabilities	81,289,444

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

28. Fair value measurement

Fair value hierarchy
Refer to details of the fair value hierarchy at Note 1(s).

2019 **Assets measured at fair value**	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings	-	1,680,653	-	-
Other financial assets (at FVOCI)	-	-	192,260	-
Total	**-**	**1,680,653**	**192,260**	**-**

2018 **Assets measured at fair value**	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings	-	1,694,573	-	1,694,573
Total	**-**	**1,694,573**	**-**	**1,694,573**

The Credit Union has assessed that, at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Notes 12 and 27(d).

Assets measured at fair value based categorised as Level 2
Land and buildings have been valued based on similar assets, location and market conditions.

Assets measured at fair value based categorised as Level 3

	Other financial assets (at FVOCI) Total	
Movement category	**2019** **$**	**2018** **$**
Balance at 1 July per AASB 139	130,089	-
Adjustment on initial application of AASB 9	62,171	-
Balance at 1 July per AASB 9	**192,260**	-
Revaluation through other comprehensive income	-	-
Impairment through profit or loss	-	-
Purchases	-	-
Sales	-	-
Closing balance - at 30 June	**192,260**	**-**

Notes to the Financial Statements

For the year ended 30 June 2019 (continued)

29. Corporate information

The Credit Union is a company registered under the Corporations Act 2001.

The address of the registered office is 58 Belmore Street, Yarrawonga Vic 3730.

Head office of the business is located in Yarrawonga Vic 3730.

The nature of the operations and its principal activities are the provision of deposit taking facilities and loan facilities to members of the Credit Union.

30. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union in subsequent financial years.

Directors' declaration

In the opinion of the Directors of Central Murray Credit Union Limited:-

1. the financial statements and notes, set out on pages 6 to 56, are in accordance with the *Corporations Act 2001*, including:

   (a) giving a true and fair view of the Credit Union's financial position as at 30 June 2019 and of its performance as for the year ended on that date; and

   (b) complying with the Accounting Standards and the *Corporations Regulations 2001*; and

2. There are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Michael O'Dwyer.

M O'Dwyer
Vice Chairperson

M Forster-Knight
Chairperson – Board Audit Committee

Dated at Yarrawonga this 18th day of September 2019.

Crowe Albury
ABN 16 673 023 918
491 Smollett Street
Albury NSW 2640 Australia

PO Box 500
Albury NSW 2640 Australia

Main 02 6021 1111
Fax 02 6041 1892
www.crowe.com.au

Independent Auditor's Report

To the Members of Central Murray Credit Union Limited

Opinion

We have audited the financial report of Central Murray Credit Union Limited (the Credit Union), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Central Murray Credit Union Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Credit Union's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Credit Union in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the information contained in the Credit Union's Annual Report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Credit Union are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Credit Union 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 Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

CROWE ALBURY

BRADLEY D BOHUN
Partner

18 September 2019

Albury