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2022 Annual Report

Goulburn Murray Credit Union Co-operative Ltd.

Board of Directors

Eugenie Stragalinos	Board Chair
John Calleja	Deputy Chair
Fabienne Michaux	Board Member
Steven Shaw	Board Member
Antoinette Truda	Board Member
Adam Woods	Board Member
Nina O'Brien	Board Member

Banking with purpose.

Chair's Report

On behalf of the Board, the Executive Team, and our people we are pleased to present you with our Annual Report for the financial year ended 2022.

Over the course of the year, GMCU has continued to deliver on its commitments to members and progress our strategy to 'unleash what's possible' for our members and communities.

This has been achieved in a year where a significant amount of uncertainty still surrounded the economic and financial markets due to the lingering effects of the pandemic and the impacts of the war in Ukraine on global food, energy and finance systems.

Banking with Purpose – investing in our communities

The COVID pandemic has had a significant impact on not only individuals and businesses in our communities, but also for the clubs, groups and community activities that make our region such a vibrant place to live. It has been wonderful to see these organisations recommence community and sporting events during the past 12 months as restrictions were lifted and we transitioned to a new normal.

GMCU has been proud to be able to contribute equivalent to over 7% of our after-tax profits through sponsorship and donations to sporting, community, and arts groups, as well as partnering with the community in such initiatives as our financial wellbeing program. GMCU looks forward to continuing to support our members in a way that reflects our unique understanding of the regions in which we operate and the communities we serve.

Strong performance

Year-on-year profit outcomes have remained consistent despite challenging economic and competitive pressures. Detailed in the financial results is the outcome of our participation in the selective buyback of CUSCAL shares which resulted in a significant uplift to the financial results by way of dividend.

GMCU's capital position of 20.60% exceeds both minimum requirements and broader industry benchmarks. This strong balance sheet position means that our organisation remains well placed to continue to support our members and communities to thrive and is well placed to navigate the challenging economic conditions into the future.

As reflected in our Financial Statements, GMCU has recorded:

- An increase in assets of $10,5 million (2.00%)
- An increase in loans of $18.6 million (6.13%)
- An increase in deposits of $7.4 million (1.58%)
- An operating profit after tax of $2.58 million (2020/21 $1.46 million)

At the end of Financial Year 2022, the RBA commenced a series of official interest rate rises after more than a decade. GMCU considers the real impact to members when making any interest rate decisions.

Our members

GMCU remains committed to enhancing our member experience. Throughout the financial year we have made significant investment in our core banking platform which enables us to participate in new industry innovations such as the upcoming phases of open banking and NPP PayTo, which will further enhance our members experience in the future.

Our Governance

The Board continues to focus on its governance responsibilities, and I would like to thank each of the Directors for their significant contributions during the past year. The collective efforts of the Audit Committee, Risk Committee, Corporate Governance Committee and Member Experience & Culture Committee combine to provide sound support to the Board and ensure that GMCU maintains a strong and prudent governance framework.

Prior to the 2021 AGM and to fill vacancies created by retiring directors, the GMCU Board undertook recruitment to ensure that a skills-based Board was maintained to enable effective and prudent governance of GMCU on behalf of our members. In November 2021 we welcomed both Adam Woods and Nina O'Brien to the Board and I would like to acknowledge the valuable contributions already made by them and look forward to their ongoing commitment to the GMCU.

As a purpose-led organisation, we know that this requires more than a differentiated customer offer. It also means continually recognising the role our organisation plays in our communities, as an employer, through our supply chain and in the impact of our physical footprint.

As a result, our governance activities have continued to include a focus on areas of non-financial risk, including culture, cyber-crime, and climate change. It is expected that the outcomes of these areas of focus will become more visible over the upcoming year.

Our people

During the year, we farewelled Melissa Ralph from our leadership team who has taken up an exciting new opportunity. Melissa, during her three-year tenure as CEO, led several key initiatives that have contributed to the ongoing growth and success of the organisation. We thank Melissa for her efforts and wish her all the very best with her future endeavours.

Following the departure of Melissa, the Board commenced a rigorous executive search process for our new CEO. It is with great pleasure that on behalf of the Board, I announce the appointment of Gerard (Ged) Smith to the position of CEO. Ged will be joining the GMCU in the New Year, bringing with him enthusiasm, authenticity, and deep commitment to our GMCU purpose to 'unleash what's possible' within our communities. I look forward to welcoming Ged to the GMCU team.

Finally and most importantly, I would also like to take this opportunity to thank Rebecca Hearn for stepping into the role of interim CEO. Rebecca, together with the Executive Team, has been instrumental in leading the team during times of uncertainty.

I'd like to congratulate the entire GMCU team on an excellent year. We are indeed fortunate to have such a dedicated, passionate, and talented group of people working to enhance the banking experience of our members and collaborating with our communities to unleash what's possible. Thank you. I'm proud to work with such a talented team, and I look forward to the year ahead!

Eugenie Stragalinos
Chair

Directors' report

The Directors present their report together with the financial statements of Goulburn Murray Credit Union Co-operative Limited (the "Company" or "GMCU") for the year ended 30 June 2022 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:

Eugenie Stragalinos BCom CPA MAICD
Board Chair
Chair – Governance (from November 2021)
Occupation: Director & Principal, ems Consulting
Director since: 2016

John Calleja CA, MApFin, BCom, GAICD
Deputy Board Chair
Chair – Audit (from November 2021)
Occupation: Chief Executive Officer
Director since: 2017

Fabienne Michaux BBus (Economics & Finance) GradDip ACTA, GAICD
Occupation: Director
Director since: 2020

Antoinette Truda MBA (Uni. Melb), PostGrad Dip. Management, BCom, BArts
Chair: Member Experience & Culture (from November 2021)
Occupation: Executive Director
Director since: 2020

Steven Shaw BBus
Chair: Member Experience & Culture (from November 2021 to November 2021)
Chair: Risk Committee (from November 2021)
Occupation: Consultant and Advisor
Director since: 2020

Nina O'Brien BA, LL.B(Hons)
Occupation: Lawyer
Director since: 23 November 2021

Adam Woods BApSci CA
Occupation: Executive Manager Corporate Services
Director since: 1 November 2021

Robert Morris CPA
Chair – Risk Committee (to November 2021)
Occupation: Accountant
Resigned: 23 November 2021

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		Member Experience & Culture		Risk	
	A	B	A	B	A	B	A	B	A	B
E Stragalinos	10	10	4	4	3	3	4	4	3	2
J Calleja	10	8	4	4	0	0	0	0	0	0
S Shaw	10	10	0	0	3	3	1	1	3	3
A Truda	10	9	1	1	0	0	4	4	1	1
F Michaux	10	8	3	3	2	2	4	4	3	2
A Woods	6	6	1	1	0	0	0	0	2	2
N O'Brien	6	6	0	0	1	1	3	3	0	0
R Morris	4	4	3	3	2	2	0	0	1	1

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

Company secretary

Ms Hayley Collins, the Company’s Chief Risk Compliance & Governance Officer was appointed to the position of Company Secretary on 23 March 2022, and continues to act in this capacity as at and post the end of the financial year.

Mr Brett Elgar, the Company’s Chief Risk and Compliance Officer was appointed to the position of Company Secretary on 1 March 2019. Brett resigned from the position of Company Secretary on 2 March 2022.

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 $2,960,876 (2021: $1,905,891). Income tax was $377,655 (2021: $496,050). Profit after tax for 2022 was $2,583,221 (2021: $1,409,841).

Significant item included in 2022 results is the sale of investment in Cuscal. GMCU participated in the selective share buy-back offer of Cuscal Limited ordinary shares which resulted in a dividend of $892,103 being recognised as income during the year. Further details of this transaction are outlined in Note 12(a).

Review of operations

Net loans for the year have increased by $18.6 million to $323.0 million.
Member deposits increased during the year by $7.4 million to $476.7 million.
Members’ equity during the year has increased by $3.9 million to $54.3 million.

There were no significant changes in the operations of GMCU.

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 24 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, GMCU 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 GMCU'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 2022 has been received and can be found on page 7 of the financial report.

Dated at Shepparton this 29th day of September 2022.

Signed in accordance with a resolution of the Directors.

E Stragalinos – Chair

J Calleja – Deputy Chair

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Auditor Independence Declaration Under S307C of the *Corporations Act 2001* to the Directors of Goulburn Murray Credit Union Co-operative Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2022 there have been no contraventions of:

1) The auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
2) Any applicable code of professional conduct in relation to the audit.

CROWE ALBURY

ALISON FLAKEMORE

Partner

29 September 2022

Hobart

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Note	2022 $	2021 $
Interest revenue	2	11,249,990	11,734,621
Interest expense	2	(950,493)	(2,175,595)
Net interest income		10,299,497	9,559,026
Non-interest revenue	3	2,922,969	1,708,056
General and administration	3	(8,550,458)	(7,812,329)
Net impairment (loss)/gain on financial assets		(5,098)	107,602
Occupancy expenses		(284,097)	(278,059)
Depreciation and amortisation expense	3	(350,916)	(402,210)
Fees and commission expense		(1,071,021)	(976,195)
Profit before tax		2,960,876	1,905,891
Income tax expense	5	(377,655)	(496,050)
Profit after tax		2,583,221	1,409,841
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain/(loss) on the revaluation of property		1,707,656	-
Gain/(loss) on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		(374,051)	26,762
Other comprehensive income for the year, net of tax		1,333,605	26,762
Total comprehensive income for the year		3,916,826	1,436,603

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 67.

Statement of Financial Position

As at 30 June 2022

	Note	2022 $	2021 $
ASSETS			
Cash and cash equivalents	7	59,417,796	84,778,960
Receivables due from other financial institutions	8	143,090,167	126,563,564
Receivables	9	464,907	334,360
Loans and advances	10	323,060,612	304,404,144
Other financial assets	12	127,951	1,104,347
Other assets	16	595,555	466,478
Investment property	15	880,000	685,000
Property, plant and equipment	14	6,506,289	4,982,893
Right-of-use assets	20	1,046,743	1,153,732
Deferred tax asset	6	330,101	325,199
Intangible assets	13	66,155	107,247
Current tax asset	6	68,169	253,816
TOTAL ASSETS		535,654,445	525,159,740
LIABILITIES			
Deposits	17	476,662,944	469,255,954
Accounts payables and other liabilities	18	2,699,132	3,334,822
Employee benefits	19	681,464	736,802
Lease liabilities	20	1,176,552	1,244,246
Deferred tax liability	6	99,180	169,569
TOTAL LIABILITIES		481,319,272	474,741,393
NET ASSETS		54,335,173	50,418,347
EQUITY			
Reserves		4,492,555	3,253,807
Retained profits		49,842,618	47,164,540
TOTAL EQUITY		54,335,173	50,418,347

The statement of financial position is to be read in conjunction with the accompanying notes set out on pages 12 to 67.

Statement of Changes in Members Equity

Year ended 30 June 2022	Retained Profits $	Member Share Redemption Reserve $	Lending Risk Reserve $	Asset Revaluation Reserve $	Financial Asset Reserve $	Total $
Opening balance at 1 July 2021	45,874,718	92,575	1,088,324	1,460,926	465,201	48,981,744
Profit after tax	1,409,841	-	-	-	-	1,409,841
Other comprehensive income for the period	-	-	-	-	26,762	26,762
Transfer to/(from) lending risk reserve	(119,155)	-	119,155	-	-	-
Transfer to member share redemption reserve	(864)	864	-	-	-	-
Closing balance at 30 June 2022	47,164,540	93,439	1,207,479	1,460,926	491,963	50,418,347
Year ended 30 June 2022						
Opening balance at 1 July 2022	47,164,540	93,439	1,207,479	1,460,926	491,963	50,418,347
Profit after tax	2,583,221	-	-	-	-	2,583,221
Other comprehensive income for the period	-	-	-	1,707,656	(374,051)	1,333,605
Transfer to/(from) financial asset reserve	33,636	-	-	-	(33,636)	-
Transfer to/(from) lending risk reserve	62,581	-	(62,581)	-	-	-
Transfer to member share redemption reserve	(1,360)	1,360	-	-	-	-
Closing balance at 30 June 2022	49,842,618	94,799	1,144,898	3,168,582	84,276	54,335,173

The statement of changes in members equity is to be read in conjunction with the accompanying notes set out on pages 12 to 67.

Statement of cash flows

For the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Interest received		11,119,443	11,633,514
Interest paid		(1,147,449)	(2,682,105)
Cash paid to suppliers and employees		(10,540,366)	(8,913,890)
Receipts from other services		2,793,893	1,631,660
Income tax paid		(192,008)	(676,550)
		2,033,513	992,629
Net movement in loans		(18,661,565)	(12,698,531)
Net movement in deposits and short-term borrowings		7,406,989	80,262,936
Net cash from/(used in) operating activities	21	(9,221,063)	68,557,034
Cash flows from investing activities			
Net movement in receivables due from other financial institutions		(16,526,602)	(32,609,675)
Proceeds from sale of equity investments		477,666	-
Payments for property, plant and equipment		(69,969)	(112,221)
Payments for intangible assets		(18,956)	(34,282)
Proceeds from sale of property, plant and equipment		65,454	27,637
Net cash (used in) investing activities		(16,072,407)	(32,728,541)
Cash flows from financing activities			
Repayment of the lease liabilities		(67,694)	(54,847)
Net cash (used in) financing activities		(67,694)	(54,847)
Net increase/(decrease) in cash and cash equivalents		(25,361,164)	35,773,646
Cash and cash equivalents at 1 July		84,778,960	49,005,314
Cash and cash equivalents at 30 June	7	59,417,796	84,778,960

The statement of cash flows is to be read in conjunction with the accompanying notes set out on pages 12 to 67.

Notes to the Financial Statements

For the year ended 30 June 2022

1. SIGNIFICANT ACCOUNTING POLICIES

Goulburn Murray Credit Union Co-operative Limited (the “Company” or “GMCU”) is a company domiciled in Australia.

The financial statements were authorised for issuance by the Directors on 29 September 2022.

(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 Australian International Financial Reporting Standards (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 on a three-year valuation cycle.

Equity and investment securities

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

Notes to the Financial Statements

For the year ended 30 June 2022

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 (NCD) and floating rate note securities (FRNS). Negotiable certificates of deposits and floating rate note securities are held via the Austraclear system and eligible for repurchase agreement 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 GMCU'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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Loans and advances

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

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

Loan origination fees

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

Transaction costs

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

An analysis of GMCU'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

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

GMCU 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Measurement of ECL

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

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

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

At each reporting date, GMCU 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 GMCU on terms that GMCU 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, GMCU defines default as occurring when a loan obligation is past 90 days due. The definition of default aligns with that applied by APRA for regulatory reporting purposes, and the criteria used for internal credit risk management purposes.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Critical accounting estimates and judgments in the ECL (continued)

Assessment of significant increase in credit risk

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

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

Calculation of expected credit losses

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

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

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

The EAD represents the expected exposure at default.

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

Incorporation of forward looking information

GMCU 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.

GMCU considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by GMCU for other purposes, such as strategic planning and budgeting. Periodically, GMCU 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. GMCU 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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) **Other financial assets**

AASB 9 requires GMCU's equity investments in other financial assets to be held at fair value. GMCU 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.

(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. Land is not depreciated.

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

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

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 GMCU 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	5 years

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 GMCU 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.

(k) Employee entitlements

Long term service benefits

GMCU'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 GMCU'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 GMCU 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 GMCU 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) Revenue recognition

Interest revenue

Interest income arising from financial assets held at amortised cost is recognised using the effective interest rate method. Fees and transaction costs that are integral to the lending arrangement are recognised in the profit and loss over the expected life of the instrument in accordance with the effective interest rate method.

The calculation of effective interest rate does not include expected credit loss. Interest income that is classified as impaired is recognised by applying the effective interest rate to the amortised cost carrying value, being the gross carrying amount after deducting the impairment loss.

Fee income

Loan, account and transaction fee income relate to fees that are not deemed to be an integral part of the effective interest rate.

Fee income relating to deposit or loan accounts is either:

- Transaction based and therefore recognised when the performance obligation related to the transaction is fulfilled, or
- Related to performance obligations carried out over a period of time, therefore recognised on a systemic basis over the life of the agreement as the services are provided.

Transaction fees and provision of services are defined within product terms and conditions.

Refer to Note 3 for further details of the revenue recognition for fees income.

Commissions

Commission income which includes insurance and financial planning advice is recognised when the performance obligation is satisfied.

Refer to Note 3 for further details of the revenue recognition for commission income.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue recognition (continued)

Dividend income

Dividend income is recognised when the right to receive income is established.

Income from property

Rental income from leases is recognised on a straight-line basis over the term of the lease.

Government assistance

Grant assistance grant income is recognised in profit or loss when GMCU satisfies the performance obligations stated within the funding agreements. If there are sufficiently specific performance obligations attached to the grant which must be satisfied before GMCU is eligible to retain the contribution, the grant will be recognised in the statement of financial position as a liability until those obligations are satisfied. If there are no sufficiently specific performance obligations attached to the grant, the grant is recognised as income when received or receivable (based on conditions of the grant being met).

GMCU presents government assistance grants received in the profit or loss, within 'other income'.

(o) Leases

Credit Union as a lessee

` At inception of a contract, GMCU assesses whether a lease exists – i.e. whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

GMCU has elected not to separate non-lease components from lease components and has accounted for payments as a single component.

At the lease commencement, GMCU recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where GMCU believes it is reasonably certain that the option will be exercised.

The right-of-use asset using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then GMCU's incremental borrowing rate is used. Typically GMCU uses its incremental borrowing rate as the discount rate.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Leases (continued)

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured whether there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

GMCU has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets (defined by GMCU as $10,000). GMCU recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Intangible assets such as software licences continue to be accounted for under AASB 138 *Intangible Assets*, regardless of whether the arrangement would otherwise meet the AASB 16 Leases definition.

For all asset classes, arrangements containing both lease components and non-lease components will be accounted for separately. GMCU has elected not to apply the practical expedient to treat the whole contract as a lease.

Credit Union as a lessor

The lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When GMCU has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*. The lease income is recognised on a straight-line basis over the lease term.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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, GMCU 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. This reserve is calculated at the rate of between 0.5% and 1.25% of credit 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Reserves (continued)

Fair value measurement hierarchy

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

(t) Accounting estimates and judgements

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

- Note 1(f) and Note 11 – Impairment of loans and advances with regards to the expected credit loss modelling and judgements, 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 GMCU 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 and Note 15 - Fair value assumptions used for land, buildings and investment property;
- Note 12 – Fair value assumptions used for other financial assets;
- Note 20 – Estimation of the lease term and determination of the appropriate rate to discount the lease payments.

(u) New or amended accounting standards adopted

GMCU has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. None of the adopted Accounting Standards and Interpretations had a material impact on the financial statements of the Company. Any new or amended Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) **New or amended accounting standards not yet mandatory**

There are no new accounting standards or interpretations expected to have any significant impact on GMCU's financial report that are issued and not yet applicable.

2. INTEREST REVENUE AND INTEREST EXPENSE

	2022 $	2021 $
Interest revenue		
Deposits with other financial institutions	1,400,797	1,252,232
Loans and advances	9,849,193	10,482,389
	11,249,990	11,734,621
Interest expense		
Member deposits	861,683	2,081,314
Short-term borrowings	237	-
Lease liabilities	88,573	94,281
	950,493	2,175,595

3. OPERATING REVENUE AND EXPENSES

	2022 $	2021 $
Depreciation and amortisation expense		
Depreciation of property, plant and equipment:		
Plant and equipment	136,128	172,425
Buildings	47,751	47,750
Depreciation of right-of-use assets	106,989	106,991
Amortisation of intangible assets	60,048	75,044
Total depreciation and amortisation expense	350,916	402,210
General and administration expense		
Personnel costs:		
- Wages and salaries	4,198,368	3,973,292
- Employee entitlements	(81,386)	62,871
- Superannuation contributions	423,890	410,145
Technology costs	1,167,934	999,272
Marketing and promotion	470,656	406,111
General administration	1,557,622	1,358,829
Other	813,374	601,810
Total general and administration expense	8,550,458	7,812,329

3. OPERATING REVENUE AND EXPENSES (continued)

	2022 $	2021 $
Revenue from contracts with customers		
Loan fees	302,216	272,892
Electronic transaction fees	429,333	422,336
Visa card fees	620	640
Other fees	187,916	257,183
Commissions – insurance	536,297	441,459
Commissions – card based/BPAY	166,506	166,417
Commissions – financial planning	48	7,865
Commissions – other	21,777	18,116
	1,644,713	1,586,907
Other sources of income		
Rent	51,826	26,698
Dividends [refer note 12(a)]	1,018,245	25,434
Gain on revaluation of Investment Property	195,000	-
Bad debts recovered	1,766	2,200
Other income	2,328	16,817
Government Grants	9,091	50,000
	1,278,256	121,149
Total non-interest revenue	2,922,969	1,708,056

Revenue recognition is summarised in the accounting policy at Note 1(n).

Further details with regards to the revenue from contract with customers under AASB 15 is disclosed below:

	Nature and timing of satisfaction of performance obligations	Revenue recognition under AASB 15
Fee income		
Loan fees	Loan fees and charges includes fees for ongoing loan account management, as well as late repayment fees and other penalty charges. These fees and charges are charged to the customer's account as incurred.	Loan fees and charges are recognised at the point in time when the transaction takes place.
Electronic transaction fees / Visa card fees / Other fees	GMCU provides financial services to members. Fees for ongoing account management are charged to the customer's account on a monthly basis. Transaction-based fees are charged to the customer's account when the transaction takes place.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

3. OPERATING REVENUE AND EXPENSES (continued)

	Nature and timing of satisfaction of performance obligations	Revenue recognition under AASB 15
Commission income		
Insurance	Commission income is generated via the issuing of 3rd party insurance policies to members. A financial contribution is also available to help cover the direct costs of projects and/or campaigns.	Commission income is recognised when the insurance policy is issued. Commission income for renewals is recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of a significant reversal in a subsequent period. The receipt of renewal commission income is outside the control of GMCU and is a key judgement area. Financial contributions are recognised in the year the campaign occurs.
Card/Bpay/payment	Commission is paid based on the volume of member generated BPAY transactions and card transactions.	Revenue is recognised at the point in time when it is received as that is when the service has occurred.
Financial planning	An upfront fee is generated on referral of a Credit Union member to the financial planner. An ongoing (trail) fee is paid to GMCU dependent on the amount of client fees charged to members. A productivity payment is made dependent on new investment monies into approved platforms.	The upfront fee is recognised when the member is referred to the financial planner. Ongoing trail and productivity payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of a significant reversal in a subsequent period. The receipt of ongoing commission income is outside the control of GMCU and is a key judgement area.
Other	Other commission includes Travelex and health insurance.	Revenue is recognised at the point in time when it is received as that is when the service has occurred.

4. AUDITOR'S REMUNERATION

	2022 $	2021 $
Amounts received or due and receivable by the External Auditor of the Company (including GST) for:		
- Audit of the financial statements of the Company	88,660	86,900
- Other regulatory assurance service	24,233	22,880
- Other services in relation to the Company	6,558	5,236
	119,451	115,016

5. INCOME TAX

	2022 $	2021 $
Profit before tax	2,960,876	1,905,891
Prima facie income tax expense calculated at effective rate of 25% (2021: 26%) on net profit	740,219	495,532
Increase/(decrease) in income tax due to:		
DTA/DTL	-	12,898
Non-deductible expenses	-	-
Non-assessable income	(41,436)	(13,000)
Imputation credits	(326,060)	(7,215)
Under/(over) provision for income tax in prior year	4,932	2,457
Other items	-	5,378
Income tax expense	377,655	496,050
Current tax expense		
Current year	393,580	484,545
Adjustments for prior year	(4,725)	-
Deferred tax expense	(11,200)	11,505
Income tax expense	377,655	496,050

6. RECOGNISED DEFERRED TAX ASSETS & LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2022 $	2021 $	2022 $	2021 $
Other Financial Assets	-	-	(28,092)	(166,825)
Loans & advances	85,791	86,296	-	-
Prepayments	-	-	(442)	(875)
Property, Plant and Equipment (1)	-	-	(70,646)	(1,870)
Accrued Expenses	41,492	25,563	-	-
Employee Benefits	170,366	190,712	-	-
Leases(net of ROU assets)	32,452	22,628	-	-
	330,101	325,199	(99,180)	(169,570)

(1) GMCU'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 refundable for GMCU represents the amount of income tax refundable in respect of current and prior periods.

	2022 $	2021 $
Income tax payable / (receivable)	(68,169)	(253,816)
Movement in taxation provision		
Balance at beginning of year	(253,816)	(61,811)
Current year's income tax expense on profit before tax	393,580	484,545
Income tax paid – current year	(292,919)	(525,769)
Income tax paid – prior year	84,986	(150,781)
Balance at end of year	(68,169)	(253,816)

7. CASH AND CASH EQUIVALENTS

	2022	2021
Cash on hand and at bank	7,447,787	6,919,678
Interest earning deposits	51,970,009	77,859,282
	59,417,796	84,778,960

7. CASH AND CASH EQUIVALENTS (continued)

	2022 $	2021 $
Maturity analysis		
At call	9,999,665	12,210,280
Not longer than 3 months	49,418,131	72,568,680
	59,417,796	84,778,960
Credit rating of cash & cash equivalents		
CUSCAL – rated A+	13,879,934	14,850,369
Banks – rated AA and above	12,979,774	-
Banks – rated below AA	19,938,357	56,468,680
Unrated Authorised Deposit Taking Institutions	11,500,000	11,100,000
Cash on hand	1,119,731	2,359,911
	59,417,796	84,778,960

8. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

	2022 $	2021 $
Interest Earning Deposits	143,090,167	126,563,564
	143,090,167	126,563,564
Maturity analysis		
At call	-	-
Not longer than 3 months	-	-
Longer than 3 months and not longer than 12 months	54,365,554	38,440,867
Longer than 12 months	88,724,613	88,122,698
	143,090,167	126,563,564
Credit rating of receivables due from other financial institutions		
CUSCAL – rated A-1	6,710,000	4,710,000
Banks – rated AA and above	56,781,658	33,355,340
Banks – rated below AA	79,598,509	72,998,224
Unrated Authorised Deposit Taking Institutions	-	15,500,000
	143,090,167	126,563,564

9. RECEIVABLES

	2022 $	2021 $
Interest receivable	464,907	334,360

10. LOANS AND ADVANCES

	2022 $	2021 $
Overdrafts	2,267,199	2,576,572
Term loans	321,136,575	302,172,754
Gross loans and advances	323,403,774	304,749,327
Provision for impairment	(343,162)	(345,182)
Net loans and advances	323,060,612	304,404,144
Maturity analysis		
Overdrafts	2,267,199	2,576,572
Remaining maturity not longer than 3 months	6,233,334	5,989,186
Remaining maturity longer than 3 and not longer than 12 months	18,039,826	17,272,240
Remaining maturity longer than 1 and not longer than 5 years	90,505,181	85,402,176
Remaining maturity longer than 5 years	206,358,234	193,509,153
	323,403,774	304,749,327
Security held against loans		
Secured by mortgage over residential property	291,188,725	284,561,266
Secured by mortgage over other property	27,181,204	14,734,323
Total loans secured by real estate	318,369,929	299,295,589
Secured by funds or Guarantee	1,213,860	976,584
Partly secured by goods mortgage	3,108,192	3,664,284
Wholly unsecured	711,793	812,869
	323,403,774	304,749,327

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:

	2022 $	2021 $
Loan to value ratio of 80% or less	263,992,691	248,874,503
Loan to value ratio of more than 80% but mortgage insured	12,414,733	17,264,490
Loan to value ratio of more than 80% not mortgage insured	14,781,301	18,422,273
	291,188,725	284,561,266

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

GMCU 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

	2022 $	2021 $
- Victoria	311,415,562	292,761,497
- New South Wales	7,351,332	9,613,877
- Other	4,636,880	2,373,953
	323,403,774	304,749,327

11. IMPAIRMENT OF LOANS AND ADVANCES

	2022 $	2021 $
Total provision comprises of		
Expected credit loss allowance	343,162	345,182
Total provision	343,162	345,182

<u>Amounts arising from expected credit loss:</u>

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

Notes to the Financial Statements

For the year ended 30 June 2022

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

Reconciliation of allowance for impairment

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

Credit risk exposure under expected credit loss - 2022	**Stage 1 12 month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loan category	**2022 $**	**2022 $**	**2022 $**	**2022 $**
Mortgages loans – secured by residential property (residential and commercial)				
Up to 30 days	317,412,744	-	-	317,412,744
More than 30 days, but less than 90 days	-	179,840	-	179,840
More than 90 days, but less than 180 days	-	-	275,638	275,638
More than 180 days, but less than 270 days	-	-	105,165	105,165
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	396,541	396,541
Personal loans – secured & under secured (including overdrafts/overdrawn)				
Up to 30 days	4,508,448	4,614	-	4,513,062
More than 30 days, but less than 90 days	-	16,633	-	16,633
More than 90 days, but less than 180 days	-	-	3,394	3,394
More than 180 days, but less than 270 days	-	-	2,959	2,959
More than 270 days, but less than 365 days	-	-	841	841
More than 365 days	-	-	150,486	150,486
Secured by funds	346,470	-	-	346,470
Total carrying amount – gross	**322,267,663**	**201,087**	**935,024**	**323,403,774**
Less expected credit loss allowance	(70,850)	(5,344)	(266,968)	(343,162)
Total carrying amount – net	**322,196,812**	**195,743**	**668,056**	**323,060,611**
Security analysis -Stage 2 & Stage 3				
Estimated collateral – after discount	N/A	202,650	1,508,500	N/A

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

Credit risk exposure under expected credit loss - 2021	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loan category	**2021 $**	**2021 $**	**2021 $**	**2021 $**
Mortgages loans – secured by residential property (residential and commercial)				
Up to 30 days	296,907,438	1,166,352	-	298,073,790
More than 30 days, but less than 90 days	-	537,269	-	537,269
More than 90 days, but less than 180 days	-	-	293,624	293,624
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	390,906	390,906
Personal loans – secured & under secured (including overdrafts/overdrawn)				
Up to 30 days	4,300,514	-	11,026	4,311,540
More than 30 days, but less than 90 days	-	5,561	2,319	7,880
More than 90 days, but less than 180 days	-	-	2,850	2,850
More than 180 days, but less than 270 days	-	-	71,273	71,273
More than 270 days, but less than 365 days	-	-	8,454	8,454
More than 365 days	-	-	75,157	75,157
Secured by funds	976,584	-	-	976,584
Total carrying amount – gross	302,184,536	1,709,182	855,609	304,749,327
Less expected credit loss allowance	(54,109)	(127,699)	(163,374)	(345,182)
Total carrying amount – net	**302,130,427**	**1,581,483**	**692,237**	**304,404,148**

Security analysis -Stage 2 & Stage 3				
Estimated collateral – after discount	N/A	1,537,900	991,200	N/A

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

Reconciliation of allowance for impairment

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

Movement category	Stage 1 12 month ECL 2022 $	Stage 2 Lifetime ECL 2022 $	Stage 3 Lifetime ECL 2022 $	Total 2022 $
Balance at 1 July 2021	**54,109**	**127,699**	**163,374**	**345,182**
Transfers between stages		3,175	(3,175)	-
Movement due to increase in loans & advances	6,471	-	-	6,471
Movement due to change in credit risk	(14,935)	(125,530)	111,714	(28,751)
Bad debts written off from provision	-	-	(4,945)	(4,945)
Changes in model/risk parameters	25,205	-	-	25,205
Balance at 30 June 2022	**70,850**	**5,344**	**266,968**	**343,162**

During the 2022 financial year, there was no significant change to the gross carrying amount of financial instruments subject to the expected credit loss provision.

Movement category	Stage 1 12 month ECL 2021 $	Stage 2 Lifetime ECL 2021 $	Stage 3 Lifetime ECL 2021 $	Total 2021 $
Balance at 1 July 2020	**52,552**	**216,695**	**184,839**	**454,086**
Transfers between stages	-	(5,894)	5,894	-
Movement due to increase in loans & advances	5,450	-	-	5,450
Movement due to change in credit risk	-	(83,102)	(27,359)	(110,461)
Bad debts written off from provision	-	-	-	-
Changes in model/risk parameters	(3,893)	-	-	(3,893)
Balance at 30 June 2021	**54,109**	**127,699**	**163,374**	**345,182**

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

	2022 $	2021 $
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	3,429,182	3,692,073
Loans restructured during the financial year	1,605,057	4,204,112
Loans restructured during the financial year – moved from Stage 2 or Stage 3, to Stage 1	-	(161,481)
Loans restructured/transferred to non-impaired status during financial year	(4,288,934)	(4,305,522)
Balance at the end of the financial year	746,305	3,429,182
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

	2022 $	2021 $
Equity investment securities designated as fair value through other comprehensive income (FVOCI) – held at fair value		
- Shares in Cuscal Limited (a)	-	976,396
- Shares in TransAction Solutions Pty Ltd (b)	127,951	127,951
	127,951	1,104,347

This company supplies services to the member organisations which are all Credit Unions and Mutual Banks.

On 21 December 2021 GMCU participated in a selective share buy-back offer of Cuscal Limited (Cuscal) ordinary shares and sold all of the shares held in Cuscal for a total consideration of $1,369,764. The number of ordinary shares sold under the buy-back arrangement by the Credit Union were 702,443. The total consideration included a fully franked dividend component of $1.27 per share and a capital component of $0.68 per share. GMCU has recognised the fully franked dividend component as income in accordance with its accounting policy outlined in Note 1(n).

Notes to the Financial Statements

For the year ended 30 June 2022

12. OTHER FINANCIAL ASSETS (continued)

(b) TransAction Solutions Pty Ltd

Transaction Solutions Pty Ltd (TAS) primary function is to provide a secure and stable platform for the Ultradata Credit Union Solution and Ultracs retail banking software used by the TAS Managed Services user group, of which GMCU is a party. TAS is an unlisted public company. The shares held by GMCU are not tradeable in an open market. GMCU is not intending to dispose of these shares.

Management have used unobservable inputs to assess the fair value of the shares. The financial reports of TAS record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of TAS, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a deep and liquid market, a market value is not able to be determined readily. 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.

13. INTANGIBLE ASSETS

	2022 $	2021 $
Computer software & licences		
At cost	1,153,784	1,163,112
Provision for amortisation	(1,086,629)	(1,055,865)
	66,155	107,247
Reconciliations		
Reconciliations of intangible assets is set out below:		
Computer software & licences		
Balance at beginning of the year	107,247	148,009
Acquisitions	18,956	34,282
Disposals	-	-
Less amortisation	(60,048)	(75,044)
Balance at end of the year	66,155	107,247

14. PROPERTY, PLANT AND EQUIPMENT

	2022 $	2021 $
Freehold land - at fair value	2,510,000	2,165,000
Buildings on freehold land – at fair value	3,190,000	1,910,000
Accumulated depreciation	-	(95,500)
Total buildings on freehold land	3,190,000	1,814,500
Plant and equipment- at cost	2,682,289	3,194,316
Accumulated depreciation	(1,876,000)	(2,190,923)
Total plant and equipment	806,289	1,003,393
Carrying amount of total property, plant & equipment	6,506,289	4,982,893

For the year ended 30 June 2022

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 2020	2,165,000	1,862,250	1,106,218	-	5,133,468
Additions	-	-	112,221	-	112,221
Revaluations	-	-	-	-	-
Disposals	-	-	(42,621)	-	(42,621)
Depreciation	-	(47,750)	(172,425)	-	(220,175)
Balance at 30 June 2021	2,165,000	1,814,500	1,003,393	-	4,982,893
Balance at 1 July 2021	2,165,000	1,814,500	1,003,393	-	4,982,893
Additions	-	-	69,969	-	69,969
Revaluations	345,000	1,423,250	-	-	1,768,250
Disposals	-	-	(130,944)	-	(130,944)
Depreciation	-	(47,750)	(136,128)	-	(183,878)
Balance at 30 June 2022	2,510,000	3,190,000	806,289	-	6,506,289

14. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Valuations

Land and buildings owned by the Company were independently valued during the 2022 financial year based on current market values.

The land and buildings at Shepparton, Benalla, Seymour, Kyabram and Numurkah were valued in May 2022 by Opteon (Goulburn North East Vic) Pty Ltd accredited independent valuers for a market value of $5,700,000.

The Directors believe that the valuations held are a reasonable approximation of fair value and have been recognised on this basis as at 30 June 2022.

15. INVESTMENT PROPERTY

	2022 $	2021 $
At fair value	880,000	685,000
Accumulated impairment	-	-
Balance at end of the year	880,000	685,000

Reconciliation

Reconciliation of investment property is set out below:

	2022	2021
Balance at beginning of the year	685,000	685,000
Revaluation	195,000	-
Balance at end of the year	880,000	685,000

Investment property comprises 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 20 for further information.

The investment properties were valued in May 2022 by Opteon (Goulburn North East Vic) Pty Ltd accredited independent valuers with the fair value of $880,000.

The Directors believe that the valuations held are a reasonable approximation of fair value and have been recognised on this basis as at 30 June 2022.

Notes to the Financial Statements

For the year ended 30 June 2022

16. OTHER ASSETS

	2022 $	2021 $
Prepayments	450,765	347,347
Sundry debtors	144,790	119,131
	595,555	466,478

17. DEPOSITS

	2022 $	2021 $
On call deposits	341,238,618	318,273,537
Term deposits	135,424,326	150,982,417
	476,662,944	469,255,954
Maturity analysis		
On call	341,238,618	318,273,537
Not longer than 3 months	50,137,752	60,205,591
Longer than 3 and not longer than 12 months	82,471,726	82,418,834
Longer than 1 and not longer than 5 years	2,814,848	8,357,992
	476,662,944	469,255,954

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.

	2022 $	2021 $
Victoria	462,207,567	456,246,181
Other States	14,455,377	13,009,772
	476,662,944	469,255,954

18. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2022 $	2021 $
Trade creditors	499,708	535,100
Accrued interest payable	234,100	431,056
Accrued expenses	1,965,324	2,368,666
	2,699,132	3,334,822

19. EMPLOYEE BENEFITS

	2022 $	2021 $
Accrued salaries and wages	-	(26,048)
Liability for long service leave	360,260	391,831
Liability for annual leave	321,204	371,019
	681,464	736,802

Included in employee benefits is a non-current amount of $50,588 (2021 $39,365) relating to long service leave.

20. LEASES

(a) Credit Union as a lessee

Nature of the leasing activities

GMCU leases properties at Echuca, Euroa, Violet Town, Kilmore and Mooroopna, which are used as member service centres.

Terms and conditions of leases

One lease is on a month by month basis, while the other four leases have initial terms of between 3 and 10 years. Some of the leases include extension options – as detailed in a below section.

The leases contain an annual pricing mechanism based on CPI movements at each anniversary of the lease inception, or a fixed rate designed to estimate a CPI movement. There are no variable lease payments associated with these property leases.

There are no leases not yet commenced to which the lessee is committed.

Right-of-use assets

	2022 $	2021 $
At cost	1,367,082	1,357,502
Addition	-	9,580
Accumulated depreciation	(320,339)	(213,350)
Balance at end of the year	1,046,743	1,153,732

Reconciliation of the carrying amount of Land and Building right-of-use assets is set out below:

Balance at beginning of year	1,153,732	1,251,143
Depreciation charge	(106,990)	(106,991)
Additions to right- of-use assets	-	9,580
Balance at end of the year	**1,046,743**	**1,153,732**

20. LEASES (continued)

Lease liabilities

	2022 $	2021 $
Not later than 1 year	80,210	72,390
Later than 1 year	1,096,342	1,171,856
Total	**1,176,552**	**1,244,246**

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below.

	2022 $	2021 $
Not later than 1 year	163,233	160,963
Later than 1 year and not later than 5 years	523,659	561,174
Later than 5 years	1,158,360	1,284,078

GMCU does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within GMCU's finance function.

Extension options

A number of the building leases contain extension options which allow GMCU to extend the lease term by beyond the non-cancellable period. These option periods range from 3 years to 15 years across these leases.

GMCU includes options in the leases to provide flexibility and certainty to GMCU operations and reduce costs of moving premises, and the extension options are at GMCU's discretion.

At commencement date and each subsequent reporting date, GMCU assesses where it is reasonably certain that the extension options will be exercised.

All potential future lease payments are included in the lease liabilities, as GMCU has assessed that the exercise of each option is reasonably certain as a balance date.

Income statement

The amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income relating to leases where GMCU is a lessee are shown below:

	2022 $	2021 $
Interest expense on lease liabilities	88,573	94,281
Rental expense relating to variable lease payments not included in the measurement of lease liabilities	40,863	51,965
Rental expense relating to short-term leases	13,290	13,068
Rental expense relating to low-value assets	27,396	29,886

20. LEASES (continued)

Statement of cash flows

	2022 $	2021 $
Total cash outflow for leases	67,694	54,847

Exemptions applied

GMCU has applied the exemptions relating to short-term leases and leases of low-value assets, as described at Note 1(o). As at 30 June 2022, GMCU is committed to $13,474 (2021: $13,254) of future lease payments for short-term leases.

Key assumptions used in calculations

The calculation of the right-of-use assets and lease liabilities are dependent on the following critical accounting judgments:

- **Estimation of lease term** – as discussed above, this considers consideration of extension options on a lease by lease basis.
- **Determination of the appropriate rate to discount the lease payments** – GMCU has used its incremental borrowing rate, as the rate implicit in the leases is not known. GMCU's assessed incremental borrowing rate as at 1 July 2019 on adoption was 7.56%. This was determined based on consideration of reference rates for commercial lending, lease term and a lease specific adjustment considering the 'secured borrowing' element of the leases.

(b) GMCU as a lessor

OPERATING LEASES

Nature of the leasing activities

GMCU receives rental income from various tenants who lease a portion of the land and buildings owned by GMCU at Shepparton and Kyabram. These leases have been classified as operating leases for financial reporting purposes and the assets are included as investment properties in the Statement of Financial Position (refer Note 15).

Terms and conditions of leases

These operating lease contracts contain extension options at the right of the lessee. All contracts contain market review clauses in the event that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

GMCU manages the risk associated with the underlying investment property via appropriate insurance coverage and use of real estate agents where appropriate.

20. LEASES (continued)

Income statement

The amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income relating to operating leases where GMCU is a lessor (i.e. investment properties) are shown below:

	2022 $	2021 $
Lease/rental income relating to variable lease payments not dependent on an index or rate	51,826	26,697
Total lease/rental income relating to investment properties	51,826	26,697
Direct operating expenses (including repairs & maintenance) arising from investment property that generated rental income during the period	-	-
Total direct operating expenses relating to investment properties	-	-

Maturity analysis of lease payments receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

	2022 $	2021 $
< 1 year	33,392	55,619
1-2 years	8,828	33,392
2-3 years	-	8,828
Total undiscounted lease payments receivable	**42,220**	**97,839**

FINANCE LEASES

Nature of the leasing activities

GMCU is not the lessor in any arrangements assessed as a finance lease.

21. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2022 $	2021 $
(a) Cash flow from operating activities		
Profit after income tax	2,583,221	1,409,841
Non cash flows in operating surplus/(deficit):		
Charge/(Reversal) for bad and doubtful debts	5,098	(107,602)
Depreciation of property, plant & equipment	183,879	220,175
Depreciation of right of use asset	106,989	106,991
Amortisation of intangible assets	60,048	75,044
Loss on sale of plant & equipment	68,218	14,985
Gain on revaluation of investment property	(195,000)	-
Changes in assets and liabilities:		
Increase/(Decrease) in employee benefits	(55,338)	10,775
(Increase)/Decrease in receivables	(130,548)	(101,107)
(Increase)/Decrease in other financial assets	-	(9,965)
(Increase)/Decrease in deferred tax asset	(4,902)	14,042
(Increase)/Decrease in current tax asset	185,647	(192,005)
(Increase)/Decrease in other assets	(129,077)	(76,396)
Increase/(Decrease) in accounts payable	(635,690)	(369,997)
Increase/(Decrease) in deferred tax liability	(9,032)	(2,152)
Net cash from revenue activities	2,033,513	992,629
Add/(deduct) non revenue operations:		
Increase in loans and advances	(18,661,565)	(12,698,531)
Increase in deposits and short-term borrowings	7,406,989	80,262,936
Cash flow from operating activities	(9,221,063)	68,557,034

(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.

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

(c) Bank overdraft facility

GMCU has an overdraft facility available to the extent of $5,000,000 (2021: $5,000,000). This facility is provided by Cuscal Limited (Cuscal) and is subject to funds being available from Cuscal at the time of drawdown and incurs interest at 3.35% (2021: 2.60%). As at 30 June 2022 the utilised portion of the facility was $Nil (2021: $Nil).

GMCU has an Overdraft Security Deposit held with Cuscal. The conditions of the Overdraft Security Deposit held with Cuscal are detailed below.

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

GMCU's agreement with Cuscal includes the following security deposits:

- a Settlement Security Deposit (or "SSD")
- an Overdraft Security Deposit (or "OSD")

The Settlement Security Deposit is a security deposit held against GMCU's settlement obligations with Cuscal and is held in a standard term deposit account with Cuscal. The value of the deposit held is $6,710,000.

The Overdraft Security Deposit is security deposit held against GMCU'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 GMCU, Cuscal need not repay the SSD and OSD:

(a) until Cuscal have received all money GMCU owe them at any time or which Cuscal determine GMCU 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, GMCU irrevocably authorised Cuscal at any time to apply all or any part of any credit balance in any other deposits that GMCU 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 GMCU may owe to Cuscal at that time.

GMCU 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 GMCU's prudential liquidity holding. GMCU has therefore included the SSD and OSD in its calculation of MLH disclosed in Note 25 – Risk Management Objectives and Policies.

GMCU 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 26 - Financial Instruments notwithstanding the existence of these specific contractual encumbrances.

22. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

In the normal course of business, GMCU 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.

GMCU 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:	**2022 $**	**2021 $**	**2022 $**	**2021 $**
Secured by mortgage over real estate	19,342,091	13,103,195	107,783	233,788
Secured by funds	131,509	622,501	34,170	74,170
Partly secured by goods mortgage	53,335	109,281	-	-
Fully unsecured	925,638	995,210	-	-
Total	**20,452,573**	**14,830,187**	**141,953**	**307,958**

Other contingent liabilities

GMCU is a party to the Credit Union Financial Support System (CUFSS) and has executed an Industry Support Contract (ISC) with CUFSS. The purpose of the CUFSS scheme is to provide members with emergency liquidity support in accordance with the terms of the ISC, a contract which has been certified by APRA under the Banking Act.

As a member of CUFSS, GMCU may be called upon by CUFSS to contribute to emergency liquidity loans for one or more other CUFSS members. Should GMCU be required to contribute funding, any such liquidity loans would be structured and priced in accordance with normal commercial terms, as determined by CUFSS. The total amount of funding that GMCU could be required to provide to other members cannot exceed, in aggregate, 3% of GMCU's assets capped at $100million.

23. 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 and Servicing Agreement.
- Laminar Capital Pty Ltd for liquidity management services and to act as a proxy for Austraclear.

24. KEY MANAGEMENT PERSONNEL

Key Management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of GMCU, directly or indirectly and has been taken to comprise the Directors and members of the Executive Management team who are responsible for the day-to-day financial and operational management of GMCU.

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:

	2022 $	**2021 $**
Short-term employee benefits	1,203,514	1,120,721
Other long term benefits	(51,884)	13,281
Post employment benefits	120,351	105,494
	1,271,982	1,239,496

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, 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.

Loans to key management personnel and other related parties

The table below explains GMCU's loans to key management personnel during 2022 and 2021 financial years:

	2022 $	**2021 $**
Beginning of the year	**1,137,987**	**1,126,710**
Loan advanced	492,300	444,500
Loan repayments received	(535,400)	(465,278)
Interest Charged	-	-
Interest Received	30,438	32,055
End of Year	**1,125,325**	**1,137,987**

24. KEY MANAGEMENT PERSONNEL (continued)

All loans to Directors and key management personnel by GMCU 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.

Revolving credit facilities $Nil (2021: $28,000) were made available to Directors and key management personnel during the year. The aggregate amount receivable at 30 June 2022 was $Nil (2021: $Nil).

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.

There were no other amounts receivable at 30 June 2022 (2021: $Nil) nor were any other loans advanced during the period.

Deposits from key management personnel and other related parties

	2022 $	2021 $
Total value Term and Saving Deposits from key management personnel	404,215	262,272
Total interest paid on deposits to key management personnel	310	360

GMCU'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 GMCU and their related parties may conduct banking related transactions with GMCU. 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 GMCU, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

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

25. RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

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

GMCU'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 GMCU, 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 GMCU's activities. GMCU through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The main elements of risk governance are as follows:

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

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

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

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

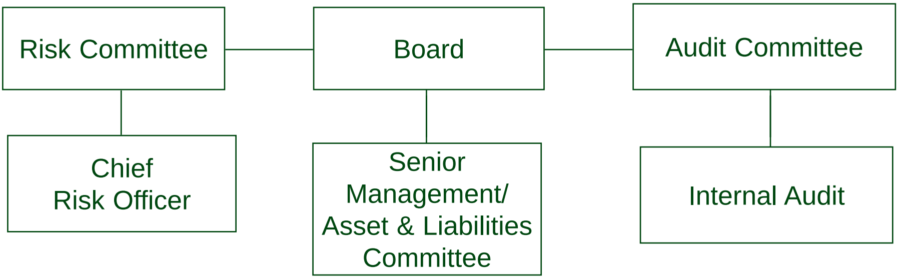
Chief Risk Officer: This role has responsibility for the development and implementation of the risk management framework and policies, and providing assistance to Board, management and staff in all aspects of risk management. The Chief Risk Officer reports directly to the Chief Executive Officer; attends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

25. 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 GMCU'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.

25. 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. GMCU does not trade in the financial instruments it holds. GMCU is primarily exposed to interest rate risk arising from changes in market interest rates.

There has been no change in the way GMCU 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 GMCU faces arises from its net open position on its portfolio of fixed rate assets and liabilities. This exposes GMCU to the risk of adverse interest rate changes.

The level of mismatch on the banking book is set out in Note 26 below. The table set out in Note 26 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.

GMCU manages its interest rate risk by the regular monitoring of its net open position. GMCU has created an Interest Rate Committee to undertake this monitoring. Executives meet periodically to review both GMCU'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.

GMCU manages the proportion of long term fixed rate facilities within its total loan book. If deemed necessary, GMCU prefers to source offsetting fixed rate funding in order to have certainty regarding the margin to be realised.

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

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Based on independent VaR calculations as at 30 June 2022 using a 10-day holding period and a 99% confidence level, the VaR was 2.02% of capital (2021: 4.00%).

Based on independent EaR calculations as at 30 June 2022 using a shift in interest rates of 100 basis points for one year, EaR was $308,980 (2021: $834,846).

Liquidity risk

Liquidity risk is the risk that GMCU 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 GMCU maintains adequate cash reserves and committed credit facilities to meet the member withdrawal demands when requested.

GMCU 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

GMCU is a party to the Credit Union Financial Support Scheme (CUFSS) and has executed an Industry Support Contract (ISC) with CUFSS. The purpose of the CUFSS scheme is to provide members with emergency liquidity support in accordance with the terms of the ISC, a contract which has been certified by APRA under the Banking Act.

As a member of CUFSS, GMCU can access emergency liquidity funding via CUFSS drawing upon its available member-contributed funding pool (currently totalling in excess of $900million), plus additional voluntary liquidity support from members via funds from the Reserve Bank of Australia in accordance with the terms of a “Special Loan Facility”, as defined in the ISC.

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 GMCU 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. GMCU 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.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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 GMCU. GMCU 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 GMCU did not utilise this lending facility to Bendigo (2021: $Nil).

CUSCAL

GMCU holds a total of $11,710,000 in Settlement Security Deposit and Overdraft Security Deposit with Cuscal which is detailed at Note 21 (d). Under this arrangement, Cuscal facilitate the settlement obligations of GMCU.

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:

	2022	2021
Minimum Liquidity Holdings	31.49%	34.25%

Credit risk

Credit risk is the risk that members, financial institutions and other counterparties are unable to meet their obligations to GMCU which may result in financial losses. Credit risk arises principally from GMCU'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 GMCU for loans and advances are set out in Note 11.

25. 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 22 Contingent Liabilities and Credit Commitments.

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

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 GMCU'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, GMCU 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.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk – loans and advances (continued)

Board policy is to maintain a large percentage of GMCU'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 GMCU's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of GMCU'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. GMCU 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.

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

Concentration risk - Industry

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

Credit Risk - Joint Mortgagee

In the current financial year, GMCU 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 GMCU 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 GMCU would not increase the security interest over the secured property without written express consent of the other interested party; and
- that GMCU 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 GMCU's Credit Risk Management Policy and associated policies and procedures referred to above.

25. 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.

Notes 7 & 8 outline the various deposits held by GMCU. During the year, GMCU has had to make placement decisions that consider the appropriateness of the security offered. All placement decisions made have been consistent with policy limits set by the Board.

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.

GMCU has a liquidity management arrangement with Laminar Capital who adhere to the matrix outlined in GMCU'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

GMCU 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 summarised in Notes 7 and 8.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational risk

Operational risk is the risk of loss to GMCU resulting from deficiencies in processes, personal technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in GMCU 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.

GMCU'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. GMCU 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 GMCU. 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 GMCU'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 to any further capital to be allocated.

25. 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 GMCU is not engaged in a trading book for financial instruments.

GMCU reports to APRA under Basel III capital requirements. GMCU uses the standardised approach for credit risk and operational risk.

GMCU's capital contains Common Equity Tier 1 Capital, Tier 1 Capital and Tier 2 Capital, in accordance with APRA requirements. GMCU's, 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. GMCU currently holds no other Tier 1 Capital Instruments. GMCU's Tier 2 Capital contains General Reserve for Credit Losses.

	2022 $	2021 $
Capital adequacy ratio calculation		
Tier 1 Capital		
Net Tier 1 capital	52,765,250	48,027,316
Tier 2 Capital		
Net Tier 2 capital	1,144,898	1,207,479
Total Capital	53,910,148	49,234,795
Capital adequacy ratio	20.60%	20.03%

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 GMCU'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 a set limit.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Pillar 2 Capital on Operational Risk

GMCU 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 GMCU's three-year average net interest income and net non-interest income to various business lines.

Internal capital adequacy management

GMCU 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 GMCU'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 GMCU is reassessed.

Public disclosure of capital

In accordance with the APS 330 *Public Disclosure* requirements, GMCU 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 2022

26. FINANCIAL INSTRUMENTS (continued)

(a) Interest rate risk

Financial instruments	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 %	2021 %
Financial assets:														
Cash and cash equivalents *	11,886	9,850	175,466	198,423	13,589	-	-	-	1,568	3,069	202,508	211,343	**0.68**	**0.79**
Receivables	-	-	-	-	-	-	-	-	465	334	465	334	N/A	N/A
Other investments	-	-	-	-	-	-	-	-	128	1,104	128	1,104	N/A	N/A
Loans and advances	218,137	220,831	43,450	29,572	61,097	53,358	377	642	-	-	323,061	304,404	**3.17**	**3.50**
Total financial assets	230,022	230,682	218,916	227,995	74,686	53,358	377	642	2,161	4,508	526,162	517,185		
Financial liabilities:														
Deposits	341,239	318,274	132,609	142,624	2,815	8,358	-	-	-	-	476,663	469,256	**0.18**	**0.49**
Payables	-	-	-	-	-	-	-	-	2,699	3,335	2,699	3,335	N/A	N/A
Total financial liabilities	341,239	318,248	132,609	142,624	2,815	8,358	-	-	2,699	3,335	479,362	472,591		

N/A - not applicable for non-interest bearing financial instruments.
* For the purpose of Note 26(a) and Note 26(b), cash and cash equivalents includes receivables due from other financial institutions

Notes to the Financial Statements

For the year ended 30 June 2022

26. 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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Financial assets:														
Cash and cash equivalents *	58,655	72,015	47,397	38,708	90,890	91,688	-	-	10,448	12,920	207,389	215,330	202,508	211,343
Receivables	-	-	-	-	-	-	-	-	-	-	-	-	465	334
Loans and advances	6,262	6,043	18,040	17,272	90,505	85,402	335,608	313,380	-	-	450,415	422,097	323,061	304,404
Other investments	-	-	-	-	-	-	-	-	128	1,104	128	1,104	128	1,104
Total financial assets	64,917	78,058	65,437	55,980	181,395	177,090	335,608	313,380	10,576	14,024	657,933	638,531	526,162	517,185
Financial liabilities:														
Deposits	49,704	63,859	83,364	79,265	2,824	8,409	-	-	341,473	318,333	477,365	469,867	476,663	469,256
Payables	-	-	-	-	-	-	-	-	2,465	2,904	2,465	2,904	2,699	3,335
Total financial liabilities	49,704	63,859	83,859	79,265	2,824	8,409	-	-	343,938	321,237	479,830	472,771	479,362	472,591

* For the purpose of Note 26(a) and Note 26(b), cash and cash equivalents includes receivables due from other financial institutions

26. 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 2022 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

GMCU 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 GMCU, and impact on the fair value estimate of the other financial assets and the Financial Assets Reserve within equity.

26. FINANCIAL INSTRUMENTS (continued)

(d) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	2022 $	2021 $
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	59,417,796	84,778,960
Receivables due from other financial institutions	143,090,167	126,563,564
Other receivables	464,908	334,360
Loans and advances (gross)	323,403,774	304,749,327
	526,376,645	516,426,211
Financial assets at fair value through other comprehensive income (FVOCI)		
Other financial assets	127,951	1,104,347
Total financial assets	526,504,596	517,530,558
Financial liabilities		
Financial liabilities at amortised cost		
Accounts payable and other liabilities	2,699,132	3,334,822
Deposits from members	476,662,944	469,255,954
Total financial liabilities	479,362,076	472,590,776

27. FAIR VALUE MEASUREMENT

Fair value hierarchy

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

2022 **Assets measured at fair value**	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings	-	5,700,000	-	5,700,000
Investment property	-	880,000	-	880,000
Other financial assets (at FVOCI)	-	-	127,951	127,951
Total	-	6,580,000	127,951	6,707,951

2021 **Assets measured at fair value**	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings	-	4,075,000	-	4,075,000
Investment property	-	685,000	-	685,000
Other financial assets (at FVOCI)	-	-	1,104,347	1,104,347
Total	-	4,760,000	1,104,347	5,864,347

27. FAIR VALUE MEASUREMENT (continued)

GMCU has assessed that, at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Notes 26 (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	
	2022 $	**2021 $**
Balance at beginning of year	1,104,347	1,077,200
Revaluation through other comprehensive income	(498,735)	27,147
Sale of assets (Cuscal shares)	(477,661)	-
Closing balance - at 30 June	**127,951**	**1,104,347**

28. CAPITAL EXPENDITURE COMMITMENTS

	2022 $	2021 $
Estimated capital expenditure contracted for at balance date but not provided for:		
- payable not later than one year	-	-
	-	-

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

GMCU 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..

29. SUBSEQUENT EVENTS

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

Directors' declaration

The Directors of the Company declare that:-

1. the financial statements and notes, set out on pages 6 to 64, are in accordance with the *Corporations Act 2001*, including:

    (a) giving a true and fair view of the financial position of the Company as at 30 June 2022 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:

E Stragalinos – Chair

J Calleja – Deputy Chair

Dated at Shepparton on this 29th day of September 2022

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Albury NSW 2640 Australia

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Independent Auditor's Report
To the Members of Goulburn Murray Credit Union Co-operative Limited

Opinion

We have audited the financial report of Goulburn Murray Credit Union Co-operative Limited (the Credit Union), which comprises the statement of financial position as at 30 June 2022, 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 2022 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 (including Independence Standards)* (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 2022, 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.

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Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

CROWE ALBURY

Crowe Albury

ALISON FLAKEMORE

Partner
29 September 2022
Hobart

Auditors

Crowe, Albury	External
AFS & Associates Pty Ltd.	Internal

Solicitors

- Daniels Bengtsson Pty Ltd
- SMR Legal

Bankers

- CUSCAL Central Banking Scheme
- National Australia Bank

Registered Office

- 91-95 Fryers Street, Shepparton

In the spirit of reconciliation GMCU acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past, present and emerging and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Whatever you're here to do, we're here for you.

Branch	Location	Telephone
Shepparton	91-95 Fryers Street	03 5821 9033
Benalla	30-32 Bridge Street	03 5762 3380
Echuca	141 Hare Street	03 5482 5333
Euroa	36 Binney Street	03 5795 1771
Kilmore	76a Sydney Street	03 5781 1221
Kyabram	145 Allan Street	03 5852 2211
Mooroopna	112c McLennan Street	03 5825 1999
Numurkah	102 Melville Street	03 5862 2894
Seymour	72 Station Street	03 5792 1075
Violet Town	33 Cowslip Street	03 5798 1761

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