2019 Annual Report

Goulburn Murray Credit Union
Co-operative Ltd

ABN 87 087 651 509

Board of Directors

L-R: Frank Mandaradoni (Audit Committee Chair), Rob Morris (Risk Committee Chair), Geoff Cobbledick (Board Chair), Fiona Merrylees (Deputy Board Chair), Eileen Curtis, Eugenie Stragalinos (People & Culture Committee Chair), John Calleja (Corporate Governance Committee Chair)

2018/19 year in review

CAPITAL	24.1%	
ASSETS	$402m	
LOANS	$285m	↑ 6.34%
DEPOSITS	$350m	↑ 6.93%
COMMUNITY	over 120 local clubs and events supported	

Chair's Report

Throughout 2018/19 GMCU has continued to provide great local service, improve our products and services, and maintain strong support for our local communities which has again translated into excellent results on all financial indicators.

Our Financial Statements show that the GMCU has recorded:

- An increase in assets of $26 million (6.92%);
- An increase in loans of $17 million (6.34%)
- An increase in deposits of $22.6 million (6.93%)
- An operating profit after tax $2.54 million (2017/18 $2.907 million)

Our capital position remains strong at 23.7%, and the increase in assets over the course of the year saw GMCU reach the milestone of $400 million in assets during June 2019.

Market commentary this year has been very much centred on the outcomes of the Banking Royal Commission which highlighted many areas where the banking sector must improve. This has been a positive outcome for the Customer Owned Banking sector where our members are our owners which means we have no third party shareholders and there are no tensions between demand for dividend returns and delivering outcomes for customers. Member outcomes are at the heart of every decision we make.

As we approached the end of the financial year in what has been a sustained period of record-breaking low interest rates the Reserve Bank of Australia made two consecutive decisions to further lower the cash rate. As a result we expect that there will be continued margin pressure over the coming year. Given GMCU's historically strong financial performance and the achievement of equally positive financial outcomes this year we are confident that we are well placed to continue to invest and grow in future years. We will continue to seek to become the primary financial institution for our communities, providing excellent banking services and supporting positive local outcomes.

Following on from the launch of the real-time payments via the New Payments Platform (NPP) last year the GMCU continue to focus on technological enhancements including a Mobile App which was launched in February this year and online services such as self-serve online password reset which has also been made available.

While we are continuing to enhance our products and services available we also know that member feedback is a most important source of information to guide our decisions. Utilisation of this information will ensure GMCU products and services continue to be cost-effective, fit for purpose and available when, where and how members want them and accordingly this year we have launched our first full scale customer research and feedback program. Over the coming months we look forward to using the insight gained from this program to facilitate the development of our products and services as well as the direction of our ongoing community involvement.

A continued major strength of the GMCU is its management and staff. Acknowledging this strength we also embarked on our first full-scale staff engagement survey during the year which not only confirmed that our staff are committed to GMCU but equally committed to achieving great member outcomes. The survey allowed us to develop a subsequent action plan that helps ensure we are continuously improving and making GMCU an even better place to work.

Melissa Ralph commenced with the GMCU as CEO in September 2018 and we are extremely pleased to have Melissa leading the team at the GMCU. Melissa brings excellent skills to the position and her enthusiasm and passion for customer owned banking and the GMCU provides a great foundation for the growth and continued improvement of our organisation.

The Board continues to focus on their governance responsibilities and I would like to thank them for their considerable efforts during the past year. The collective efforts the Audit Committee, Risk Committee, Corporate Governance Committee and People & Culture Committee combine to provide sound support to the Board and ensure that GMCU maintains a strong and prudent governance framework.

I would like to make special mention of Fiona Merrylees who has been a Director since 2005 and will not be seeking re-election at this year's AGM. Fiona has completed her duties as a Director with a high degree of skill and zeal whilst putting the interests of our members to the forefront at all times. Fiona must be commended for the significant contribution she has made to the success of the GMCU.

I congratulate all of our management and staff 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 GMCU is an excellent organisation and I am very proud to continue 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 2019 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 MEd DipBus FCPA
Board Chair
Occupation: Director
Director since: 2008

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

Eugenie Stragalinos BCom CPA MAICD
Chair – People & Culture
Occupation: Director & Principal, ems Consulting
Director since: 2016

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

Fiona Merrylees BA.LL.B
Deputy Chair
Occupation: Lawyer
Director since: 2005

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

John Calleja CA, MApFin, BCom, GAICD
Chair – Corporate Governance
Occupation: Chief Financial Officer
Director since: 2017

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		People & Culture		Risk	
	A	B	A	B	A	B	A	B	A	B
F Mandaradoni	12	12	12	12	3	3	-	-	12	11
R Morris	12	12	12	11	1	1	-	-	12	11
E Curtis	12	11	12	9	-	-	4	3	-	-
E Stragalinos	12	9	-	-	2	1	4	4	12	10
F Merrylees	12	11	-	-	2	2	3	2	12	11
G Cobbledick	12	12	12	7	3	3	4	4	12	11
J Calleja	12	11	12	10	1	1	1	1	-	-

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

Company secretary

Mrs Melissa Ralph, the Chief Executive Officer (appointed 3 September 2018), was appointed to the position of Company Secretary on 4 September 2019 and continued to act in this capacity up to 1 March 2019.

Mr René Deen, the Company's General Manager (retired 7 August 2018), was appointed to the position of Company Secretary on 1 June 2002 and continued to act in this capacity up to 7 August 2019.

Mr Peter Thomas, the Company's Chief Operations Officer was appointed to the position of Alternate Company Secretary on 1 June 2002 and continued to act in this capacity up to 1 March 2019.

Mr Brett Elgar, the Company's Chief Risk and Compliance Officer, was appointed to the position of Company Secretary on 1 March 2019, and continues to act in this capacity as at and post the end of the financial year.

Mrs Rebecca Hearn, the Company's Chief Financial Officer, was appointed to the position of alternate Company Secretary on 20 June 2002, and continues 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 $3,522,500 (2019: $4,065,615). Income tax was $980,936 (2019: $1,158,588). Profit after tax for 2019 was $2,541,564 (2019: $2,907,027).

Review of operations

Net loans for the year have increased by $17,045,206 to $285,789,017.
Member deposits increased during the year by $22,685,727 to $350,251,301.
Members' equity during the year has increased by $3,215,262 to $47,460,697.

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 2019 has been received and can be found on page 5 of the financial report.

Dated at Shepparton this 25th day of September 2019.

Signed in accordance with a resolution of the Directors.

G Cobbledick – Chair

F Merrylees – Deputy Chair

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

PO Box 500
Albury NSW 2640 Australia

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

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

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

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

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

This declaration is in respect of Goulburn Murray Credit Union Co-operative Limited during the financial year ended 30 June 2019.

Crowe

CROWE ALBURY

BRADLEY D BOHUN
Partner

25 September 2019
Albury

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	2019 $	2018 $
Interest revenue	2	15,202,904	14,708,080
Interest expense	2	(5,143,750)	(4,940,769)
Net interest income		10,059,154	9,767,311
Non-interest revenue	3	2,313,191	2,554,732
General and administration	3	(7,151,628)	(6,973,802)
Net impairment (loss)/gain on financial assets		(45,770)	364,511
Occupancy expenses		(452,515)	(469,639)
Depreciation and amortisation expense	3	(350,096)	(342,677)
Fees and commission expense		(849,836)	(834,821)
Profit before tax		3,522,500	4,065,615
Income tax expense	5	(980,936)	(1,158,588)
Profit after tax		2,541,564	2,907,027
Other comprehensive income			
Gain/(loss) on the revaluation of land and buildings, net of tax		299,226	-
Gain/(loss) on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		-	-
Other comprehensive income for the year, net of tax		299,226	-
Total comprehensive income for the year		2,840,790	2,907,027

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 65.

Statement of Financial Position

As at 30 June 2019

	Note	2019 $	2018 $
ASSETS			
Cash and cash equivalents	7	56,538,462	41,334,654
Receivables due from other financial institutions	8	52,085,972	59,043,687
Receivables	9	270,887	379,566
Loans and advances	10	285,789,017	268,743,811
Other financial assets	12	1,004,478	437,048
Other assets	16	518,242	361,643
Investment property	15	685,000	660,000
Property, plant and equipment	14	5,333,374	5,138,970
Deferred tax asset	6	258,111	259,234
Intangible assets	13	200,395	270,066
TOTAL ASSETS		402,683,938	376,628,679
LIABILITIES			
Deposits	17	350,251,301	327,565,574
Accounts payables and other liabilities	18	3,857,401	3,725,504
Current tax payable	6	255,594	269,270
Employee benefits	19	684,296	817,955
Deferred tax liability	6	174,649	4,941
TOTAL LIABILITIES		355,223,241	332,383,244
NET ASSETS		47,460,697	44,245,435
EQUITY			
Reserves		2,908,865	2,151,206
Retained profits		44,551,832	42,094,229
TOTAL EQUITY		47,460,697	44,245,435

The statement of financial position is to be read in conjunction with the accompanying notes set out on pages 12 to 65

Statement of Changes in Members Equity

Year ended 30 June 2018	Retained Profits $	Member Share Redemption Reserve $	Lending Risk Reserve $	Asset Revaluation Reserve $	Financial Asset Reserve	Total $
Opening balance at 1 July 2017	39,235,302	84,831	856,575	1,161,700	-	41,338,408
Profit after tax	2,907,027	-	-	-	-	2,907,027
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income and expense for the period	2,907,027	-	-	-	-	2,907,027
Transfer to/(from) lending risk reserve	(44,458)	-	44,458	-	-	-
Transfer to member share redemption reserve	(3,642)	3,642	-	-	-	-
Closing balance at 30 June 2018	42,094,229	88,473	901,033	1,161,700	-	44,245,435
Year ended 30 June 2019						
Opening balance at 1 July 2018	42,094,229	88,473	901,033	1,161,700	-	44,245,435
Effect of adoption of new accounting standards (Note 1(u))	(36,915)	-	-	-	411,387	374,472
Opening Balance at 1 July 2018 - restated	42,057,314	88,473	901,033	1,161,700	411,387	44,619,907
Profit after tax	2,541,564	-	-	-	-	2,541,564
Other comprehensive income for the period	-	-	-	299,226	-	299,226
Total comprehensive income and expense for the period	2,541,564			299,226	-	2,840,790
Transfer to/(from) lending risk reserve	(44,786)	-	44,786	-	-	-
Transfer to member share redemption reserve	(2,260)	2,260	-	-	-	-
Closing balance at 30 June 2019	44,551,832	90,733	945,819	1,460,926	411,387	47,460,697

The statement of changes in members equity is to be read in conjunction with the accompanying notes set out on pages 12 to 65.

Statement of cash flows

For the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Interest received		15,311,583	14,617,668
Interest paid		(5,084,324)	(4,764,006)
Cash paid to suppliers and employees		(8,523,142)	(7,305,911)
Receipts from other services		2,156,592	2,652,156
Income tax paid		(994,614)	(1,264,212)
		2,866,095	3,935,695
Net movement in loans		(17,090,975)	(10,598,454)
Net movement in deposits and short-term borrowings		22,685,727	22,736,629
Net cash from/(used in) operating activities	20	8,460,847	16,073,870
Cash flows from investing activities			
Net movement in receivables due from other financial institutions		6,957,714	(17,832,362)
Payments for property, plant and equipment		(328,123)	(423,288)
Payments for intangible assets		(11,176)	(251,480)
Proceeds from sale of property, plant and equipment		124,546	83,180
Net cash from/(used in) investing activities		6,742,961	(18,423,950)
Net increase/(decrease) in cash and cash equivalents		15,203,808	(2,350,080)
Cash and cash equivalents at 1 July		41,334,654	43,684,734
Cash and cash equivalents at 30 June	7	56,538,462	41,334,654

The statement of cash flows is to be read in conjunction with the accompanying notes set out on pages 12 to 65.

Notes to the Financial Statements

For the year ended 30 June 2019

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 25 September 2019.

(a) Statement of compliance

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

Not-for-profit status

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, other financial assets 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.

Equity and investment securities

The fair value of the investments held in CUSCAL and TAS have been determined by calculating the net asset per share using the last published financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

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

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 (t).

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

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

(e) Loans and advances

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Loans and advances(continued)

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

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

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

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

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

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

The Credit Union considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial asset. In applying this forward-looking approach, a distinction is made between:

- Financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans) ('Stage 1'); and
- Financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment

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

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

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

The measurement of ECL reflects:

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

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

Assumptions used for estimating impairment

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

Assessment of significant increase in credit risk

In determining whether the risk of default has increased significantly since recognition, the Credit Union considers both quantitative and qualitative factors. These include:

- When a loan reaches 30 days past due;
- Loan with approved hardship or modified terms.

Calculation of expected credit losses

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Critical accounting estimates and judgments in the ECL (continued)
The LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral and its expected value when realised.

The EAD represents the expected exposure at default.

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

Incorporation of forward looking information

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

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

Grouping of loans for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous. The Credit Union has elected to use the following segments when assessing credit risk for Stage 1 of the ECL model:

- Mortgage loans – over 80% loan-to-valuation ratio, and no lenders mortgage insurance;
- Mortgage loans – under 80% loan-to-valuation ratio or lenders mortgage insurance.
- Personal loans – secured and unsecured
- Secured by funds
- Overdrafts / overdrawn

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Specific provision

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

Collective provision

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

(g) Other financial assets

Policy applicable after 1 July 2018

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

Policy applicable before 1 July 2018

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

(h) Property, plant and equipment & intangible assets

Land and buildings

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

Plant and equipment

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

Leasehold improvements

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

Depreciation/amortisation

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment & intangible assets (continued)

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

Land is not depreciated.

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

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

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

- Computer software and licences 4 years

(i) 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 Note 1(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 the statement of 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.

(j) Impairment of non-financial assets

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Employee entitlements

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

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

(l) Deposits

Member deposits are held at amortised cost.

Interest payable

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

(m) Accounts payable and other liabilities

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

(n) Income recognition

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Income recognition (continued)

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

Dividend income
Dividend income is taken into revenue as received.

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

(o) Leases

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

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

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

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

(p) Income Tax

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income Tax (continued)

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.

(q) Goods and Services Tax

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

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

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

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

(r) 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 $44,786 to a lending risk reserve account as at 30 June 2019. 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Reserves (continued)

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

Financial asset reserve
The financial asset reserve relates to the revaluation of equity investments (other financial assets) classified as fair value through other comprehensive income.

(s) Fair value measurement

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

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

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

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

(t) Accounting estimates and judgements

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Accounting estimates and judgements (continued)

- Note 1(f) and Note 11 – Impairment of loans and advances with regards to the expected credit loss modelling and judgments, including:
- Determining criteria for significant increase in credit risk: An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Credit Union takes into account qualitative and quantitative reasonable and supportable forward-looking information;
- Choosing appropriate models and assumptions tor the measurement of expected credit loss; and
- Establishing groups of similar financial assets for the purposes of measuring expected credit loss: When expected credit loss is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.
- Note 14 - Fair value assumptions used for land and buildings;
- Note 12 – Fair value assumptions used for other financial assets; and
- Note 1(u) and Note 1(v) – Judgements used in new accounting standards and interpretations.

(u) New or amended accounting standards adopted

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

AASB 9 Financial Instruments

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

The adoption of AASB 9 has impacted the following areas:

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

	Note	Original 30 June 2018 balance (under AASB 139)	Change	New 1 July 2018 balance (under AASB 9)
Classification & measurement impact:				
Fair value measurement of other financial assets	12	437,048	567,430	1,004,478
Deferred tax liability impact	6	-	(156,043)	(156,043)
Total		**437,048**	**411,387**	**848,435**
Impairment impact:				
Allowance for expected credit losses	11	(50,806)	(50,917)	(101,723)
Deferred tax asset impact	6	13,972	14,002	27,974
Total		**(36,834)**	**(36,915)**	**(73,749)**

(u) New accounting standards and interpretations not yet mandatory

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

1. SIGNIFICANT ACCOUNTING POLICIES (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.	Annual reporting periods beginning on or after 1 January 2019 (i.e. Credit Union's financial statements for year ended 30 June 2020), as the Credit Union is considered a not-for-profit entity for accounting purposes (refer to Note 1(a).	Based upon Management's assessment to date, AASB 15 is not expected to have a material impact upon the transactions and balances recognised when it is first adopted, as most of the Credit Union's revenue arises from the provision of financial services which are governed by AASB 9 *Financial Instruments.* There are limited revenue transactions of the Credit Union that are impacted by AASB 15. The Credit Union has identified the following revenue streams that may be impacted by AASB 15: - Insurance commission income (which is disclosed in Note 3 of the financial statements). Management have assessed there is no significant differences expected in the timing of revenue recognition for insurance commission income under AASB 15, as trail commission and renewal commission are considered constrained variable considerations. Variable consideration is estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Credit Union will apply the modified retrospective method of transition, meaning that prior periods will not be restated. Based on the above, the transitional entry to opening retained earnings as at 1 July 2019 is expected to be immaterial (if any).

Notes to the Financial Statements

For the year ended 30 June 2019

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.	Annual reporting periods beginning on or after 1 January 2019 (i.e. Credit Union's financial statements for year ended 30 June 2020).	Currently the Credit Union is the lessee in a number of property leases – refer to Note 1(o). Management has assessed that the first-time adoption of AASB 16 for the year ended 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements, in particular; • Lease assets and lease liabilities on the balance sheet will increase by $1,357,501 respectively (based on the facts at the date of the assessment) • Lease payments will be split between interest and principal reduction, rather than being included in operating expenses. • There will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly that the carrying amount of lease liabilities • Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities. The Credit Union will apply the modified retrospective method of transition, meaning that prior periods will not be restated

Notes to the Financial Statements

For the year ended 30 June 2019

2. INTEREST REVENUE AND INTEREST EXPENSE

	2019 $	2018 $
Interest revenue		
Deposits with other financial institutions	2,447,246	2,135,657
Loans and advances	12,755,658	12,572,423
	15,202,904	14,708,080
Interest expense		
Member deposits	5,143,541	4,940,133
Short-term borrowings	209	636
	5,143,750	4,940,769

3. OPERATING REVENUE AND EXPENSES

	2019 $	2018 $
Depreciation and amortisation expense		
Depreciation of property, plant and equipment:		
- Plant and equipment	223,643	229,165
- Buildings	45,607	45,607
Amortisation of intangible assets	80,846	67,905
Total depreciation and amortisation expense	350,096	342,677
General and administration expense		
Personnel costs:		
- Wages and salaries	3,935,458	3,893,832
- Employee entitlements	(133,655)	14,926
- Superannuation contributions	426,239	410,930
EDP costs	901,591	715,144
Marketing and promotion	569,118	591,385
General administration	912,769	883,386
Other	540,108	464,199
Total general and administration expense	7,151,628	6,973,802
Non interest revenue		
Loan fees	236,680	308,162
Electronic transaction fees	652,795	675,105
Other fees	571,947	600,124
Commissions	732,764	786,059
Bad debts recovered	7,388	16,127
Rent	52,183	36,474
Dividends	27,996	45,258
Gain on Revaluation of Investment Property	25,000	-
Other	6,438	87,423
Total non interest revenue	2,313,191	2,554,732

4. AUDITOR'S REMUNERATION

	2019 $	2018 $
• Amounts received or due and receivable by the External Auditor of the Company (including GST) for:		
- Audit of the financial statements of the Company	81,252	78,887
- Other regulatory assurance service	25,933	20,158
- Other services in relation to the Company	13,221	6,006
	120,406	105,051

5. INCOME TAX

	2019 $	2018 $
Profit before tax	3,522,500	4,065,615
Prima facie income tax expense calculated at 27.50% on net profit	968,687	1,118,044
Increase/(decrease) in income tax due to:		
Non-deductible expenses	104	83
Imputation credits	(8,699)	(14,062)
Under/(over) provision for income tax in prior year	149	-
Other items	20,695	54,523
Income tax expense	980,936	1,158,588
Current tax expense		
Current year	960,718	981,695
Adjustments for prior year	149	-
Deferred tax expense	20,069	176,893
Income tax expense	980,936	1,158,588

6. RECOGNISED DEFERRED TAX ASSETS & LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Cash & Cash Equivalents	-	-	(156,043)	-	(156,043)	-
Loans & advances	38,754	13,972	-	-	38,754	13,972
Prepayments	-	-	(909)	(455)	(909)	(455)
Property, Plant and Equipment (1)	-	-	(17,697)	(4,486)	(17,697)	(4,486)
Accrued Expenses	31,174	20,324	-	-	31,174	20,938
Employee Benefits	188,183	224,938	-	-	188,183	224,938
	258,111	259,234	(174,649)	(4,941)	83,462	254,293

(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 $255,594 (2018: $269,270) represents the amount of income tax payable in respect of current and prior periods.

	2019 $	2018 $
Income tax payable / (receivable)	255,594	269,270
Movement in taxation provision		
Balance at beginning of year	269,270	374,896
Current year's income tax expense on profit before tax	960,718	981,695
Income tax paid – current year	(705,124)	(712,425)
Income tax paid – prior year	(269,270)	(374,896)
Balance at end of year	255,594	269,270

7. CASH AND CASH EQUIVALENTS

Cash on hand and at bank	11,082,336	7,392,659
Interest earning deposits	45,456,126	33,941,995
	56,538,462	41,334,654
Bank Overdraft	-	-
	56,538,462	41,334,654

Notes to the Financial Statements

For the year ended 30 June 2019

7. CASH AND CASH EQUIVALENTS (continued)

	2019 $	2018 $
Maturity analysis		
At call	19,082,336	13,392,659
Not longer than 3 months	37,456,126	27,941,995
	56,538,462	41,334,654
Credit rating of cash & cash equivalents		
CUSCAL – rated A+	21,875,883	15,899,887
Banks – rated AA and above	-	-
Banks – rated below AA	15,956,126	10,941,995
Unrated Authorised Deposit Taking Institutions	16,500,000	12,000,000
Cash on hand	2,206,453	2,492,772
	56,538,462	41,334,654

8. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

	2019 $	2018 $
Interest Earning Deposits	52,085,972	59,043,687
	52,085,972	59,043,687
Maturity analysis		
At call	-	-
Not longer than 3 months	-	-
Longer than 3 months and not longer than 12 months	23,948,664	21,773,920
Longer than 12 months	28,137,308	37,269,767
	52,085,972	59,043,687
Credit rating of receivables due from other financial institutions		
CUSCAL – rated A-1	4,710,000	4,710,000
Banks – rated AA and above	-	-
Banks – rated below AA	46,375,972	51,333,687
Unrated Authorised Deposit Taking Institutions	1,000,000	3,000,000
	52,085,972	59,043,687

9. RECEIVABLES

Interest receivable	270,887	379,566

10. LOANS AND ADVANCES

	2019 $	2018 $
Overdrafts	3,399,217	3,311,128
Term loans	282,530,724	265,483,489
Gross loans and advances	285,929,941	268,794,617
Provision for impairment	(140,924)	(50,806)
Net loans and advances	285,789,017	268,743,811

Maturity analysis

	2019 $	2018 $
Overdrafts	3,399,217	3,311,128
Remaining maturity not longer than 3 months	5,885,071	5,810,445
Remaining maturity longer than 3 and not longer than 12 months	17,447,668	17,137,131
Remaining maturity longer than 1 and not longer than 5 years	86,189,699	82,883,449
Remaining maturity longer than 5 years	173,008,286	159,652,464
	285,929,941	268,794,617

Security held against loans

	2019 $	2018 $
Secured by mortgage over residential property	268,915,135	252,464,335
Secured by mortgage over other property	11,301,694	9,527,489
Total loans secured by real estate	280,216,829	261,991,824
Secured by funds	1,306,196	1,645,020
Partly secured by goods mortgage	3,722,695	4,389,336
Wholly unsecured	684,221	768,437
	285,929,941	268,794,617

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:

	2019 $	2018 $
Loan to value ratio of 80% or less	231,345,559	210,317,110
Loan to value ratio of more than 80% but mortgage insured	21,697,765	26,082,190
Loan to value ratio of more than 80% not mortgage insured	15,871,811	16,065,035
	268,915,135	252,464,335

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.

	2019 $	2018 $
- Victoria	272,202,641	254,916,347
- New South Wales	12,311,352	11,056,667
- Other	1,415,948	2,821,603
	285,929,941	268,794,617

11. IMPAIRMENT OF LOANS AND ADVANCES

Total provision comprises of		
Collective provisions	-	50,806
Specific provisions	-	-
Expected credit loss allowance	140,924	-
Total provision	140,924	50,806

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

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

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

2019 – under AASB 9 requirements:

Credit risk exposure under expected credit loss - 2019	**Stage 1 12 Month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loan category	**2019 $**	**2019 $**	**2019 $**	**2019 $**
Mortgages loans – secured by residential property (residential and commercial)				
Up to 30 days	278,663,825	-	-	278,663,825
More than 30 days, but less than 90 days	-	1,381,295	-	1,381,295
More than 90 days, but less than 180 days	-	-	-	-
More than 180 days, but less than 270 days	-	-	170,408	170,408
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	268,879	268,879
Personal loans – secured & under secured (including overdrafts/overdrawn)				
Up to 30 days	3,970,244	-	10,603	3,980,847
More than 30 days, but less than 90 days	-	112,366	2,645	115,011
More than 90 days, but less than 180 days	-	-	7,086	7,086
More than 180 days, but less than 270 days	-	-	8,105	8,105
More than 270 days, but less than 365 days	-	-	26,996	26,996
More than 365 days	-	-	1,293	1,293
Secured by funds	1,306,196	-	-	1,306,196
Total carrying amount – gross	283,940,265	1,493,661	496,015	285,929,941
Less expected credit loss allowance	(38,577)	(52,948)	(49,399)	(140,924)
Total carrying amount – net	**283,901,688**	**1,440,713**	**446,616**	**285,789,017**
Security analysis -Stage 2 & Stage 3				
Estimated collateral – after discount	N/A	2,203,950	755,000	N/A

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

2018 – under AASB 139 requirements:

Ageing analysis of loans and advances past due	Past due and not impaired	Past due and impaired	Total
Loan category	**2018**	**2018**	**2018**
	$	**$**	**$**
Up to 30 days	4,602,274	-	4,602,274
More than 30 days, but less than 90 days	987,414	-	987,414
More than 90 days, but less than 180 days	-	258,879	258,879
More than 180 days, but less than 270 days	-	1,110	1,110
More than 270 days, but less than 365 days	-	-	-
More than 365 days	-	6,984	6,984
Overlimit credit facilities more than 14 days	14,324	9,842	24,166
Total carrying amount – net	**5,604,012**	**276,815**	**5,880,827**

Security analysis of loans and advances past due	Past due and not impaired	Past due and impaired	Total
Loan category	**2018**	**2018**	**2018**
	$	**$**	**$**
Secured by mortgage over real estate	5,512,372	167,096	5,679,468
Secured by funds	8,224	90,627	98,851
Partly secured by goods mortgage	69,092	9,250	78,342
Full unsecured	14,324	9,842	24,166
Total carrying amount – net	**5,604,012**	**276,815**	**5,880,827**

Reconciliation of allowance for impairment

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

2019 – under AASB 9 requirements:

Movement category	Stage 1 12 month ECL 2019 $	Stage 2 Lifetime ECL 2019 $	Stage 3 Lifetime ECL 2019 $	Total 2019 $
Balance at 1 July per AASB 139	N/A	N/A	N/A	50,806
Adjustment on initial application of AASB 9	N/A	N/A	N/A	50,917
Balance at 1 July per AASB 9	**52,084**	**35,084**	**14,555**	**101,723**
Transfers between stages	-	(5,049)	5,049	-
Movement due to increase in loans & advances	(1,286)	-	-	(1,286)
Movement due to change in credit risk	-	22,913	29,795	52,708
Bad debts written off from provision	-	-	-	-
Changes in model/risk parameters	(12,221)	-	-	(12,221)
Balance at 30 June 2019	**38,577**	**52,948**	**49,399**	**140,924**

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

2018 – under AASB 139 requirements:

Movement category	Collective provision 2018 $	Specific provision 2018 $	Total 2018 $
Balance at 1 July 2017	521,243	-	521,243
Expenses / (written back) during the year	(509,641)	-	(509,641)
Bad debts written off from provision	39,204	-	39,204
Balance at 30 June 2018	**50,806**	**-**	**50,806**

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

	2019 $	2018 $
Loans restructured		
During the year, some loans that were previously past due or impaired, have been restructured by the Credit Union.		
Loans restructured at beginning of financial year	2,608,078	3,710,901
Loans restructured during the financial year	1,657,758	-
Loans restructured during the financial year – moved from Stage 2 or Stage 3, to Stage 1	(1,847,149)	-
Loans restructured/transferred to non-impaired status during financial year	-	(1,102,823)
Balance at the end of the financial year	2,418,687	2,608,078
Sale of asset acquired through enforcement of security		
Opening balance of enforcement security	-	-
Real estate acquired through enforcement of security	-	-
Expenses	-	-
Proceeds from sale of property & insurance claim	-	-
Balance of loan written off	-	-
Specific provision for impairment written back	-	-
Balance at the end of the financial year	-	-

12. OTHER FINANCIAL ASSETS

	2019 $	2018 $
Available-for-sale investments securities – held at cost under AASB 139		
- Shares in Cuscal Limited (a)	-	421,466
- Shares in TransAction Solutions Pty Ltd	-	15,582
Equity investment securities designated as fair value through other comprehensive income (FVOCI) – held at fair value		
- Shares in Cuscal Limited (a)	893,190	-
- Shares in TransAction Solutions Pty Ltd	111,288	-
	1,004,478	437,048

(a) Cuscal Limited

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

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

Notes to the Financial Statements

For the year ended 30 June 2019

13. INTANGIBLE ASSETS

	2019 $	2018 $
Computer software & licences		
At cost	1,098,122	1,086,945
Provision for amortisation	(897,726)	(816,879)
	200,396	270,066

Reconciliations

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

	2019 $	2018 $
Computer software & licences		
Balance at beginning of the year	270,066	86,490
Acquisitions	15,411	125,762
Internal Transfer (to)/from work in progress	(4,235)	24,205
Internal Transfer from prepaid assets	-	101,514
Disposals	-	-
Less amortisation	(80,846)	(67,905)
Balance at end of the year	200,396	270,066

14. PROPERTY, PLANT AND EQUIPMENT

	2019 $	2018 $
Freehold land - at fair value	2,165,000	2,079,000
Buildings on freehold land – at fair value	1,910,000	1,824,291
Accumulated depreciation	-	(90,632)
Total buildings on freehold land	1,910,000	1,733,659
Plant and equipment- at cost	3,146,712	3,042,797
Accumulated depreciation	(1,888,338)	(1,716,486)
Total plant and equipment	1,258,374	1,326,311
Capital Works in Progress – at Cost	-	-
Carrying amount of total property, plant & equipment	5,333,374	5,138,970

Notes to the Financial Statements

For the year ended 30 June 2019

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 1 July 2017	2,079,000	1,779,266	1,223,213	24,205	5,105,684
Additions	-	-	447,493	-	447,493
Revaluations	-	-	-	-	-
Internal transfers	-	-	-	(24,205)	(24,205)
Internal transfers to intangibles	-	-	-	-	-
Disposals	-	-	(115,230)	-	(115,230)
Depreciation	-	(45,607)	(229,165)	-	(274,772)
Balance at 30 June 2018	2,079,000	1,733,659	1,326,311	-	5,138,970
Balance at 1 July 2018	2,079,000	1,733,659	1,326,311	-	5,138,970
Additions	-	-	328,123	-	328,123
Revaluations	86,000	221,948	-	-	307,948
Internal transfers	-	-	-	-	-
Internal transfers to intangibles	-	-	-	-	-
Disposals	-	-	(172,417)	-	(172,417)
Depreciation	-	(45,607)	(223,643)	-	(269,250)
Balance at 30 June 2019	2,165,000	1,910,000	1,258,374	-	5,333,374

14. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Valuations

Land and buildings owned by the Company were independently valued during the 2019 financial year based on current market values.

The land and buildings at Shepparton, Benalla, Seymour, Kyabram and Numurkah were valued by Andrew Grant AAPI, Certified Practising Valuer of Opteon (Shepparton), Andrew Joyce AAPI, Certified Practising Valuer of Opteon (Seymour), Chris Crouch AAPI, Certified Practising Valuer of Opteon (Numurkah), Erin York AAPI, Certified Practising Valuer of Opteon (Kyabram) for a market value of $4,075,000.

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 2019.

15. INVESTMENT PROPERTY

	2019 $	2018 $
At fair value	685,000	660,000
Accumulated impairment	-	-
Balance at end of the year	685,000	660,000

Reconciliation

Reconciliation of investment property is set out below:

	2019	2018
Balance at beginning of the year	660,000	660,000
Acquisitions	-	-
Revaluation	25,000	-
Disposals	-	-
Impairment	-	-
Balance at end of the year	685,000	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 2019 year by Erin York AAPI, Certified Practising Valuer of Opteon (Kyabram) and Andrew Grant AAPI, Certified Practising Valuer of Opteon (Shepparton) with the fair value of $685,000.

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 2019.

Notes to the Financial Statements

For the year ended 30 June 2019

16. OTHER ASSETS

	2019 $	2018 $
Prepayments	242,240	229,213
Sundry debtors	276,002	132,430
	518,242	361,643

17. DEPOSITS

	2019 $	2018 $
On call deposits	222,501,337	207,584,003
Term deposits	127,749,964	119,981,571
	350,251,301	327,565,574

Maturity analysis

	2019 $	2018 $
On call	222,501,337	207,584,003
Not longer than 3 months	47,118,438	50,467,420
Longer than 3 and not longer than 12 months	68,054,202	58,628,499
Longer than 1 and not longer than 5 years	12,577,324	10,885,652
	350,251,301	327,565,574

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.

	2019 $	2018 $
Victoria	341,258,275	319,579,698
Other States	8,993,026	7,985,876
	350,251,301	327,565,574

The Company's deposit portfolio does not include any deposits which represent 10% or more of total liabilities (2018: Nil).

18. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2019 $	2018 $
Trade creditors	405,356	403,726
Accrued interest payable	1,361,634	1,302,208
Accrued expenses	2,090,411	2,019,570
	3,857,401	3,725,504

Notes to the Financial Statements

For the year ended 30 June 2019

19. EMPLOYEE BENEFITS

	2019 $	2018 $
Current		
Accrued salaries and wages	-	-
Liability for long service leave	359,907	443,949
Liability for annual leave	298,866	339,733
Non-current		
Liability for long service leave	25,523	34,273
	684,296	817,955

20. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

(a) Cash flow from operating activities

	2019	2018
Profit after income tax	2,541,564	2,907,027
Non cash flows in operating surplus/(deficit):		
Charge for bad and doubtful debts	45,770	(364,511)
Depreciation of property, plant & equipment	269,250	274,772
Amortisation on intangible assets	80,846	67,905
Loss on sale of asset	47,872	32,047
Gain on revaluation of investment property and equipment	(25,000)	-
Changes in assets and liabilities:		
Effect for allowance for impairment losses on adoption of AASB9	(36,915)	-
Effect for fair value adjustment for other financial assets on adoption of AASB9	411,387	-
Increase/(Decrease) in employee benefits	(133,659)	14,926
(Increase)/Decrease in accrued receivables	108,679	(90,411)
(Increase)/Decrease in other financial assets	(567,430)	-
(Increase)/Decrease in deferred tax asset	(7,598)	179,930
(Increase)/Decrease in other assets	(156,599)	97,425
Increase/(Decrease) in payables and accruals	131,897	925,246
Increase/(Decrease) in income tax payable	(13,678)	(105,624)
Increase/(Decrease) in deferred tax liability	169,709	(3,037)
Net cash from revenue activities	2,866,095	3,935,695
Add/(deduct) non revenue operations:		
Increase in loan balance	(17,090,975)	(10,598,454)
Increase in deposits and short term borrowings	22,685,727	22,736,629
Cash flow from operating activities	8,460,847	16,073,870

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 (2018: $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 3.75% (2018: 4.00%). As at 30 June 2019 the utilised portion of the facility was $Nil (2018: $Nil).

(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)

(d) CUSCAL – Settlement Security Deposit and Overdraft Security Deposit (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 Credit Union enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of customers. The total credit related commitments and the financial guarantees do not necessarily represent future cash requirements.

The Credit Union uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets. Credit related commitments include approved but undrawn loans, credit limits and loan redraw facilities.

Security analysis of credit related commitments	**Credit related commitments**		**Financial guarantees**	
Secured by:	**2019**	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Secured by mortgage over real estate	8,471,875	5,118,220	218,462	251,560
Secured by funds	509,913	507,455	74,170	74,170
Partly secured by goods mortgage	72,969	97,299	-	-
Fully unsecured	1,026,188	1,315,024	-	-
Total	**10,080,945**	**7,037,998**	**292,632**	**325,730**

21. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS (continued)

Other contingent liabilities

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 Credit Union:

- May be required to advance funds of up to 3% (excluding permanent loans) of total assets to another credit union requiring financial support;
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

22. OUTSOURCING ARRANGEMENT

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

- Cuscal Limited for the rights to VISA cards, for the transfer of electronic funds, for the settlement with the banks for member cheques, VISA cards 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
- 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	
Robert Morris	
Eugenie Stragalinos	
Eileen Curtis	
John Calleja	
Executives	
Melissa Ralph	Chief Executive Officer – appointed September 2018
René Deen	Chief Executive Officer – retired August 2018
Peter Thomas	Chief Operations Officer
Rebecca Hearn	Chief Financial Officer
Brett Elgar	Chief Risk and Chief Compliance Officer
Robert Chaston	Credit Manager
Paul Cross	Executive Manager IT

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:

	2019 $	2018 $
Short-term employee benefits	1,048,859	1,043,705
Other long term benefits	(41,415)	(1,210)
Post employment benefits	96,189	93,661
	1,103,633	1,136,156

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:

	2019 $	2018 $
Loans to key management personnel	1,379,696	1,100,930
Loans to other related parties	-	-
	1,379,696	1,100,930

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 fundings (2018: three) were made available to qualifying key management personnel. Two key management personnel were advanced funds on existing concessional loan rate facilities during 2019 (2018: three).

Revolving credit facilities $28,000 (2018: $45,000) were made available to Directors and key management personnel during the year. The aggregate amount receivable at 30 June 2019 was $Nil (2018: $Nil).

Loans and redraws totalling $453,430 (2018: $891,722) were made to key management personnel, Mrs R Hearn, Mr P Cross and Mr R Chaston during the year. (2018: Mr P Thomas, Mrs R Hearn and Mr K Kilsby).

During the year Mr P Cross, Mr P Thomas, Mrs R Hearn, Mr R Chaston and Mrs F Merrylees (2018: Mr P Cross, Mr R Deen, Mr P Thomas, Mrs R Hearn, Mr K Kilsby and Mrs F Merrylees) repaid $218,837 (2018: $767,422) 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 $44,077 (2018: $43,606) and on loans to other related parties totalled $Nil (2018: $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 2019 (2018: $Nil) nor were any other loans advanced during the period.

23. KEY MANAGEMENT PERSONNEL (continued)

Deposits from key management personnel and other related parties

	2019 $	2018 $
Total value Term and Saving Deposits from key management personnel	362,150	504,289
Total interest paid on deposits to key management personnel	3,415	11,445

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 2019 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 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 to the Risk Committee which is 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 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.

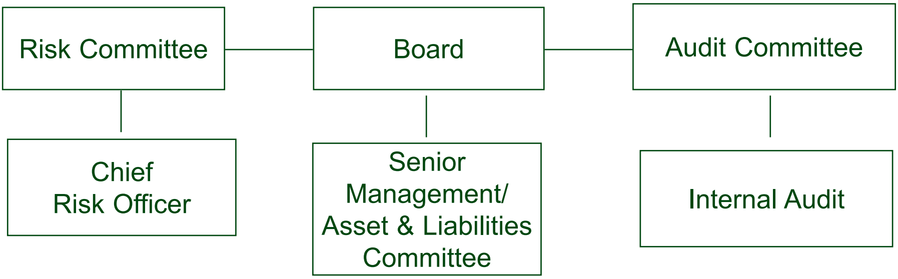
Chief Risk Officer: This role has responsibility for the development and implementation of the risk management framework and policies, and providing assistance to Board, management and staff in all aspects of risk management. The Chief Risk Officer reports directly to the Chief Executive Officer; attends 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 – Capital Plan
- Board Policy – Remuneration

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.

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

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 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 independent VaR calcuations as at 30 June 2019 using a 10-day holding period and a 99% confidence level, the VaR was 2.12% of capital (2018: 0.09%).

Based on independent EaR calculations as at 30 June 2019 using a shift in interest rates of 100 basis points for one year, EaR was $345,753 (2018: $105,398).

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. 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

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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 (2018: $Nil). 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 (2018: $Nil).

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

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

	2019	2018
Minimum Liquidity Holdings	23.50%	23.63%

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. A past due classification can trigger various actions such as a renegotiation, enforcement of covenants, or legal proceedings.

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

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

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk – loans and advances continued

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 mortgages over real estate.

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.

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk – Loans and Advances (continued)

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 benchmark, to be higher than acceptable.

The aggregate value of large exposure loans is 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 2.50% of the capital base by both Internal Audit and the Audit Committee.

The Company's policy on exposures of this size is to comply with all lending policies and procedures and an approval is considered by a more senior officer or committee 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 continued its arrangement with a third party mutual Authorised Deposit-taking Institution ('ADI) in being a joint mortgagee on a credit exposure with a single secured commercial property. A Deed of Agreement has been 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% 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 personal identification numbers (PINs), 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, Visa cards, BPay and OSKO 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 for any further capital to be allocated.

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital Management

The capital levels are prescribed by 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

	2019 $	2018 $
Capital adequacy ratio calculation		
Tier 1		
Net Tier 1 capital	45,391,302	42,382,996
Tier 2		
Net Tier 2 capital	945,819	901,032
Total Capital	46,337,121	43,284,028
Capital adequacy ratio	24.07%	23.77%

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, management 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.

Pillar 2 Capital on Operational Risk

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 Operational 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 2019 is as follows:

Operational risk capital $21,967,875 (2018: $20,234,720)

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

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

Notes to the Financial Statements

For the year ended 30 June 2019

25. FINANCIAL INSTRUMENTS (continued)

(a) 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 %	2018 %
Financial assets:												
Cash and cash equivalents *	16,876	10,900	89,542	86,986	-	-	2,206	2,493	108,624	100,378	2.02	2.48
Receivables	-	-	-	-	-	-	271	380	271	380	N/A	N/A
Other investments	-	-	-	-	-	-	1,004	437	1,004	437	N/A	N/A
Loans and advances	259,459	239,040	12,494	12,064	13,835	17,640	-	-	285,789	268,744	4.59	4.83
Total financial assets	276,335	249,940	102,037	99,050	13,835	17,640	3,482	3,310	395,688	369,939		
Financial liabilities:												
Deposits	222,501	207,584	115,173	109,096	12,577	10,886	-	-	350,251	327,566	1.52	1.55
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Short-term borrowings	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Payables	-	-	-	-	-	-	3,858	3,726	3,726	3,726	N/A	N/A
Total financial liabilities	222,501	207,584	115,173	109,096	12,577	10,886	3,858	3,726	354,110	331,292		

N/A - not applicable for non-interest bearing financial instruments.
* For the purpose of Note 25(a) and Note 25(b), cash and cash equivalents includes receivables due from other financial institutions

Notes to the Financial Statements

For the year ended 30 June 2019

25. FINANCIAL INSTRUMENTS (continued)

(b) Maturity profile of financial assets and liabilities

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

Financial instruments	Within 3 months		From 3 to 12 months		From 1 to 5 years		More than 5 years		No maturity		Total cash flows		Total carrying amount as per the Statement of Financial Position	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial assets:														
Cash and cash equivalents *	33,000	28,300	30,434	22,382	31,049	41,504	-	-	19,082	13,393	113,566	105,579	108,624	100,378
Receivables	-	-	-	-	-	-	-	-		-	-	-	271	380
Loans and advances	5,902	5,812	17,448	17,137	86,190	82,883	330,954	312,201	-	-	440,494	418,034	285,789	268,744
Other investments	-	-	-	-	-	-	-	-	1,004	437	1,004	437	1,004	437
Total financial assets	38,903	34,113	47,882	39,519	117,238	124,387	330,954	312,201	20,087	13,830	555,064	524,050	375,253	369,939
Financial liabilities:														
Deposits	51,327	50,907	65,587	60,183	12,928	11,159	-	-	222,869	207,944	352,711	330,193	350,251	327,566
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payables	-	-	-	-	-	-	-	-	2,496	2,423	2,496	2,423	3,857	3,726
Total financial liabilities	51,327	50,907	65,587	60,183	12,928	11,159	-	-	225,364	210,367	355,207	332,616	354,110	331,292

* 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)

(c) 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 2019 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.

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

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

Notes to the Financial Statements

For the year ended 30 June 2019

25. FINANCIAL INSTRUMENTS (continued)

(d) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.
2019 – under AASB 9 requirements:

	2019 $
Financial assets	
Financial assets at amortised cost	
Cash and cash equivalents	56,538,462
Receivables due from other financial institutions	52,085,972
Other receivables	270,887
Loans and advances (gross)	285,929,941
	394,825,262
Financial assets at fair value through other comprehensive income (FVOCI)	
Other financial assets	1,004,478
	395,829,740
Total financial assets	
Financial liabilities	
Financial liabilities at amortised cost	
Accounts payable and other liabilities	3,857,401
Deposits from members	350,251,301
Total financial liabilities	354,108,702

2018 – under AASB 139 requirements:

	2018 $
Financial assets	
Loans and receivables – carried at amortised cost	
Cash and cash equivalents	41,334,654
Receivables due from other financial institutions	59,043,687
Other receivables	379,566
Loans and advances (gross)	268,794,617
	369,552,524
Available for sale investments – carried at cost	
Other financial assets	437,048
Total Available for sale investments	437,048
Total financial assets	369,989,572
Financial liabilities	
Carried at amortised cost	
Accounts payable and other liabilities	3,725,504
Deposits from members	327,565,574
Total financial liabilities	331,291,078

26. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy

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

2019	Level 1 $	Level 2 $	Level 3 $	Total $
Assets measured at fair value				
Land and buildings	-	4,075,000	-	4,075,000
Investment property	-	685,000	-	685,000
Other financial assets (at FVOCI)	-	-	1,004,478	1,004,478
Total	-	4,760,000	1,004,478	5,764,478

2018	Level 1 $	Level 2 $	Level 3 $	Total $
Assets measured at fair value				
Land and buildings	-	3,812,660	-	3,812,660
Investment property	-	660,000	-	660,000
Total Assets	-	4,472,660	-	4,472,660

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

Assets measured at fair value based categorised as Level 2

Land and buildings and investment property have been valued based on similar assets, location and market conditions.

Assets measured at fair value based categorised as Level 3 .

	Other financial assets (at FVOCI) Total	
Movement category	**2019 $**	**2018 $**
Balance at 1 July per AASB 139	437,038	437,038
Adjustment on initial application of AASB 9	567,440	-
Balance at 1 July per AASB 9	1,004,478	437,038
Revaluation through other comprehensive income	-	-
Impairment through profit or loss	-	-
Closing balance - at 30 June	**1,004,478**	**437,038**

Notes to the Financial Statements

For the year ended 30 June 2019

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:

	2019 $	2018 $
Not later than one year	171,789	173,101
Later than one year and not later than five years	429,545	533,764
Later than five years	155,788	155,788
	757,122	862,653

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:

	2019 $	2018 $
Not later than one year	53,930	52,949
Later than one year and not later than five years	38,791	41,419
	92,721	94,368

29. CAPITAL EXPENDITURE COMMITMENTS

Estimated capital expenditure contracted for at balance date but not provided for:		
- payable not later than one year	-	118,601
	-	118,601

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 65, 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 2019 and of its performance for the year ended on that date; and

   (b) complying with the Australian 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 26th day of September 2019.

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

PO Box 500
Albury NSW 2640 Australia

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

Independent Auditor's Report

To the Members of 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 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

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

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

Basis for Opinion

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

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

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

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

PO Box 500
Albury NSW 2640 Australia

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

Crowe

CROWE ALBURY

BRADLEY D BOHUN
Partner

25 September 2019 Albury

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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Management

Melissa Ralph	Chief Executive Officer
Peter Thomas	Chief Operations Officer
Rebecca Hearn	Chief Financial Officer
Brett Elgar	Chief Risk & Compliance Officer
Paul Cross	Executive Manager IT
Robert Chaston	Credit Manager
Dallas Moore	Manager, Shepparton Branch
David Drummond	Manager, Seymour Branch
Darryl Brown	Manager, Echuca Branch
Jennifer Dunne	Manager, Kyabram Branch
Carly Gittens	Manager, Numurkah Branch
Melissa Hall	Manager, Kilmore Branch
Jennifer Cogger	Manager, Benalla Branch
Heath Munari	Manager, Euroa Branch

Auditors

Crowe, 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
phone 03 5762 3380

Echuca
141 Hare Street, 3564
phone 03 5482 5333

Euroa
36 Binney Street, 3666
phone 03 5795 1771

Kilmore
76a Sydney Street, 3764
phone 03 5781 1221

Kyabram
145 Allan Street, 3620
phone 03 5852 2211

Mooroopna
112c McLennan Street, 3629
phone 03 5825 1999

Numurkah
102 Melville Street, 3636
phone 03 5862 2894

Seymour
72 Station Street, 3660
phone 03 5792 1075

Shepparton
91 Fryers Street, 3630
phone 03 5821 9033

Violet Town
33 Cowslip Street, 3669
phone 03 5798 1761

connect at gmcu.com.au