2017 Annual Report

Goulburn Murray Credit Union Co-operative Ltd | ABN 87 087 651 509

Goulburn Murray Credit Union

customer owned banking

Board of Directors

Geoff Cobbledick	Board Chair
Fiona Merrylees	Deputy Board Chair and Corporate Governance Committee Chair
Frank Mandaradoni	Audit Committee Chair
Rob Morris	Risk Committee Chair
Eileen Curtis	
John Guilmartin	
Eugenie Stragalinos	

Chair's Report

Fellow Members, I am pleased to present my second Chair's Report on behalf of the Goulburn Murray Credit Union. The 2016/17 year has seen the GMCU continue to develop as a one of the better performing organisations within the Customer Owned Banking sector with excellent results on all financial indicators, particularly with regard to liquidity and capital. Whilst financial indicators are extremely important to the GMCU we also pride ourselves on providing an extremely high level of customer service to our members and through the dedicated efforts of our management and staff I think we have again achieved this goal.

The Customer Owned Banking network, of which the GMCU is an integral part, provides a very special service to their members. Unlike the big Banks we don't have to focus on profits so that we can pay a dividend to shareholders, but rather we direct our energy towards providing excellent, cost efficient banking and associated services to our members. Funds that we do generate go back into enhancing these services to members as well as being invested into many community based organisations and activities to enrich the communities in which we operate. If you have the opportunity to promote the GMCU within your networks I would ask that you do so, as the continued growth of the GMCU will benefit all members.

We continued to achieve excellent results in the 2016/17 year and expect to continue this trend in future years. Our Financial Statements show that the GMCU has recorded;

- An increase in assets of $38.250 million (12.26%)
- An increase in loans of $7.980 million (3.19%)
- An increase in deposits of $37.082 million (13.85%)
- An operating profit after tax $2.121 million (2015/16 $2.324 million)

These results were recorded in a period of low interest rates which have been in place for many years together with continuing low levels of economic growth and uncertainty in a number of industries in our region. The trends are also reflective of others within the Customer Owned Banking sector and the GMCU consistently performs extremely well on comparison. It is important for the GMCU to continue to generate profits so that we can reinvest in the business and to provide equity for growth, a key strategy in the GMCU Strategic Plan.

The GMCU has experienced the same pressure on interest margins that have impacted on all organisations across our sector. We do continue to offer highly competitive rates on deposits and loans without impacting unsatisfactorily on our interest margin. Additionally we have looked to maximise non-interest income as well as minimising expenditure which has contributed to us maintain a very strong liquidity position. Overall the financial health of the GMCU is sound and this position will continue into future years.

It should be noted that the Australian Prudential Regulation Authority, (APRA), continually review the performance of the GMCU, as they do with all Authorised Deposit-Taking Institutions, and this included an onsite visit. APRA continue to be very active in the monitoring of residential lending and GMCU is successfully managing the specific requirements set by the regulatory body.

Following on from the successful relocation of the Echuca Branch last year plans are well underway for the relocation of the Kilmore Branch to a new and vastly improved location in the near future. We believe the investment into the growing region of Kilmore and surrounding areas to be a sound business decision and look forward to increased patronage as a result of this investment.

We continue to invest in new products and services for members including being amongst the first to offer Apple Pay and Android Pay options as well as our new Amigo Credit Card product which has been well received by members. The GMCU has introduced online ordering for International

Payments, finalised the conversion to Visacard, updated our Financial Services Guide and participated in the development of e-conveyancing with all these actions being focussed on promoting an enjoyable customer service experience for our members.

We are also well advanced with planning in relation to the implementation of the New Payments Platform which is a system wide initiative that is intended to provide Australian businesses and consumers with a fast, versatile, data-rich payments system for making their everyday payments. This is a significant undertaking for the GMCU and will provide great benefits to our members.

The Board continues to focus on their governance responsibilities and I would like to thank them for their considerable efforts during the past year. We regularly monitor performance against our Strategic Plan and are well on track to achieving the goals and targets identified. Our Audit Committee and Risk Committee continue to provide sound support to the Board and together with the Corporate Governance Committee and the Salary and Structure Committee provide an excellent basis for the many governance issues the Board are required to consider.

A continued major strength of the GMCU is its management and staff and I congratulate them on an excellent year. We are indeed fortunate to have such a dedicated and talented team working to enhance the banking experience of our members, thank you.

The Board, Management and Staff continue to be excited by the future and we look forward to providing ongoing high quality and cost efficient products and services to our members. The GMCU is an excellent organisation and I am very proud to be a part of it.

Geoff Cobbledick

Chair

Directors' report

The Directors present their report together with the financial statements of Goulburn Murray Credit Union Co-operative Limited (the "Company") for the year ended 30 June 2017 and the auditor's report thereon.

Directors

The names and details of the Directors of the Company in office at any time during or since the end of the financial year are:

Geoff Cobbledick FCPA
Board Chair
Occupation: Director
Director since: 2008

Frank Mandaradoni CPA
Chair – Audit Committee
Occupation: Accountant
Director since: 1996

Fiona Merrylees BA.LL.B
Deputy Chair
Chair – Governance Committee
Occupation: Solicitor
Director since: 2005

Eugenie Stragalinos BCom CPA MAICD
Occupation: General Manager – Corporate Strategy and Planning
Director since: Sep 2016

John W Guilmartin
Chair – Salary & Structure Committee
Occupation: Finance Manager
Director since: 1994

Robert Morris CPA
Chair – Risk Committee
Occupation: Accountant
Director since: 2007

Frederick J West
Occupation: Self-employed
Director since: 1980 – resigned Nov 2016

Eileen Curtis Bus MPA CPA MAICD
Occupation: Corporate Program Manager
Director since: Aug 2016

All Directors are considered to be independent, non-executive Directors.

Directors' meetings

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

Director	Board of Directors' Meetings		Audit		Governance		Salary & Structure		Risk	
	A	B	A	B	A	B	A	B	A	B
J Guilmartin	11	10	11	9	4	4	3	3	-	-
F Mandaradoni	11	11	11	11	3	3	-	-	11	11
R Morris	11	9	11	10	3	3	-	-	11	10
F West	4	2	-	-	-	-	-	-	5	3
E Curtis	10	10	9	7	-	-	3	2	-	-
E Stragalinos	9	8	-	-	1	1	3	2	9	6
F Merrylees	11	11	5	4	1	1	-	-	11	8
G Cobbledick	11	10	11	10	4	4	3	3	11	10

A – reflects the number of meetings the Director was eligible to attend during the year
B – number of meetings attended

Directors' report (continued)

Company secretary

Mr René Deen, the Company's General Manager, was appointed to the position of Company Secretary on 1 June 2002 and continues to act in this capacity as at and post the end of the financial year.

Mr Peter Thomas, the Company's Operations Manager, and Mrs Rebecca Hearn, the Company's Finance Manager, were appointed to the positions of alternate Company Secretaries on 20 June 2002, and continue to act in this capacity as at and post the end of the financial year.

Principal activities

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

Operating & Financial Review

The profit for the financial year before income tax was $3,021,668 (2016: $3,225,162). Income tax was $899,757 (2016: $900,209). Profit after tax for 2017 was $2,121,911 (2016: $2,324,953).

Review of operations

Net loans for the year have increased by $7,980,188 to $257,780,846.
Member deposits increased during the year by $37,082,032 to $304,828,945.
Members' equity during the year has increased by $2,121,911 to $41,338,408.

State of affairs

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

Dividends

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

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 Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Environmental regulation

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

Directors' benefits

During or since the end of the financial year, no Director of the Company 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 Company 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 those outlined in Note 23 to the financial statements.

Likely developments

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

Further information about likely developments in the operations of the Company 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 Company.

Indemnification and insurance of Officers and auditors

The Company has not given any indemnities to Directors, Officers or Auditors.

The Company has arranged Directors' and Officers' Liability insurance coverage, against legal costs imposed on Directors and Officers, in a manner that complies with the Corporations Act 2001.

Public Prudential Disclosure

In accordance with the APS330 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.gmcu.com.au/about-us/public-disclosure.html

Directors' report (continued)

Auditor independence declaration

The auditor independence declaration for the year ended 30 June 2017 has been received and can be found on page 7 of the financial report.

Dated at Shepparton this 20th day of September 2017.

Signed in accordance with a resolution of the Directors.

G Cobbledick – Chair

F Merrylees – Deputy Chair

Crowe Horwath Albury
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Auditor Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Goulburn Murray Credit Union Co-operative Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017 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.

Crowe Horwath

CROWE HORWATH ALBURY

BRADLEY D BOHUN
Partner

Dated at Albury this 20th day of September 2017.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Note	2017 $	2016 $
Interest revenue	2	13,917,008	13,730,780
Interest expense	2	(4,623,242)	(4,929,776)
Net interest income		9,293,766	8,801,004
Non-interest revenue	3	2,484,008	2,539,121
General and administration	3	(6,710,362)	(6,636,710)
Impairment charge	11	(542,213)	19,696
Occupancy expenses		(409,195)	(402,956)
Depreciation and amortisation expense	3	(345,994)	(353,285)
Fees and commission expense		(748,342)	(741,708)
Profit before tax		3,021,668	3,225,162
Income tax expense	5	(899,757)	(900,209)
Profit after tax		2,121,911	2,324,953
Other comprehensive income			
Net gain/(loss) on revaluation of property, plant and equipment		-	165,406
Other comprehensive income for the year, net of tax		-	165,406
Total comprehensive income for the year		2,121,911	2,490,359

The statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes set out on pages 12 to 64.

Statement of Financial Position

As at 30 June 2017

	Note	2017 $	2016 $
ASSETS			
Cash and cash equivalents	7	43,684,734	20,910,357
Receivables due from other financial institutions	8	41,211,324	33,896,839
Receivables	9	289,155	257,221
Loans and advances	10	257,780,846	249,800,658
Other financial assets	12	437,048	437,048
Investment property	15	660,000	660,000
Property, plant and equipment	14	5,105,684	5,241,114
Deferred tax asset	6	439,164	301,925
Intangible assets	13	86,490	102,347
Other assets	16	459,068	295,359
TOTAL ASSETS		350,153,514	311,902,868
LIABILITIES			
Deposits	17	304,828,945	267,746,913
Bank Overdraft	7	-	152,168
Payables	18	2,800,258	3,616,117
Employee benefits	19	803,029	828,801
Current tax payable	6	374,896	330,882
Deferred tax liability	6	7,978	11,490
TOTAL LIABILITIES		308,815,106	272,686,371
NET ASSETS		41,338,408	39,216,497
EQUITY			
Reserves		2,103,106	2,021,498
Retained profits		39,235,302	37,194,999
TOTAL EQUITY		41,338,408	39,216,497

The statement of financial position is to be read in conjunction with the accompanying notes set out on pages 12 to 64

Statement of Changes in Members Equity

Year ended 30 June 2017	Retained Profits $	Member Share Redemption Reserve $	Lending Risk Reserve $	Asset Revaluation Reserve $	Total $
Opening balance at 1 July 2015	34,901,069	80,251	748,524	996,294	36,726,138
Profit after tax	2,324,953	-	-	-	2,324,953
Other comprehensive income for the period	-	-	-	165,406	165,406
Total comprehensive income and expense for the period	2,324,953	-	-	165,406	2,490,359
Transfer to/(from) lending risk reserve	(28,605)	-	28,605	-	-
Transfer to member share redemption reserve	(2,418)	2,418	-	-	-
Closing balance at 30 June 2016	37,194,999	82,669	777,129	1,161,700	39,216,497
Year ended 30 June 2017					
Opening balance at 1 July 2016	37,194,999	82,669	777,129	1,161,700	39,216,497
Profit after tax	2,121,911	-	-	-	2,121,911
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income and expense for the period	2,121,911	-	-	-	2,121,911
Transfer to/(from) lending risk reserve	(79,446)	-	79,446	-	-
Transfer to member share redemption reserve	(2,162)	2,162	-	-	-
Closing balance at 30 June 2017	39,235,302	84,831	856,575	1,161,700	41,338,408

The statement of changes in members equity is to be read in conjunction with the accompanying notes set out on pages 12 to 64.

Statement of cash flows

For the year ended 30 June 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Interest received		13,885,074	13,913,751
Interest paid		(4,443,832)	(5,241,178)
Cash paid to suppliers and employees		(8,872,171)	(7,156,237)
Receipts from other services		2,320,301	2,495,186
Income tax paid		(996,494)	(904,256)
		1,892,878	3,107,266
Net movement in loans		(8,522,399)	(20,263,987)
Net movement in deposits and short-term borrowings		37,082,032	3,487,155
Net cash from/(used in) operating activities	20	30,452,511	(13,669,566)
Cash flows from investing activities			
Proceeds from sale of other financial assets		-	-
Net movement in receivables due from other financial institutions		(7,314,485)	(83,350)
Payments for property, plant and equipment		(239,241)	(674,636)
Payments for intangible assets		(50,421)	(7,674)
Proceeds from sale of property, plant and equipment		78,181	75,451
Net cash from/(used in) investing activities		(7,525,966)	(690,209)
Net increase/(decrease) in cash and cash equivalents		22,926,545	(14,359,775)
Cash and cash equivalents at 1 July		20,758,189	35,117,964
Cash and cash equivalents at 30 June	7	43,684,734	20,758,189

The statement of cash flows is to be read in conjunction with the accompanying notes set out on pages 12 to 64.

Notes to the Financial Statements

For the year ended 30 June 2017

1. SIGNIFICANT ACCOUNTING POLICIES

Goulburn Murray Credit Union Co-operative Limited (the "Company") is a company domiciled in Australia.

The financial statements were authorised for issuance by the Directors on 20th September 2017.

(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
Under AIFRS, there are requirements that apply specifically to not-for-profit entities that are not consistent with International Financial Reporting Standards (IFRS) requirements. The Company has analysed its purpose, objectives and operating philosophy and determined that it does not have profit generation as a prime objective. Consequently where appropriate the Company has elected to apply options and exemptions within AIFRS that are applicable to not-for-profit entities.

(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, derivative financial instruments, financial instruments classified as available-for-sale and investment property.

Determination of fair values
A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment and investment property
The fair value of land and buildings and investment property are based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company's land and buildings and investment property.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

The preparation of financial statements are 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 (r).

The accounting policies set out below have been applied consistently to all periods presented in the financial statements by the Company.

(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 term deposits (with an original maturity of less than 3 months), 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. Bank overdrafts that are repayable on demand and form an integral part of the Credit Union's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

(d) Receivables due from other financial institutions

Receivables due from other financial institutions are held-to-maturity investments which the Company has a positive intention and ability to hold to maturity. The accrual for interest receivable is calculated on a proportional basis and the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the statement of financial position.

(e) Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in 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 sheet date, and any adjustment to tax payable in respect of previous years.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income tax (continued)

Deferred tax is provided using the balance sheet 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 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.

(f) Loans and advances

Loans and advances are stated at their amortised cost less impairment losses (see Note 1(g)).

All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described below:

Non-accrual loans - are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful, and hence impairment losses are recognised.

Restructured loans - arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms, and the revised terms are not comparable to new facilities. Loans with revised terms are included in non-accrual loans when impairment provisions are required.

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

Past-due loans - are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected. If a provision for impairment is required, the loan is included in non-accrual loans.

Loan impairment - specific provision
Losses for impaired loans are reocgnised where 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 the terms of the loan agreement.

Loan impairment – collective provision
APRA Prudential Standards require a collective 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment

The carrying amounts of the Company's assets, other than deferred tax assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised as an expense in profit or loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in profit or loss.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount
The recoverable amount of the Company's investments in held to maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Reversals of impairment
An impairment loss in respect of a held to maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

If the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment

Owned assets
Items of property, plant and equipment are stated at fair value or at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 1(g)).

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

When the construction or development of a self-constructed investment property is completed and will be carried at fair value, any difference between the fair value of the property at the date and its previous carrying amount is recognised in profit or loss.

Where parts of an item property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets
Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy 1(g)). The property held under finance leases and leased out under operating lease is classified as investment property and stated at the fair value model. Lease payments are accounted for as described in accounting policy 1(l). Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis.

Subsequent recognition
The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

Depreciation
Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

• Buildings	40 years
• Furniture & fittings	5 to 15 years
• Leasehold improvements	The lease term
• Motor vehicles	5 to 15 years
• Office equipment	3 to 15 years

The residual value, if not insignificant, is reassessed annually.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets

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

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

- Computer software 4 years

(j) Investment properties

Investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. Fair value is assessed annually.

Rental income from investment property is accounted for as described in accounting policy (n).

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, fixtures and fittings and its fair value at the date of reclassification becomes its cost for accounting purposes for subsequent recording.

(k) Business combinations

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment.

(l) Leases

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

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Contingent rentals are recognised as an expense in the financial year they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Trade and other payables

Trade and other payables are stated at their amortised cost.

Trade payables are non-interest bearing and are normally settled on 30 day terms.

(n) Revenue recognition

Revenue is recognised to the extent that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

Loan interest
Loan interest is calculated on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

Non accrual loan interest
While still legally recoverable, interest is not brought to account as income where the Company is informed that the member has deceased, or where a loan is impaired. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the Board of Directors. APRA has made it mandatory that interest is not recognised as revenue after the irregularity exceeds 90 days for a loan facility, or 15 days for an overlimit overdraft facility.

Fees and commissions
Fees and commissions are recognised as revenues on an accrual basis.

Interest
Interest income is recognised as it accrues, using the effective interest method.

Dividend income
Dividend income is taken into revenue as received.

Income from property
Income from investment property is recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total income from property.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee entitlements

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company 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 the balance date.

Long service leave

The Company's obligation in respect of long service leave 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 bond rates at the balance date which have maturity dates approximating to the terms of the Company's obligations.

Superannuation plans

Contributions to the employee's superannuation funds are recognised as an expense as they are incurred.

(p) Goods and services tax

As a financial institution, the Company is input taxed on all income except for income from commissions, rents 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 are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits ('RITC'), of which 75% of the GST paid is recoverable.

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 cash flows 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 flow.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(r) Accounting estimates and judgements

Management has been involved in the development, selection and disclosure of the Company'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:

- Notes 10 and 11 – Impairment of loans and advances
- Note 25 – Fair value of Financial Instruments
- Note 14 and 15 – Land, buildings and investment property valuation assumptions and estimation of useful life
- Note 6 – the Company's ability to realise deferred tax assets and deferred tax liability balances

(s) Reserves

Lending risk reserve
AIFRS precludes the Company from holding a general provision for doubtful debts in its Statement of Financial Position. Under AIFRS the balance of the general provision must now be carried in a suitably styled reserve account in equity as an allocation from retained profits.

The Company has transferred the amount of $79,446 to a lending risk reserve account as at 30 June 2017. This reserve is calculated at the rate of between 0.5% and 1.25% of risk weighted assets.

Member share redemption reserve
The Company has, in accordance with Compliance Note 2001.84, complied with Section 254(k) of the *Corporations Act 2001* via the creation of a Member Share Redemption Reserve. At the conclusion of each quarter during the financial year, the Company establishes the number of members that resigned during the quarter and transfers the equivalent monetary amount to a Member Share Redemption Reserve from retained profits.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Reserves (continued)

The balance represents the amount of redeemable preference shares redeemed by the Company since 1 July 1999. The law requires that the redemption of the shares be made out of profits. Since the value of the shares has been paid to members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriated to the account.

The Member Share Redemption Reserve has been separately disclosed.

Asset revaluation reserve
The asset revaluation reserve relates to the revaluation of land and buildings.

(t) Member deposits

Basis for determination
Member deposits and term investments are quoted at the aggregate amount of money owing to depositors.

Interest payable
Interest on deposits is calculated on the daily balance and posted to the accounts periodically, or on maturity 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 accrued interest payable.

(u) Short term borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

(v) Financial Instruments

Recognition & initial measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Financial Instruments (continued)

continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

Classification & subsequent measurement

(i) Financial assets at fair value through profit & loss

Financial assets are classified at fair value through the profit and loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) Loans & receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) 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. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant and material. External valuers are selected based on market knowledge, experience and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Fair value measurement hierarchy

The Company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) New standards and interpretations not yet adopted

Certain accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 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 materially impact the financial report of the Credit Union have not been reported.

AASB Reference	Nature of Change	Application date	Impact on Initial Application
AASB 9 *Financial Instruments*	AASB 9 replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, as well as the general hedge accounting requirements. Furthermore, AASB 9 introduces a new 'expected' credit loss model for calculating impairment on financial assets. This moves away from the current 'incurred' loss model required under AASB 139. Under the expected credit loss model, the Credit Union will be required to consider a broader range of information when assessing credit risk and measuring expected credit losses including past experience of historical losses for similar financial instruments.	Periods beginning on or after 1 January 2018.	The Credit Union has conducted a high-level diagnostic on the impact of this standard. This highlighted that the move to an expected credit loss model for impairment will likely have a material impact, with more timely recognition of expected credit losses. This is expected to impact the level of the provision for impairment (at Notes 10 & 11) and the lending risk reserve (at Note 1(s)). APRA released guidance in July 2017 highlighting the prudential reporting approach with regards to AASB 9. The quantitative impact of the expected credit loss model has not yet been determined by the Credit Union. Based on the nature of the Credit Union's financial assets, the classification and measurement of financial assets are not expected to have a material change. The Credit Union does not conduct any hedge accounting, so these changes are not applicable. Management are developing an implementation project to quantify the impact of this standard during the 2018 financial year. To date, management have focused on analysing past history credit losses to enable a starting point for this implementation project.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) New standards and interpretations not yet adopted (continued)

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.	Periods beginning on or after 1 January 2018.	Based upon a preliminary assessment, the Standard 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*. AASB 9 continues the effective interest rate method for financial instruments carried at amortised cost. This is the method currently required under AASB 139. There are limited revenue transactions of the Company that are impacted by AASB 15.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) New standards and interpretations not yet adopted (continued)

AASB Reference	Nature of Change	Application date	Impact on Initial Application
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.	Periods beginning on or after 1 January 2019.	Based on the Credit Union's preliminary assessments, the likely impact on the transactions and balances recognised will be: • an increase in property, plant and equipment and a corresponding increase in financial liabilities; • the assets will be depreciated over the life of the leases; and • lease payments will be split between interest and principal reduction, rather than being included in operating expenses. Currently the Credit Union leases a number of properties. The quantitative impact of this standard has not yet been determined by the Credit Union. Management are developing an implementation project to quantify the impact of this standard during the 2018 financial year.

Notes to the Financial Statements

For the year ended 30 June 2017

2. INTEREST REVENUE AND INTEREST EXPENSE

	2017 $	2016 $
Interest revenue		
Deposits with other financial institutions	1,550,383	1,558,673
Loans and advances	12,366,625	12,172,107
	13,917,008	13,730,780
Interest expense		
Member deposits	4,622,593	4,919,798
Short-term borrowings	649	9,978
	4,623,242	4,929,776

3. OPERATING REVENUE AND EXPENSES

	2017 $	2016 $
Depreciation and amortisation expense		
Depreciation of property, plant and equipment:		
Plant and equipment	234,692	230,509
Buildings	45,025	50,101
Amortisation of intangible assets	66,277	72,675
Total depreciation and amortisation expense	345,994	353,285
General and administration expense		
Personnel costs:		
- Wages and salaries	3,728,346	3,592,534
- Employee entitlements	(13,991)	69,292
- Superannuation contributions	453,343	431,877
EDP costs	662,217	656,677
Marketing and promotion	586,260	566,137
General administration	847,301	874,259
Other	446,886	445,934
Total general and administration expense	6,710,362	6,636,710
Non interest revenue		
Loan fees	302,181	289,472
Electronic transaction fees	656,555	611,116
Other fees	638,013	685,869
Commissions	725,394	732,270
Bad debts recovered	11,665	8,271
Rent	47,383	51,859
Dividends	70,630	69,878
Gain on revaluation of investment property	-	78,000
Other	32,187	12,386
Total non interest revenue	2,484,008	2,539,121

4. AUDITOR'S REMUNERATION

	2017 $	2016 $
Amounts received or due and receivable by the External Auditor of the Company (including GST) for:		
- Audit of the financial statements of the Company	75,130	72,567
- Other regulatory assurance service	18,150	16,093
- Other services in relation to the Company	5,495	5,198
	98,775	93,858

5. INCOME TAX

Profit before tax	3,021,667	3,225,162
Prima facie income tax expense calculated at 30% on net profit	906,500	967,549
Increase/(decrease) in income tax due to:		
Non-deductible expenses	94	788
Imputation credits	(21,189)	(20,964)
Under/(over) provision for income tax in prior year	-	-
Other items	14,352	(47,164)
Income tax expense	899,757	900,209
Current tax expense		
Current year	1,040,508	966,337
Adjustments for prior year	-	-
Deferred tax expense	(140,751)	(66,128)
Income tax expense	899,757	900,209

6. RECOGNISED DEFERRED TAX ASSETS & LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $
Cash & Cash Equivalents	145	-	-	(1,355)	1,500	(1,355)
Investments in Other Institutions	12,772	-	-	(6,529)	19,301	(6,529)
Loans & advances	156,373	19,846	-	-	136,527	19,846
Prepayments	-	-	(547)	(800)	253	(800)
Property, Plant and Equipment (1)	-	-	(7,431)	(2,806)	(4,625)	(2,806)
Accrued Expenses	28,965	36,973	-	-	(8,007)	36,973
Employee Benefits	240,909	245,106	-	-	(4,198)	245,106
	439,164	301,925	(7,978)	(11,490)	140,751	290,435

(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 properties that are subject to CGT.

The current tax payable for the Company of $374,896 (2016: $330,882) represents the amount of income tax payable in respect of current and prior periods.

	2017 $	2016 $
Income tax payable / (receivable)	374,896	330,882
Movement in taxation provision		
Balance at beginning of year	330,882	238,801
Current year's income tax expense on profit before tax	1,040,508	966,337
Income tax paid – current year	(665,612)	(635,455)
Income tax paid – prior year	(330,882)	(238,801)
Balance at end of year	374,896	330,882

7. CASH AND CASH EQUIVALENTS

Cash on hand and at bank	7,807,220	2,058,269
Interest earning deposits	35,877,514	18,852,088
	43,684,734	20,910,357
Bank Overdraft	-	(152,168)
	43,684,734	20,758,189

7. CASH AND CASH EQUIVALENTS (continued)

	2017 $	2016 $
Maturity analysis		
At call	13,807,220	4,906,101
Not longer than 3 months	29,877,514	15,852,088
	43,684,734	20,758,189
Credit rating of cash & cash equivalents		
CUSCAL – rated A+	16,378,786	4,823,159
Banks – rated AA and above	-	986,473
Banks – rated below AA	14,877,514	10,890,288
Unrated Authorised Deposit Taking Institutions	10,000,000	2,000,000
Cash on hand	2,428,434	2,058,269
	43,684,734	20,758,189

8. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

Interest Earning Deposits	41,211,324	33,896,839
	41,211,324	33,896,839
Maturity analysis		
At call	-	-
Not longer than 3 months	-	-
Longer than 3 months and not longer than 12 months	15,456,822	13,872,068
Longer than 12 months	25,754,502	20,024,771
	41,211,324	33,896,839
Credit rating of receivables due from other financial institutions		
CUSCAL – rated A-1	4,710,000	2,966,441
Banks – rated AA and above	8,006,590	7,024,440
Banks – rated below AA	28,494,734	23,905,958
	41,211,324	33,896,839

9. RECEIVABLES

Interest receivable	289,155	257,221

10. LOANS AND ADVANCES

	2017 $	2016 $
Overdrafts	3,232,622	3,772,104
Term loans	255,069,467	246,068,425
Gross loans and advances	258,302,089	249,840,529
Provision for impairment	(521,243)	(39,871)
Net loans and advances	257,780,846	249,800,658
Maturity analysis		
Overdrafts	3,232,622	3,772,104
Remaining maturity not longer than 3 months	5,880,703	5,664,443
Remaining maturity longer than 3 and not longer than 12 months	16,725,199	16,065,951
Remaining maturity longer than 1 and not longer than 5 years	80,200,763	76,964,141
Remaining maturity longer than 5 years	152,262,802	147,373,890
	258,302,089	249,840,529
Security held against loans		
Secured by mortgage over residential property	243,064,466	234,824,493
Secured by mortgage over other property	7,863,390	6,993,097
Total loans secured by real estate	250,927,856	241,817,590
Secured by funds	1,608,975	2,436,487
Partly secured by goods mortgage	4,910,397	4,695,589
Wholly unsecured	854,861	890,863
	258,302,089	249,840,529

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

Loan to value ratio of 80% or less	195,757,242	189,359,467
Loan to value ratio of more than 80% but mortgage insured	27,213,584	28,282,395
Loan to value ratio of more than 80% not mortgage insured	20,093,640	17,182,631
	243,064,466	234,824,493

Concentration of risk

Significant individual exposures

The loan portfolio of the Company does not include any loans or advances which represents 10% or more of capital.

10. LOANS AND ADVANCES (continued)

Geographical concentrations

The Company has an exposure to groupings of individual loans which concentrate risk and create exposure to the geographical areas of Shire of Campaspe, Shire of Moira, Shire of Strathbogie, Shire of Mitchell, Benalla Rural City and The Greater Shepparton City.

	2017 $	2016 $
- Victoria	246,652,155	240,868,857
- New South Wales	9,872,701	6,817,578
- Other	1,777,233	2,154,094
	258,302,089	249,840,529

11. IMPAIRMENT OF LOANS AND ADVANCES

Total provision comprises of		
Collective provisions	521,243	39,871
Specific provisions	-	-
Total provision	521,243	39,871
Movement in the collective provision for impairment		
Balance at beginning of year	39,871	81,819
Bad and doubtful debts transferred (to)/from profit or loss	537,239	(27,913)
Bad debts previously provided for and written off during the year	(55,867)	(14,035)
Balance at end of year	521,243	39,871
Movement in the specific provision for impairment		
Balance at beginning of year	-	-
Bad and doubtful debts transferred (to)/from profit or loss	-	-
Bad debts previously provided for and written off during the year	-	-
Balance at end of year	-	-
Impairment charge comprises of		
Collective provision increase/(decrease)	537,239	(27,913)
Specific provision increase/(decrease)	-	-
Bad debts recognised directly to profit or loss	4,974	8,217
Total bad debts expense	542,213	(19,696)

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

	2017 $	2016 $
Ageing analysis of loans and advances past due		
Loans and advances past due and not impaired		
Up to 30 days	2,173,252	4,767,930
More than 30 days, but less than 90 days	495,274	335,494
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	-	-
Over limit facilities less than 14 days	8,696	12,094
	2,677,222	5,115,518
Loans and advances past due and impaired		
Up to 30 days	-	-
More than 30 days, but less than 90 days	-	-
More than 90 days, but less than 180 days	548,893	54,548
More than 180 days, but less than 270 days	17,211	20,864
More than 270 days, but less than 365 days	263,812	-
More than 365 days	142,058	214
Over limit facilities more than 14 days	9,023	7,334
	980,997	82,960
Security analysis of loans and advances past due		
Loans and advances past due and not impaired		
Secured by mortgage over real estate	2,602,602	5,033,792
Secured by funds	-	-
Partly secured by goods mortgage	58,486	66,072
Wholly unsecured	16,134	15,654
	2,677,222	5,115,518
Loans and advances past due and impaired		
Secured by mortgage over real estate	939,763	-
Secured by funds	-	90
Partly secured by goods mortgage	30,870	71,483
Wholly unsecured	10,364	11,387
	980,997	82,960

Loans renegotiated

Some loans that were previously past due or impaired, have been renegotiated by the Company and are no longer regarded as impaired.

	2017	2016
Loans renegotiated during the financial year	3,710,901	1,371,844
Specific provision for impairment	-	-
Balance at the end of the financial year	3,710,901	1,371,844

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

	2017 $	2016 $
Assets acquired through enforcement of security		
Loan balance where Real Estate was acquired through enforcement of security and held at the end of the financial year	135,994	-
Collective provision for impairment	(135,994)	-
Balance at the end of the financial year	-	-
Net fair value of real estate assets acquired through the enforcement of security during the financial year	50,000	-
Net fair value of other assets acquired through the enforcement of security during the financial year	15,000	-

12. OTHER FINANCIAL ASSETS

	2017 $	2016 $
Shares in special service providers (a)	437,048	437,048

(a) Shares in special service providers

The shareholding in special service providers relates to a shareholding in Cuscal Limited and Transaction Solutions Pty Limited ("TAS"). The shareholdings are measured at cost as their fair value could not be measured reliably.

Cuscal Limited was created to supply services to the member credit unions and does not have an independent business focus. These shares, accounting for $421,466 (2016: $421,466) of the balance, are held to enable the Company to receive essential banking services. The shares are not able to be traded and are not redeemable.

The Financial Statements of Cuscal Limited record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of the providers, any fair value determination on these shares is likely to be greater than their cost value. Due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily.

The remaining $15,582 shares (2016: $15,582) are held in TAS. As disclosed in Note 22, TAS provides the Company with electronic data processing services.

The Company is not intending, nor able to dispose of these shares, without a majority of shareholder approval.

13. INTANGIBLE ASSETS

	2017 $	2016 $
At cost	845,100	794,679
Provision for amortisation	(758,609)	(692,332)
	86,491	102,347

Reconciliations

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

Computer software & licences

	2017 $	2016 $
Balance at beginning of the year	102,347	167,348
Acquisitions	42,371	7,674
Internal Transfer from work in progress	8,050	-
Disposals	-	-
Less amortisation	(66,277)	(72,675)
Balance at end of the year	86,490	102,347

14. PROPERTY, PLANT AND EQUIPMENT

	2017 $	2016 $
Freehold land - at fair value	2,079,000	2,079,000
Buildings on freehold land – at fair value	1,824,291	1,801,000
Accumulated depreciation	(45,025)	-
Total buildings on freehold land	1,779,266	1,801,000
Plant and equipment- at cost	3,293,304	2,986,459
Accumulated depreciation	(2,070,091)	(1,883,314)
Total plant and equipment	1,223,213	1,103,145
Capital Works in Progress – at Cost	24,205	257,969
Carrying amount of total property, plant & equipment	5,105,684	5,241,114

Notes to the Financial Statements

For the year ended 30 June 2017

14. 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* $	*Capital work in progress* $	*Total* $
Balance at 30 June 2015	1,846,950	1,917,744	1,017,754	6,775	4,789,223
Additions	-	-	423,444	257,969	681,413
Revaluations	232,050	(66,644)	-	-	165,406
Internal transfers	-	-	6,775	(6,775)	-
Disposals	-	-	(114,318)	-	(114,318)
Depreciation	-	(50,101)	(230,509)	-	(280,610)
Balance at 30 June 2016	2,079,000	1,800,999	1,103,146	257,969	5,241,114
Balance at 1 July 2016	2,079,000	1,800,999	1,103,146	257,969	5,241,114
Additions	-	23,292	205,421	18,578	247,291
Revaluations	-	-	-	-	-
Internal transfers	-	-	244,292	(244,292)	-
Internal transfers to intangibles	-	-	-	(8,050)	(8,050)
Disposals	-	-	(94,954)	-	(94,954)
Depreciation	-	(45,025)	(234,692)	-	(279,717)
Balance at 30 June 2017	2,079,000	1,779,266	1,223,213	24,205	5,105,684

14. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Valuations

Land and buildings owned by the Company were independently valued during the 2016 financial year based on current market values.

The land and buildings at Shepparton, Benalla, Seymour, Kyabram and Numurkah were valued by Joe Cummins AAPI, Certified Practising Valuer of Opteons for a market value of $3,880,000.

The Directors believe that the valuations obtained are a reasonable approximation of fair value and have been recognised on this basis as at 30 June 2017.

15. INVESTMENT PROPERTY

	2017 $	2016 $
At fair value	660,000	660,000
Accumulated impairment	-	-
Balance at end of the year	660,000	660,000

Reconciliation		
Reconciliation of investment property is set out below:		
Balance at beginning of the year	660,000	582,000
Acquisitions	-	-
Revaluation	-	78,000
Disposals	-	-
Impairment	-	-
Balance at end of the year	660,000	660,000

Investment property comprises a number of commercial properties at Shepparton and Kyabram that are leased or available for lease to third parties. Each of the leases contains an initial non-cancellable period. Subsequent renewals are negotiated with the lessee. No contingent rents are charged. See Note 28 for further information.

The investment properties were valued during the 2016 year by Joe Cummins AAPI, Certified Practising Valuer of Opteon with the fair value of $660,000.

The Directors believe that the valuations obtained are a reasonable approximation of fair value and have been recognised on this basis as at 30 June 2017.

16. OTHER ASSETS

	2017 $	2016 $
Prepayments	242,159	157,684
Sundry debtors	216,909	137,675
	459,068	295,359

17. DEPOSITS

	2017 $	2016 $
On call deposits	204,867,911	182,080,664
Term deposits	99,961,034	85,666,249
	304,828,945	267,746,913

Maturity analysis

	2017 $	2016 $
On call	204,867,911	182,080,664
Not longer than 3 months	38,895,853	35,245,436
Longer than 3 and not longer than 12 months	53,798,135	44,970,716
Longer than 1 and not longer than 5 years	7,267,046	5,450,097
	304,828,945	267,746,913

Concentration of deposits

The Company operates in the bond areas set out in the Company's rules. This area generally covers the Shire of Campaspe, Shire of Moira, Shire of Strathbogie, Shire of Mitchell, Benalla Rural City and the Greater Shepparton City.

	2017 $	2016 $
Victoria	293,876,083	260,492,796
Other States	10,952,862	7,254,117
	304,828,945	267,746,913

The Company's deposit portfolio does not include any deposits which represent 10% or more of total liabilities (2016: Nil).

18. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2017 $	2016 $
Trade creditors	392,985	452,314
Accrued interest payable	1,125,444	946,034
Accrued expenses	1,281,829	2,217,769
	2,800,258	3,616,117

Notes to the Financial Statements

For the year ended 30 June 2017

19. EMPLOYEE BENEFITS

	2017 $	2016 $
Current		
Accrued salaries and wages	-	11,781
Liability for long service leave	437,535	394,157
Liability for annual leave	336,212	374,794
Non-current		
Liability for long service leave	29,282	48,069
	803,029	828,801

20. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

(a) Cash flow from operating activities

	2017 $	2016 $
Profit after income tax	2,121,911	2,324,953
Non cash flows in operating surplus/(deficit):		
Charge for bad and doubtful debts	542,210	(19,696)
Depreciation of property, plant & equipment	279,717	280,610
Amortisation on intangible assets	66,277	72,675
Loss on sale of asset	16,773	32,088
Gain on revaluation of investment property and equipment	-	(78,000)
Changes in assets and liabilities:		
Increase/(Decrease) in employee entitlements	(25,772)	58,753
(Increase)/Decrease in accrued receivables	(31,934)	182,971
(Increase)/Decrease in deferred tax asset	(137,240)	(28,350)
(Increase)/Decrease in other assets	(163,707)	(43,934)
Increase/(Decrease) in payables and accruals	(815,859)	270,892
Increase/(Decrease) in income tax payable	44,014	92,081
Increase/(Decrease) in deferred tax liability	(3,512)	(37,777)
Net cash from revenue activities	1,892,879	3,107,266
Add/(deduct) non revenue operations:		
Increase in loan balance	(8,522,399)	(20,263,987)
Increase in deposits and short term borrowings	37,082,032	3,487,155
Cash flow from operating activities	30,452,511	(13,669,566)

20. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES (continued)

(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; and

(iii) investment securities including shares in special service providers and unlisted shares.

(c) Bank overdraft facility

The Company has an overdraft facility available to the extent of $5,000,000 (2016: $5,000,000). This facility is provided by Cuscal Limited and is subject to funds being available from Cuscal Limited at the time of drawdown and incurs interest at 4.00% (2016: 4.25%). As at 30 June 2017 the utilised portion of the facility was $Nil (2016: $152,168).

During the financial year, Cuscal limited (Cuscal) held an equitable mortgage charge over all of the assets of the Credit Union as security against loan and overdraft amounts drawn under a facility arrangement. In August 2016 the Credit Union signed a variation to the agreement with Cuscal that removed the equitable mortgage charge over all of the assets of the Credit Union and established an Overdraft Security Deposit held with Cuscal. The conditions of the Overdraft Security Deposit held with Cuscal are detailed below.

(d) CUSCAL – Settlement Security Deposit and Overdraft Security Deposit

In August 2016 the Credit Union signed a variation to the agreement with Cuscal that removed the equitable mortgage charge over all of the assets of the Credit Union and established:

- a Settlement Security Deposit (or “SSD”)
- a Overdraft Security Deposit (or “OSD”)

The Settlement Security Deposit is a security deposit held against the Company’s settlement obligations with Cuscal and is held in a standard term deposit account with Cuscal. The value of the deposit held is $4,710,000.

The Overdraft Security Deposit is security deposit held against the Company’s overdraft with Cuscal and is held in a standard term deposit account with Cuscal. The value of the deposit held is $5,000,000.

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

(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.

20. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES (continued)

The Credit Union has classified the SSD as a receivable from other financial institution and the OSD 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 and OSD in its calculation of MLH disclosed in Note 24 – Risk Management Objectives and Policies.

The Credit Union has also treated the SSD and OSD in accordance with its accounting policy for cash and cash equivalents and receivables from other financial institutions for the purpose of interest rate risk and the maturity profile of financial assets in Note 25 - Financial Instruments notwithstanding the existence of these specific contractual encumbrances.

21. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

In the normal course of business the Company enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of members. The Company 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. For financial guarantees the Company's interest has been fully secured by either a fixed savings authority over frozen fixed deposits or by a mortgage over real estate.

Credit commitments and contingent liabilities existing as at 30 June 2017 are inclusive of Goods and Services Tax.

	2017 $	2016 $
Credit related commitments		
Approved but undrawn loans and credit limits	10,875,013	7,680,582
Security analysis of credit-related commitments		
Secured by mortgage over real estate	9,124,266	5,915,448
Secured by funds	452,691	429,186
Partly secured by goods mortgage	128,179	154,517
Wholly unsecured	1,169,877	1,181,431
	10,875,013	7,680,582
Financial guarantees		
Guarantees	147,003	611,566
Security analysis of financial guarantees		
Secured by mortgage over real estate	14,624	43,657
Secured by funds	132,379	567,909
Partly secured by goods mortgage	-	-
Wholly unsecured	-	-
	147,003	611,566

21. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS (continued)

Credit Union Financial Support System Limited

With effect from 1 July 1999, Goulburn Murray Credit Union Co-operative 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 Company:

- 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 0.1% 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.

The Company has given a floating charge over all the assets and undertakings of the Company to Credit Union Financial Services (Australia) Limited in return for emergency liquidity support from CUFSS, the settlement with banks for member cheques, VISA cards, Redicards, and to secure the Company's overdraft facility and standby facility.

22. OUTSOURCING ARRANGEMENT

The Company has outsourcing arrangements with on the following suppliers of services:

- Cuscal Limited for the rights to VISA cards and Redicards, for the transfer of electronic funds, for the settlement with the banks for member cheques, VISA cards, Redicards and access to the direct entry system.
- Transaction Solutions Pty Ltd for electronic data processing.
- Ultradata Australia Pty Ltd that provides and maintains the application software utilised by the Company.
- Bendigo and Adelaide Bank for liquidity contingency by way of a Receivables Acquisition and Servicing Agreement.
- Laminar Capital Pty Ltd for liquidity management services and to act as a proxy for Austraclear.

23. KEY MANAGEMENT PERSONNEL

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

Non-executive directors

Geoff Cobbledick	Chair
Fiona Merrylees	Deputy Chair
Frank Mandaradoni	
Frederick West	Resigned November 2016
John Guilmartin	
Robert Morris	
Eugenie Stragalinos	Appointed September 2016
Eileen Curtis	Appointed August 2016

Executives

René Deen	General Manager
Peter Thomas	Operations Manager
Rebecca Hearn	Finance Manager
Brett Elgar	Compliance Manager
Ken Kilsby	Loans Manager
Paul Cross	IT Manager

Transactions with key management personnel

In addition to their salaries, the Company 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 3) are as follows:

	2017 $	**2016 $**
Short-term employee benefits	975,280	921,221
Other long term benefits	14,289	17,189
Post employment benefits	88,313	83,538
	1,077,882	1,021,948

The above excludes out of pocket reimbursements. All remuneration to Directors was approved by members at the previous Annual General Meeting of the Company.

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

23. KEY MANAGEMENT PERSONNEL (continued)

Loans to key management personnel and other related parties

Details regarding the aggregate of loans made, guaranteed or secured by the Company to key management personnel and their related parties are as follows:

	2017 $	2016 $
Loans to key management personnel	942,680	978,775
Loans to other related parties	-	-
	942,680	978,775

All loans to Directors and key management personnel by the Company 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 qualifying staff. During the course of the year, one concessional loan rate funding (2016: two) was made available to qualifying key management personnel. Four key management personnel were advanced funds on existing concessional loan rate facilities during 2017 (2016: three).

Revolving credit facilities $45,000 (2016: $45,000) were made available to Directors and key management personnel during the year. The aggregate amount receivable at 30 June 2017 was $Nil (2016: $2,410).

Loans and redraws totalling $497,650 (2016: $320,853) were made to key management personnel, Mr R Deen, Mr P Thomas, Mr P Cross and Mrs R Hearn during the year. (2016: Mr R Deen, Mr P Thomas, Mr P Cross and Mrs R Hearn).

During the year Mr P Cross, Mr R Deen, Mr P Thomas, Mrs R Hearn and Mrs F Merrylees (2016: Mr P Cross, Mr R Deen, Mr P Thomas, Mrs R Hearn and Mrs F Merrylees) repaid $579,839 (2016: $500,027) of the balances outstanding on their loans.

For all loans to non-executive directors and their related parties, interest is payable at prevailing market rates. Interest rates on loans to executive staff may be discounted by a maximum of 0.5% for housing loans and 2% for other loans. The principal amounts are repayable at any time. Interest is charged monthly. All housing loans are secured by registered first mortgage over the borrowers residences.

Interest received on the loans to key management personnel totalled $38,660 (2016: $44,577) and on loans to other related parties totalled $Nil (2016: $Nil). 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 2017 (2016: $Nil) nor were any other loans advanced during the period.

23. KEY MANAGEMENT PERSONNEL (continued)

Deposits from key management personnel and other related parties

	2017 $	2016 $
Total value Term and Saving Deposits from key management personnel	888,813	506,073
Total interest paid on deposits to key management personnel	11,016	10,670

The Company'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 Company

From time to time the key management personnel of the Company and their related parties may conduct banking related transactions with the Company. These transactions are on the same terms and conditions as those entered into by other members, with the exception of transactions which incur a fee.

No members of key management persons of the Company, 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.

During the 2017 financial year, GMCU maintained a commercial arrangement with SMR Legal to provide conveyancing and other legal services. Fiona Merrylees is a director of SMR Legal as well as being a director of GMCU.

Each key management personnel would hold at least one share in the Company.

24. RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has approved a policy of compliance and risk management to suit the risk profile of the Company.

The Company's risk management focuses on the major areas of market risk, credit risk and operation risk. Authority flows from the Board of Directors to the Risk Committee which are integral to the management of risk.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The main elements of risk governance are as follows:

Board: This is the primary governing body. It approves the level of risk which the Company is exposed to and the framework for identifying, monitoring, managing, mitigating and reporting those risks. The Board has a developed a Risk Appetite framework that provides the facilitation of the Risk Profile of the Company.

Risk Committee: This is the key body in the control of risk within the Company. It consists of representatives from the Board of Directors. The Risk Committee is responsible for oversight of implementation and operation of risk systems.

Audit Committee: This is the key body to oversee and control the management and presentation of financial information of the Company. It consists of representatives from the Board of Directors. The Audit Committee also facilitates the External and Internal Auditor arrangements, and reviews the effectiveness of risk systems.

Asset & Liability Committee ('ALCO'): This is a committee of Senior Management that meets weekly on the overall identification, monitoring, management, mitigation and reporting of operational issues, and ensures that policies and procedures adopted by the Board are implemented.

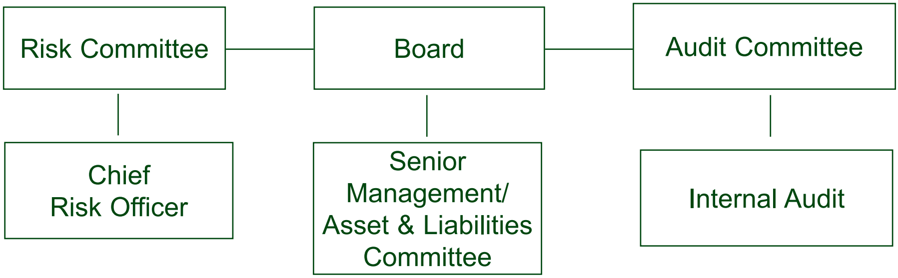
Chief Risk Officer: This role has responsibility for the development and implementation of the risk management framework and policies, and providing assistance to board, management and staff in all aspects of risk management. The Chief Risk Officer reports directly to the Chief Executive Officer; attends the Audit Committee and Risk Management Committee meetings; and has access to the Board of Directors.

Internal Audit: Internal audit has responsibility for implementing the controls testing and assessment in line with the Board's Compliance Plan / Audit Calendar.

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Introduction (continued)

The following diagram gives an overview of the structure.



The diagram shows the risk management structure. The main elements of risk governance are as follows.

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

- Board Policy – Credit Risk
- Board Policy – Loans
- Board Policy – Large Exposures
- Board Policy – Operational Risk
- Board Policy – Compliance
- Board Policy – HR & Training Compliance
- Board Policy – Business Continuity
- Board Policy – Outsourcing
- Board Policy – Risk Management
- Board Policy – Market Risk
- Board Policy – Governance
- Board Policy – Liquidity
- Board Policy – Securitisation
- Board Policy – Loans
- Board Policy – Large Exposures
- Board Policy – Capital Plan
- Board Policy – Remuneration

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Introduction (continued)

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

Market risk

The objective of the Company's market risk management is to monitor and understand the organisation's market risk exposures so that appropriate action can be taken on a timely basis in order to optimise risk and return for the benefit of members.

Market risk is the risk that changes in interest rates, or other prices and volatilities will have an adverse effect on the Company's financial condition or results. The Company does not trade in the financial instruments it holds on its books. The Company is primarily exposed to interest rate risk arising from changes in market interest rates.

There has been no change in the way the Company manages and measures market risk in the reporting period.

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 in interest rates.

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

In the banking book the most common risk the Company faces arises from its net open position on its portfolio of fixed rate assets and liabilities. This exposes the Company to the risk of adverse interest rate changes.

The level of mismatch on the banking book is set out in Note 25 below. The table set out in Note 25 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.

The Company manages its interest rate risk by the regular monitoring of its net open position. The Company has created an Interest Rate Committee to undertake this monitoring. Executives meet periodically to review both the Company's rate and those of its competitors. From this group adjustments are made as considered necessary.

Responsibility for interest rate pricing is delegated to senior management and communicated to the Board as part of standard periodic reporting. The executive group monitor margins and positions and respond to assessed exposures through either sourcing facilities or through targeted product marketing and promotions to rectify the imbalance to within acceptable levels.

The Company has a relatively small proportion of long term fixed rate facilities within its total loan book. If deemed necessary, the Company prefers to source offsetting fixed rate funding in order to have certainty regarding the margin to be realised.

The Company has obtained more sophisticated interest rate monitoring tools through Cuscal to allow it to analyse its position and address the periodic regulatory reporting to APRA.

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Based on the calculations as at 30 June 2017, the net profit impact (after tax) for a 2% movement in interest rates would be $1,733,928 (2016: $1,761,460). A decrease of 2% in interest rates would have an equal but opposite effect.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or member withdrawal demands. Both APRA and the Board of Directors have a policy that the Company maintains adequate cash reserves and committed credit facilities to meet the member withdrawal demands when requested.

The Company manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows,
- Monitoring the maturity profiles of financial assets and liabilities,
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities, and
- Monitoring the prudential liquidity ratio daily.

Credit Union Financial Support Services liquidity support scheme
The Company has a longstanding arrangement with the Credit Union industry liquidity support scheme, Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support for the Company should it be necessary at short notice.

The Company is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under the APRA prudential standards. The Company policy is to apply 12% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked 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, or borrowing and overdraft facilities available. Note 20 (c) describes the overdraft facilities as at the balance date, while Note 1(u) describes the short term borrowings as at balance date. These facilities are in addition to the support from CUFSS.

Bendigo and Adelaide Bank non-securitisation lending facility
On 1 October 2014 GMCU entered into an APRA approved Receivables Acquisition and Servicing Agreement with the Bendigo and Adelaide Bank (Bendigo). This off-Balance Sheet loan funding facility is designed to cater for larger loans and/or high loan demand that on-Balance Sheet liquidity cannot readily address. Under this arrangement the Credit Union will assign mortgage secured loans to Bendigo at the book value of the loans, subject to acceptable documentation criteria with a complete absence of any securitisation vehicle and/or securitisation related matters. The Credit Union will contract directly with Bendigo and will be responsible for ensuring the funding program is suitable for the organisation as well as its ongoing availability and administration. The loans transferred qualify for de-recognition on the basis that the assignment transfers all the risks and rewards to Bendigo and there are no residual benefits to the Credit Union. The Credit Union receives a management fee to recover the costs of ongoing administration for processing of the loan repayments and the issue of statements to the members. During the year the Credit Union did not utilise this lending facility to Bendigo (2016: $Nil).

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

As at 30 June 2017, the Company held 22.02% of total adjusted liabilities (Minimum Liquidity Holdings) as liquid assets (2016: 17.64%). The average during the financial year was 19.84% (2016: 18.80%), with the minimum reaching 17.55% during the year (2016: 16.46%).

The ratio of liquid funds over the past 5 year is as follows:

2017	2016	2015	2014	2013
22.02%	17.64%	22.22%	16.06%	19.14%

Credit risk

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

Credit risk – loans and advances

All loans and facilities are within Australia. The geographic distribution is not analysed into specific areas within Australia as the exposure classes are not considered material. Concentrations are described 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 policy has been endorsed by the Board to ensure that loans are only made to members that are creditworthy and have the capacity of meeting loan repayment commitments.

Past due and impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. Past due does not mean a counterparty will never pay, but it can trigger various actions such as a renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds 90 days the loan is regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

For financial assets recognised on balance sheet, the maximum exposure to credit risk equals their carrying amount. Credit risk also includes off balance sheet exposures, such as approved but undrawn loans and credit limits, which are disclosed in Note 21 Contingent Liabilities and Credit Commitments.

Daily reports monitor the loan repayments to identify delays in repayments and ensure recovery action is undertaken after 9 days. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loan is over 90 days in arrears. The exposures to losses arise predominately in personal loans and facilities not secured by registered mortgagers over real estate.

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk – loans and advances continued

If such evidence exists, the estimated recoverable amount of that asset is determined in any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the Statement of Profit or Loss. In estimating these cash flows, management makes judgement about a counterparty's financial situation and the net realisable value of any underlying collateral

Provisions are maintained in the statement of financial position at a level that management deems sufficient to absorb probable incurred losses in the Company's loan portfolio from homogenous portfolios of assets and individually identified loans.

A provision for incurred losses is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered.

The provisions for impaired and past due exposures relate to the loans to members.

Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more.

Details are set out in Note 11.

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.

A reconciliation in the movement of both past due and impaired exposure provisions is provided in Note 11.

Collateral securing loans
A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the Company is exposed to risks in a reduction of the Loan to Value (LTV) cover should the property market be subject to a decline.

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

Board policy is to maintain a large percentage of the Company's loans in well secured residential mortgages. Note 10 describes the nature and extent of the security held against the loan held as at the balance date.

Concentration risk – Individuals
Concentration risk is a measurement of the Company's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the Company's regulatory capital (10 per cent) a large exposure is considered to exist. No capital is required to be held against these but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital bench mark, to be higher than acceptable.

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk – Loans and Advances (continued)

The aggregate value of large exposure loans are set out in Note 10. The Company holds no significant concentrations of exposures to members. Concentration exposures to counterparts are closely monitored with reviews on a sample basis being prepared for exposures over 2.5 per cent of the capital base by both Internal Audit and the Audit Committee

The Company's policy on exposures of this size is to insist on compliance with all lending policies and procedures and a possible review of the loans application by a more senior officer within the organisation.

Concentration risk - Industry

There is no undue concentration of credit risk by way of geographical area or account holder groupings as the Company has a large number of members dispersed across various industries.

Credit Risk - Joint Mortgagee

In the current financial year, the Credit Union entered into an arrangement with a third party mutual Authorised Deposit-taking Institution ('ADI) to become a joint mortgagee on a credit exposure with a single secured commercial property. A Deed of Agreement was signed between the Credit Union and the third party mutual that established:

- equal security interest over the secured property by common mortgage to be apportioned between the two interested parties;
- that the Credit Union would not increase the security interest over the secured property without written express consent of the other interested party; and
- that the Credit Union may separately enforce its rights in relation to its security interest against the common mortgage as if it were the sole mortgagee, but only after giving 10 business days' notice to the other interested party and consulting on good faith to determine what action is appropriate.

All other credit risk associated with the joint mortgage are consistent with Credit Union's Credit Risk Management Policy and associated policies and procedures referred to above.

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquid investments

There is a concentration of credit risk with respect to investment receivables with the placement of investments in Cuscal. The credit policy is that investments are only made to institutions that are credit worthy.

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the limits to concentration on any one ADI. Also the relative size of the Company as compared to the industry is relatively low such that the risk of loss is reduced.

Under the liquidity support scheme at least 3.1% of the assets must be invested with approved Authorised Deposit Institutions under APS210, to allow the scheme to have adequate resources to meet its obligations if needed.

The Company has a liquidity management arrangement with Laminar Capital who adhere to the matrix outlined in the Company's liquidity policy and any specified investment guidelines. Through Laminar Capital, the Company has in place repurchase arrangements with the Reserve Bank of Australia for the conversion of a qualifying investment to cash should the need arise.

External credit assessment for Institution investments
The Company uses the ratings of Standards and Poors or other 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 complied with.

The exposure values associated with each credit quality step are detailed in Note 7.

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational risk

Operational risk is the risk of loss to the Company resulting from deficiencies in processes, personal technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in the Company relate mainly from those risks arising from a number of sources including legal compliance, business continuity, data infrastructure, outsourced 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. Systems of internal control are enhanced through:

- the segregation of duties between employee duties and functions, including approval of processing duties;
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour;
- implementation of the whistleblowing policies to promote a compliant culture and an awareness of the duty to report exceptions by staff;
- education of members to review their account, statement and report exceptions to the Company promptly;
- effective dispute resolution procedures to respond to member complaints;
- effective insurance arrangements to reduce the impact of losses; and
- contingency plans for dealing with loss of functionality of systems or premises or staff.

Fraud

Fraud can arise from member card PIN'S, and internet passwords being compromised where not protected adequately by the member. It can also arise from other system failures. The Company has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail banks, fraud is potentially a real cost to the Company. Fraud losses have arisen from card skimming, internet password theft, and false loan applications.

IT systems

The worst case scenario would be the failure of the Company's core banking and IT network suppliers to meet customer obligations and service requirements. The Company has outsourced the IT systems management to an Independent Data Processing Centre (IDPC) which is owned by a collection of Credit Unions. The organisation has the experience to manage any short term problems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf of the Company by the industry body Cuscal to service the settlement with other financial institutions for direct entry, ATM and Visa cards and BPay etc.

A full disaster recovery plan is in place to cover medium to long term problems which is considered to mitigate the risk to an extent such that there is no need to any further capital to be allocated.

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital Management

The capital levels are prescribed by Australian Prudential Regulation Authority (APRA). Under the APRA prudential standards capital is determined in three components:

- Credit risk
- Market risk (trading book)
- Operations risk

The market risk component is not required as the Company is not engaged in a trading book for financial instruments.

The Company reports to APRA under Basel III capital requirements effective from 1 January 2013. The Company uses the standardised approach for credit risk and operational risk. Prior to 1 January 2013, the Company reported to APRA under the prudential requirements referred to as Basel II.

The Company's capital contains Common Equity Tier 1 Capital, Tier 1 Capital and Tier 2 Capital, in accordance with APRA requirements. For the Company, Common Equity Tier 1 capital consists of retained earnings, property revaluation reserves and general reserves less adjustments for software technology purchases and equity exposures with associated financial institutions or companies. The Company currently holds no other Tier 1 Capital Instruments. The Company's Tier 2 Capital contains General Reserve for Credit Losses.

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital adequacy ratio calculation

	2017 $	2016 $
Tier 1		
Common Equity Tier 1		
Retained profits	39,235,304	37,194,999
General reserve	84,831	82,669
Property Revaluation Reserve (2012 – Tier 2)	1,161,700	1,161,700
Regulatory adjustments to Tier 1 Capital	(954,723)	(829,829)
Net Tier 1 capital	39,527,112	37,609,539
Tier 2		
Lending risk reserve	856,574	777,128
Less prescribed deductions	-	-
Net Tier 2 capital	856,574	777,128
Total Capital	40,383,686	38,386,667

The Company is required to maintain a minimum capital level of 8% or an APRA advised Prudential Capital Ratio (PCR), whichever is higher, as compared to the risk weighted assets at any given time.

The risk weights attached to each asset are based on the weights prescribed by APRA in its guidance AGN 112-1.

The capital adequacy ratio as at the end of financial year over the past 5 years is as follows:

2017	2016	2015	2014	2013
23.27%	24.36%	23.83%	24.64%	23.84%

The level of capital ratio can be affected by growth in asset relative to growth in reserves and by changes in the mix of assets.

To manage the Company's capital the Company reviews, the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the Board if the capital ratio falls below 12% and additionally to the regulator if the capital ratio falls below 12%. Further a 5 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Pillar 2 Capital on Operational Risk

The capital component was introduced as from 1 January 2009 and coincided with changes in the asset risk weightings for specified loans and liquid investments. Previously no operational change was prescribed.

The Company uses the Standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams. The Operation Risk Capital Requirement is calculated by mapping the Company's three year average net interest income and net non interest income to the Company's various business lines.

Based on this approach, the Company's operational risk requirement at 30 June 2017 is as follows:

Operational risk capital $18,748,675 (2016: $17,639,949)

It is considered that the Standardised approach accurately reflects the Company's operational risk other than the specific items set out below.

Internal capital adequacy management

The Company manages its internal capital levels for both current and future activities through the Board and Audit Committee. The outputs of the individual committees are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Company's forecasts for asset growth, or unforeseen circumstances, are assessed by the Board. The finance department then update the forecast capital resources models produced and the impact upon the overall capital position of the Company is reassessed.

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

25. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

The Company's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Note	Accounting Policies	Terms and Conditions
(i) Financial assets			
Loans and advances	10	Loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month	All housing loans are secured by registered mortgages. Other loans are assessed on an individual basis.
Receivables	9	Amounts receivable from other entities are carried at nominal amounts due.	N/A
Cash and cash equivalents & Receivables due from other financial institutions	7 & 8	Interest earning deposits are stated at the lower of cost and net realisable value. Interest is recognised when earned.	Interest earning deposits have an average maturity of 777 days (2016: 663 days) and effective interest rates of 1.35% to 3.22% (2016: 1.60% to 3.27%).*
Other financial assets	12	Unlisted shares are carried at the lower of cost or recoverable amount. Dividend income is recognised when the dividends are received.	N/A

* Restrictions apply to the repayment of deposits held by CUSCAL and for other regulatory purposes

(ii) Financial liabilities

Payables	18	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.	Trade liabilities are normally settled on 30-day terms.
Deposits and short-term borrowings	17	Deposits and borrowings are recorded at the principal amount.	Details of maturity terms are set out in Note 17 and Note 1(t). Interest is calculated on the daily balance outstanding.
Bank overdraft	7	The bank overdraft is carried at the principal amount. Interest is charged as an expense as it accrues.	Interest is charged at the bank's benchmark rate. Details of the security over the bank overdraft is set out in Note 20.

Notes to the Financial Statements

For the year ended 30 June 2017

25. FINANCIAL INSTRUMENTS (continued)

(b) Interest rate risk

Financial instruments	Floating 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 %	2016 %
Financial assets:												
Cash and cash equivalents *	11,379	3,000	71,089	49,749	-	-	2,428	2,058	84,896	54,807	2.23	2.54
Receivables	-	-	-	-	-	-	289	257	289	257	N/A	N/A
Other investments	-	-	-	-	-	-	437	437	437	437	N/A	N/A
Loans and advances	232,725	217,418	7,945	24,807	17,111	7,576	-	-	257,781	249,801	4.92	4.91
Total financial assets	244,104	220,418	79,034	74,556	17,111	7,576	3,154	2,752	343,403	305,302		
Financial liabilities:												
Deposits	204,868	182,081	92,694	80,216	7,267	5,450	-	-	304,829	267,747	1.32	1.24
Bank Overdraft	-	152	-	-	-	-	-	-	-	152	N/A	4.25
Short-term borrowings	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Payables	-	-	-	-	-	-	2,800	3,616	2,800	3,616	N/A	N/A
Total financial liabilities	204,868	182,233	92,694	80,216	7,267	5,450	2,800	3,616	307,629	271,515		

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

* For the purpose of Note 25(b) and Note 25(c), cash and cash equivalents includes receivables due from other financial institutions.

Notes to the Financial Statements

For the year ended 30 June 2017

25. FINANCIAL INSTRUMENTS (continued)

(c) 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial assets:														
Cash and cash equivalents *	30,318	16,223	15,384	14,147	29,665	22,158	-	-	13,807	5,058	89,174	57,586	84,896	54,807
Receivables	-	-	-	-	-	-	-	-	-	-	-	-	289	257
Loans and advances	5,893	5,669	16,725	16,066	80,201	76,964	301,891	292,960	-	-	404,710	391,659	257,781	249,801
Other investments	-	-	-	-	-	-	-	-	437	437	437	437	437	437
Total financial assets	36,211	21,892	32,119	30,213	109,866	99,122	301,891	292,960	14,244	5,495	494,321	449,682	343,403	305,302
Financial liabilities:														
Deposits	38,120	38,437	55,033	43,009	7,385	5,576	-	-	205,262	182,379	305,800	269,401	304,829	267,747
Bank Overdraft	-	-	-	-	-	-	-	-	-	152	-	152	-	152
Short-term borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payables	-	-	-	-	-	-	-	-	1,675	2,670	1,675	2,670	2,800	3,616
Total financial liabilities	38,120	38,437	55,033	43,009	7,385	5,576	-	-	206,937	185,201	307,475	272,223	307,629	271,515

* For the purpose of Note 25(b) and Note 25(c), cash and cash equivalents includes receivables due from other financial institutions

25. FINANCIAL INSTRUMENTS (continued)

(d) Net fair values

The financial instruments within the statement of financial position are recognised and carried at cost or amortised cost. As outlined below in all instances the carrying amount approximates fair value.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised financial instruments

Cash and cash equivalents
The carrying amounts approximate fair value because of their short-term to maturity or are receivable on demand.

Current securities and investments
Trading securities are carried at amortised cost which approximates net market/net fair value.

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

Loan and advances
The fair values of loans receivable excluding impaired loans are estimated using a method not materially different from 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 2017 approximates net fair value.

Members deposits
The carrying amount approximates fair value because of their short-term to maturity.

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

25. FINANCIAL INSTRUMENTS (continued)

(e) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	2017 $	2016 $
Financial Assets		
Financial assets carried at amortised cost		
Cash and cash equivalents	43,684,734	20,910,357
Receivables	289,155	257,221
Receivables due from other financial institutions	41,211,324	33,896,839
Loans to members	257,780,846	249,800,658
Total loans and receivables	342,966,058	304,865,075
Available for sale investments – carried at cost		
Other financial assets	437,048	437,048
Total available for sale investments	437,048	437,048
TOTAL FINANCIAL ASSETS	343,403,106	305,302,123
Financial liabilities		
Bank Overdraft	-	152,168
Payables	2,800,258	3,616,117
Deposits from members	304,828,945	267,746,913
Total carried at amortised cost	307,629,203	271,515,198
TOTAL FINANCIAL LIABILITIES	307,629,203	271,515,198

26. FAIR VALUE MEASUREMENT

The following tables detail the Credit Union's assets and liabilities, measured or disclosed at fair value, using a 3 levels hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

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.

Level 3: Unobservable inputs for the asset or liability.

26. FAIR VALUE MEASUREMENT (continued)

	2016			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets measured at fair value				
Land and buildings	-	3,880,000	-	3,880,000
Investment property	-	660,000	-	660,000
Total Assets	-	4,540,000	-	4,540,000

	2017			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets measured at fair value				
Land and buildings	-	3,858,267	-	3,858,267
Investment property	-	660,000	-	660,000
Total Assets	-	4,518,267	-	4,518,267

The Credit Union has assessed that at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Note 25(d).

Valuation techniques for fair value measurements categorised as level 2
Land and buildings have been valued based on similar assets, location and market conditions.

27. OPERATING LEASE COMMITMENTS

The Company leases premises at Echuca, Euroa, Violet Town, Kilmore and Mooroopna.
Non-Cancellable operating lease commitments on these premises are as follows:

	2017 $	2016 $
Not later than one year	160,270	115,866
Later than one year and not later than five years	580,805	286,576
Later than five years	237,365	357,692
	978,440	760,134

Expenditure commitments are stated inclusive of Goods and Services Tax.

28. OPERATING LEASE RECEIVABLES

The Company receives rental income from various tenants who lease a portion of the land and buildings owned by the Company at Shepparton and Kyabram.

Non-Cancellable operating lease commitments on these premises are as follows:

	2017 $	2016 $
Not later than one year	47,656	47,538
Later than one year and not later than five years	54,042	71,482
	101,698	119,020

29. CAPITAL EXPENDITURE COMMITMENTS

	2017 $	2016 $
Estimated capital expenditure contracted for at balance date but not provided for:		
- payable not later than one year	378,838	-
	378,838	-

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

The Company has a number of service agreements with external parties for the supply of operational services into the future. Due to the varying nature of these agreements they have not been quantified for disclosure purposes.

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, or the state of affairs of the Company in subsequent financial years.

Directors' declaration

The Directors of the Company declare that:-

1. the financial statements and notes, set out on pages 8 to 64, are in accordance with the *Corporations Act 2001*, including:
   (a) giving a true and fair view of the financial position of the Company as at 30 June 2017 and of its performance for the year ended on that date; and
   (b) complying with the Accounting Standards and Corporations Regulations; and
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration was made in accordance with a resolution of the Board of Directors:

G Cobbledick – Chair

F Merrylees – Deputy Chair

Dated at Shepparton on this 20th day of September 2017.

Crowe Horwath Albury
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Independent Auditor's Report to the Members of Goulburn Murray Credit Union Co-operative Limited

Opinion

We have audited the financial report of Goulburn Murray Credit Union Co-operative Limited (the Credit Union), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in members' 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 the Credit Union 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 2017 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 directors report included in the Credit Union's annual report for the year ended 30 June 2017, 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.

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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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

Crowe Horwath

CROWE HORWATH ALBURY

BRADLEY D BOHUN

Partner

Dated at Albury this 20th day of September 2017.

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Notes

Administration

René Deen	General Manager / Secretary
Peter Thomas	Operations Manager
Rebecca Hearn	Finance Manager
Brett Elgar	Compliance Manager
Paul Cross	IT Manager
Ken Kilsby	Loans Manager
Dallas Moore	Manager, Shepparton Branch
David Drummond	Manager, Seymour Branch
Jane Holt	Manager, Echuca Branch
Jenni Dunne	Manager, Kyabram Branch
Sharna Papoulis	Manager, Mooroopna Branch
Lonnie Roberts	Manager, Numurkah Branch
Bronwyn Fyfe	Manager, Kilmore Branch
Jennifer Cogger	Manager, Benalla Branch
Heath Munari	Manager, Euroa Branch

Auditors

Crowe Horwath, Albury	External
AFS & Associates Pty Ltd, Bendigo	Internal

Solicitors

Daniels Bengtsson Pty Ltd
SMR Legal

Bankers

CUSCAL Central Banking Scheme
National Australia Bank

Registered Office

91-95 Fryers Street, Shepparton

Benalla
32 Bridge Street, 3672
ph. 03 5762 3380
fax 03 5762 2797

Echuca
141 Hare Street, 3564
ph. 03 5482 5333
fax 03 5480 6325

Euroa
36 Binney Street, 3666
ph. 03 5795 1771
fax 03 5795 1956

Kilmore
85a Sydney Street, 3764
ph. 03 5781 1221
fax 03 5782 0480

Kyabram
145 Allan Street, 3620
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Mooroopna
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fax 03 5825 4711

Numurkah
102 Melville Street, 3636
ph. 03 5862 2894
fax 03 5862 2680

Seymour
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ph. 03 5792 1075
fax 03 5792 2592

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