Goulburn Murray Credit Union

2018 Annual Report

Goulburn Murray Credit Union Co-operative Ltd

ABN 87 087 651 509

Board of Directors

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

CAPITAL

23.7%

ASSETS

$376m

LOANS

$268m

↑ 4.25%

DEPOSITS

$327m

↑ 7.46%

Chair's Report

Fellow Members, I am pleased to present my third Chair's Report as Chair of the Goulburn Murray Credit Union. The 2017/18 year continues to see the GMCU develop as a one of the best performing organisations within the Customer Owned Banking (COBA) sector with excellent results on all financial indicators, particularly liquidity and capital growth. Whilst financial indicators are extremely important to the GMCU, we continue to pride ourselves on providing an extremely high level of customer service to our members and through the dedicated efforts of our management and staff I think we have again achieved this goal.

The Banking Royal Commission has highlighted many areas where the Banking sector must improve. Whilst I'm sure there are opportunities for improvement in the Customer Owned Banking sector, I think the lack of concern raised to date regarding the sector reflects well on how we are operating. The Customer Owned Banking network, of which the GMCU is an integral part, provides a very special service to their members. Unlike the big Banks we don't focus on profits so that we can pay a dividend to shareholders, but rather we direct our energy towards providing excellent, cost efficient banking and associated services to our members.

Funds that we do generate go back into enhancing these services to members as well as being invested into many community based organisations and activities to enrich the communities in which we operate. As members we may well have the opportunity to promote the GMCU through both our formal and informal networks and I would ask that if you do have the opportunity to promote the GMCU that you do so as the continued growth of the GMCU will benefit all members.

As mentioned earlier we have continued to achieve excellent results in the 2017/18 year and expect this trend will continue into the future. Our Financial Statements show that the GMCU has recorded;

- An increase in assets of $26.475 million (7.56%)
- An increase in loans of $10.962 million (4.25%)
- An increase in deposits of $22.736 million (7.46%)
- An operating profit after tax $2.907 million (2016/17 $2.122 million)

As in recent years these results have been made in a continued period of low interest rates which have been in place for many years together with low levels of economic growth and uncertainty in a number of industries in our region. These trends reflect the performance of others within the Customer Owned Banking sector and the GMCU consistently performs extremely well in comparison. It is important for the GMCU to continue to generate profits so that we can reinvest in the business and to provide equity for growth.

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

The successful relocation of the Kilmore Branch was completed during the year and we believe this investment into the growing region of Kilmore and surrounding areas to be a sound business decision and look forward to increased patronage as a result of this investment.

We continue to invest in new products and services for members and were among the first Banking organisations to roll out the New Payments Platform (NPP), Australia's new real-time payments platform which allows payments to move almost immediately between accounts at different financial institutions improving on the historically slow system. Our management and staff are to be commended on ensuring this excellent service was made available to our members as early as possible.

Additionally we have recently implemented other enhanced products and services including Western Union (international) payments online, GMCU Alerts on finances and transactions direct to internet banking, mobile or email, Mortgage Offset accounts, Loan Processing Software for more timely processing of loan applications and our very popular Discounted Variable Home Loan product.

The Board continues to focus on their governance responsibilities and I would like to thank them for their considerable efforts during the past year. John Guilmartin retired from the Board in late 2017 after many years of excellent service to the Board and we thank him sincerely for such distinguished service. He was replaced by John Calleja who brings a wealth of financial and business acumen to the Board and has made a significant contribution during the short time he has been on the Board. We undertook a governance review of subcommittee Charters during the past year to ensure they are fit for purpose. Our Audit Committee and Risk Committee continue to provide sound support to the Board and together with the Corporate Governance Committee and the People and Culture Committee provide great support to the Board in meeting its governance obligations.

A continued major strength of the GMCU is its management and staff and I congratulate them on an excellent year. We are indeed fortunate to have such a dedicated and talented team working to enhance the banking experience of our members, thank you. Recently René Deen resigned as the General Manager of the GMCU after fifteen years in the role and overall, an incredible 45 years of employment with the GMCU. This is a tremendous effort from René who through his expertise, work ethic and values has played an integral and leading role in making the GMCU the successful organisation it is today. Thank you René.

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

Geoff Cobbledick
Chair

Directors' report

The Directors present their report together with the financial statements of Goulburn Murray Credit Union Co-operative Limited (the "Company") for the year ended 30 June 2018 and the auditor's report thereon.

Directors

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

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

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

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

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

John W Guilmartin
Chair – Salary & Structure Committee
Occupation: Finance Manager
Director since: 1994 – resigned Nov 2017

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

John Calleja CA, MApFin, BCom, GAICD
Occupation: Chief Financal Officer
Director since: Dec 2017

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

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

Directors' meetings

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

Director	Board of Directors' Meetings		Audit		Governance		People & Culture		Risk	
	A	B	A	B	A	B	A	B	A	B
J Guilmartin	5	5	5	4	3	-	-	-	-	-
F Mandaradoni	12	11	12	12	2	2	-	-	12	11
R Morris	12	9	12	11	-	-	-	-	12	11
E Curtis	12	9	12	12	-	-	3	3	-	-
E Stragalinos	12	11	-	-	5	5	3	3	12	12
F Merrylees	12	11	-	-	5	4	-	-	12	10
G Cobbledick	12	11	12	8	5	4	3	2	12	7
J Calleja	7	7	7	6	-	-	2	2	-	-

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

Company secretary

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

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

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

Operating & Financial Review
The profit for the financial year before income tax was $4,065,615 (2017: $3,021,668). Income tax was $1,158,588 (2017: $899,757). Profit after tax for 2018 was $2,907,027 (2017: $2,191,911).

Review of operations
Net loans for the year have increased by $10,962,965 to $268,743,811.
Member deposits increased during the year by $22,736,629 to $327,565,574.
Members' equity during the year has increased by $2,907,027 to $44,245,435.

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

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

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

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

Directors' benefits

During or since the end of the financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration paid or payable to the Directors as shown in the general purpose financial statements) by reason of a contract entered into by the Company with:

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

Likely developments

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

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

Indemnification and insurance of Officers and auditors

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

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

Public Prudential Disclosure

In accordance with the APS330 Public Disclosure requirements, the Credit Union is to publicly disclose certain information in respect of:

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

These disclosures can be viewed on the Credit Union's website:
http://www.gmcu.com.au/about-us/public-disclosure.html

Directors' report (continued)

Auditor independence declaration

The auditor independence declaration for the year ended 30 June 2018 has been received and can be found on page 7 of the financial report.

Dated at Shepparton this 26th day of September 2018.

Signed in accordance with a resolution of the Directors.

G Cobbledick – Chair

F Merrylees – Deputy Chair

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2018 there have been no contraventions of:

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

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

This declaration is in respect of Goulburn Murray Credit Union Limited during the financial year ended 30 June 2018.

Crowe Horwath

CROWE HORWATH ALBURY

BRADLEY D BOHUN
Partner

Dated 26 September 2018 Albury

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	2018 $	2017 $
Interest revenue	2	14,708,080	13,917,008
Interest expense	2	(4,940,769)	(4,623,242)
Net interest income		9,767,311	9,293,766
Non-interest revenue	3	2,554,732	2,484,008
General and administration	3	(6,973,802)	(6,710,362)
Impairment charge	11	364,511	(542,213)
Occupancy expenses		(469,639)	(409,195)
Depreciation and amortisation expense	3	(342,677)	(345,994)
Fees and commission expense		(834,821)	(748,342)
Profit before tax		4,065,615	3,021,668
Income tax expense	5	(1,158,588)	(899,757)
Profit after tax		2,907,027	2,121,911
Other comprehensive income			
Net gain/(loss) on revaluation of property, plant and equipment		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		2,907,027	2,121,911

The statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes set out on pages 12 to 65.

Statement of Financial Position

As at 30 June 2018

	Note	2018 $	2017 $
ASSETS			
Cash and cash equivalents	7	41,334,654	43,684,734
Receivables due from other financial institutions	8	59,043,687	41,211,324
Receivables	9	379,566	289,155
Loans and advances	10	268,743,811	257,780,846
Other financial assets	12	437,048	437,048
Other assets	16	361,643	459,068
Investment property	15	660,000	660,000
Property, plant and equipment	14	5,138,970	5,105,684
Deferred tax asset	6	259,234	439,164
Intangible assets	13	270,066	86,490
TOTAL ASSETS		376,628,679	350,153,514
LIABILITIES			
Deposits	17	327,565,574	304,828,945
Accounts payables and other liabilities	18	3,725,504	2,800,258
Current tax payable	6	269,270	374,896
Employee benefits	19	817,955	803,029
Deferred tax liability	6	4,941	7,978
TOTAL LIABILITIES		332,383,244	308,815,106
NET ASSETS		44,245,435	41,338,408
EQUITY			
Reserves		2,151,206	2,103,106
Retained profits		42,094,229	39,235,302
TOTAL EQUITY		44,245,435	41,338,408

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

Statement of Changes in Members Equity

Year ended 30 June 2017	Retained Profits $	Member Share Redemption Reserve $	Lending Risk Reserve $	Asset Revaluation Reserve $	Total $
Opening balance at 1 July 2016	37,194,999	82,669	777,129	1,161,700	39,216,497
Profit after tax	2,121,911	-	-	-	2,121,911
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income and expense for the period	2,121,911	-		-	2,121,911
Transfer to/(from) lending risk reserve	(79,446)	-	79,446	-	-
Transfer to member share redemption reserve	(2,162)	2,162	-	-	-
Closing balance at 30 June 2017	39,235,302	84,831	856,575	1,161,700	41,338,408
Year ended 30 June 2018					
Opening balance at 1 July 2017	39,235,302	84,831	856,575	1,161,700	41,338,408
Profit after tax	2,907,027	-	-	-	2,907,027
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income and expense for the period	2,907,027	-	-	-	2,907,027
Transfer to/(from) lending risk reserve	(44,458)	-	44,458	-	-
Transfer to member share redemption reserve	(3,642)	3,642	-	-	-
Closing balance at 30 June 2018	42,094,229	88,473	901,033	1,161,700	44,245,435

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

Statement of cash flows

For the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Interest received		14,617,668	13,885,074
Interest paid		(4,764,006)	(4,443,832)
Cash paid to suppliers and employees		(7,305,911)	(8,872,171)
Receipts from other services		2,652,156	2,320,301
Income tax paid		(1,264,212)	(996,494)
		3,935,695	1,892,878
Net movement in loans		(10,598,454)	(8,522,399)
Net movement in deposits and short-term borrowings		22,736,629	37,082,032
Net cash from/(used in) operating activities	20	16,073,870	30,452,511
Cash flows from investing activities			
Net movement in receivables due from other financial institutions		(17,832,362)	(7,314,485)
Payments for property, plant and equipment		(423,288)	(239,241)
Payments for intangible assets		(251,480)	(50,421)
Proceeds from sale of property, plant and equipment		83,180	78,181
Net cash from/(used in) investing activities		(18,423,950)	(7,525,966)
Net increase/(decrease) in cash and cash equivalents		(2,350,080)	22,926,545
Cash and cash equivalents at 1 July		43,684,734	20,758,189
Cash and cash equivalents at 30 June	7	41,334,654	43,684,734

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

Notes to the Financial Statements

For the year ended 30 June 2018

1. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements were authorised for issuance by the Directors on 26 September 2018.

(a) Statement of compliance

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

Not-for-profit status

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

(b) Basis of preparation

The financial statements are presented in Australian dollars.

The financial statements have been prepared on the basis of historical costs except that the following assets and liabilities (if applicable) are stated at their fair value: land and buildings, derivative financial instruments, financial instruments classified as available-for-sale and investment property.

Determination of fair values

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

Property, plant and equipment and investment property

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

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

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

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

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

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits at call and other short-term deposits with Approved Deposit-taking Institutions that can be readily converted into cash. This includes term deposits (with an original maturity of less than 3 months), negotiable certificates of deposits and floating rate note securities (FRNS). Negotiable certificates of deposits and floating rate note securities are held via the Austraclear system with the Reserve Bank of Australia, to enable conversion to cash. Cash and cash equivalents are recognised at the gross value of the outstanding balance. Bank overdrafts that are repayable on demand and form an integral part of the Credit Union's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

(d) Receivables due from other financial institutions

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

(e) Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income tax (continued)

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date.

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

(f) Loans and advances

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

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

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment

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

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

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

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment

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

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

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

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets

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

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

- Computer software and licences 4 years

(j) Investment properties

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

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

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

(k) Business combinations

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

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

(l) Leases

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Trade and other payables

Trade and other payables are stated at their amortised cost.

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

(n) Revenue recognition

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

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

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

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

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

Dividend income
Dividend income is taken into revenue as received.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee entitlements

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

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

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

(p) Goods and services tax

As a financial institution, the Company is input taxed on all income except for income from commissions, rents and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis using the safe harbour apportionment rate of 18% adopted as per practical Compliance Guideline 2017/15 from 01 Oct 2017. In addition certain prescribed purchases are subject to reduced input tax credits ('RITC'), of which 75% of the GST paid is recoverable.

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Provisions

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

(r) Accounting estimates and judgements

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

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

(s) Reserves

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

The Company has transferred the amount of $44,458 to a lending risk reserve account as at

30 June 2018. This reserve is calculated at the rate of between 0.5% and 1.25% of risk weighted assets.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Reserves (continued)

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

The Member Share Redemption Reserve has been separately disclosed.

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

(t) Member deposits

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

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

(u) Short term borrowings

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

(v) Financial Instruments

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Financial Instruments (continued)

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

Classification & subsequent measurement

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

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

(ii) Loans & receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

(v) Financial liabilities

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

Impairment

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Fair value measurement

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

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

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

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

Fair value measurement hierarchy

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) New standards and interpretations not yet adopted

Certain accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period. The Credit Union's assessment of the impact of these new standards and interpretations is set out below. Changes that are not likely to materially impact the financial report of the Credit Union have not been reported.

AASB Reference	Nature of Change	Application date	Impact on Initial Application
AASB 9 *Financial Instruments*	AASB 9 replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, as well as the general hedge accounting requirements. Furthermore, AASB 9 introduces a new 'expected' credit loss model for calculating impairment on financial assets. This moves away from the current 'incurred' loss model required under AASB 139. Under the expected credit loss model, the Credit Union will be required to consider a broader range of information when assessing credit risk and measuring expected credit losses including past experience of historical losses for similar financial instruments and forward-looking macroeconomic information.	Periods beginning on or after 1 January 2018.	The Credit Union has conducted an initial analysis on the impact of this standard, with the following a summary of the impact assessment: **Recognition and measurement – financial assets:** - All financial assets, with the exception of equity investments, will remain held at amortised cost under AASB 9. - Equity investments currently measured at amortised cost will be required to be measured at fair value under AASB 9. The Credit Union holds 2 equity investments, which is disclosed in Note 12. The fair value of these investments is currently being determined by the Credit Union, but the difference to the current carrying amount is not expected to be material to the overall investment level or net asset level of the Credit Union. **Recognition and measurement – financial liabilities:** - There will be no impact on the Credit Union's accounting for liabilities, as the new requirements only affect the accounting for financial liabilities that are designed at fair value through profit or loss and the Credit Union does not have any such liabilities.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

AASB Reference	Nature of Change	Application date	Impact on Initial Application
			Expected credit loss model – loan impairment provision: The move to an expected credit loss model for impairment will impact the Credit Union with earlier recognition of expected credit losses. The main impact for the Credit Union will be the impairment provision raised against its loan portfolio due from members – as detailed at Note 11. The Credit Union has performed a detailed historical loss analysis for its loans/advances portfolio and identified minimal losses over the past 10 years. The most frequent losses have come from personal loans to members. The low value of loss experienced in the past is reflective of the high quality of the loan book and risk-appetite of the Credit Union. The personal loan category (secured and unsecured) only makes up approximately 2.26% of the total loan portfolio of the Credit Union. Based on the above, the Credit Union expects the impairment provision for loans to remain at an immaterial level under the new AASB 9 requirements. Management have developed an implementation project to fully quantify the impact of this standard during the 2019 financial year, to be ready for the 30 June 2019 financial statements prepared under AASB 9.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

AASB Reference	Nature of Change	Application date	Impact on Initial Application
AASB 15 *Revenue from Contracts with Customers*	AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces most of the existing standards and interpretations relating to revenue recognition including AASB 118 *Revenue*. The standard shifts the focus from the transaction level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to, while measurement encompasses estimation by the Credit Union of the amount expected to be entitled for performing under the contract.	Periods beginning on or after 1 January 2019 as the Credit Union is considered a not-for-profit entity for accounting purposes (refer Note 1 (a)).	Based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted, as most of the Credit Union's revenue arises from the provision of financial services which are governed by AASB 9 *Financial Instruments*. AASB 9 continues the effective interest rate method for financial instruments carried at amortised cost. This is the method currently required under AASB 139. There are limited revenue transactions of the Company that are impacted by AASB 15. To date, the Credit Union has identified the following material revenue streams that will be impacted by AASB 15: - Insurance commission income (which is disclosed in Note 3 to the Financial Statements) Management have developed an implementation project to quantify the impact of this standard during the 2019 financial year, to enable further disclosure of the impact in the 30 June 2019 financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

AASB Reference	Nature of Change	Application date	Impact on Initial Application
AASB 16 *Leases*	AASB 16 requires all leases to be accounted for 'on-balance sheet' by lessees, other than short term and low value asset leases. It also provides new guidance on the application of the definition of lease and on sale and lease back accounting and requires new and different disclosures about leases.	Periods beginning on or after 1 January 2019.	Based on the Credit Union's preliminary assessments, the likely impact on the transactions and balances recognised will be: • an increase in property, plant and equipment and a corresponding increase in financial liabilities; • the assets will be depreciated over the life of the leases; and • lease payments will be split between interest and principal reduction, rather than being included in operating expenses. Currently the Credit Union leases a number of properties. The quantitative impact of this standard has not yet been determined by the Credit Union. Note 27 discloses the current value of operating lease commitments which provide some insight into the potential financial impact once the standard is applicable. Management have developed an implementation project to quantify the impact of this standard during the 2019 financial year, to enable further disclosure of the impact in the 30 June 2019 financial statements.

Notes to the Financial Statements

For the year ended 30 June 2018

2. INTEREST REVENUE AND INTEREST EXPENSE

	2018 $	2017 $
Interest revenue		
Deposits with other financial institutions	2,135,657	1,550,383
Loans and advances	12,572,423	12,366,625
	14,708,080	13,917,008
Interest expense		
Member deposits	4,940,133	4,622,593
Short-term borrowings	636	649
	4,940,769	4,623,242

3. OPERATING REVENUE AND EXPENSES

	2018 $	2017 $
Depreciation and amortisation expense		
Depreciation of property, plant and equipment:		
- Plant and equipment	229,165	234,692
- Buildings	45,607	45,025
Amortisation of intangible assets	67,905	66,277
Total depreciation and amortisation expense	342,677	345,994
General and administration expense		
Personnel costs:		
- Wages and salaries	3,893,832	3,728,346
- Employee entitlements	14,926	(13,991)
- Superannuation contributions	410,930	453,343
EDP costs	715,144	662,217
Marketing and promotion	591,385	586,260
General administration	883,386	847,301
Other	464,199	446,886
Total general and administration expense	6,973,802	6,710,362
Non interest revenue		
Loan fees	308,162	302,181
Electronic transaction fees	675,105	656,555
Other fees	600,124	638,013
Commissions	786,059	725,394
Bad debts recovered	16,127	11,665
Rent	36,474	47,383
Dividends	45,258	70,630
Other	87,423	32,187
Total non interest revenue	2,554,732	2,484,008

Notes to the Financial Statements

For the year ended 30 June 2018

4. AUDITOR'S REMUNERATION

	2018 $	2017 $
• Amounts received or due and receivable by the External Auditor of the Company (including GST) for:		
- Audit of the financial statements of the Company	78,887	75,130
- Other regulatory assurance service	20,158	18,150
- Other services in relation to the Company	6,006	5,495
	105,051	98,775

5. INCOME TAX

	2018 $	2017 $
Profit before tax	4,065,615	3,021,668
Prima facie income tax expense calculated at 27.50% on net profit	1,118,044	906,500
Increase/(decrease) in income tax due to:		
Non-deductible expenses	83	94
Imputation credits	(14,062)	(21,189)
Under/(over) provision for income tax in prior year	-	-
Other items	54,523	14,352
Income tax expense	1,158,588	899,757
Current tax expense		
Current year	981,695	1,040,508
Adjustments for prior year	-	-
Deferred tax expense	176,893	(140,751)
Income tax expense	1,158,588	899,757

6. RECOGNISED DEFERRED TAX ASSETS & LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $
Cash & Cash Equivalents	-	145	-	-	(145)	1,500
Investments in Other Institutions	-	12,772	-	-	455	19,301
Loans & advances	13,972	156,373	-	-	(142,401)	136,527
Prepayments	-	-	(455)	(547)	92	253
Property, Plant and Equipment (1)	-	-	(4,486)	(7,431)	2,945	(4,625)
Accrued Expenses	20,324	28,965	-	-	(8,641)	(8,007)
Employee Benefits	224,938	240,909	-	-	(15,971)	(4,198)
	259,234	439,164	(4,941)	(7,978)	(163,666)	140,751

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

The current tax payable for the Company of $269,270 (2017: $374,896) represents the amount of income tax payable in respect of current and prior periods.

	2018 $	2017 $
Income tax payable / (receivable)	269,270	374,896
Movement in taxation provision		
Balance at beginning of year	374,896	330,882
Current year's income tax expense on profit before tax	981,695	1,040,508
Income tax paid – current year	(712,425)	(665,612)
Income tax paid – prior year	(374,896)	(330,882)
Balance at end of year	269,270	374,896

7. CASH AND CASH EQUIVALENTS

Cash on hand and at bank	7,392,659	7,807,220
Interest earning deposits	33,941,995	35,877,514
	41,334,654	43,684,734
Bank Overdraft	-	-
	41,334,654	43,684,734

7. CASH AND CASH EQUIVALENTS (continued)

	2018 $	2017 $
Maturity analysis		
At call	13,392,659	13,807,220
Not longer than 3 months	27,941,995	29,877,514
	41,334,654	43,684,734
Credit rating of cash & cash equivalents		
CUSCAL – rated A+	15,899,887	16,378,786
Banks – rated AA and above	-	-
Banks – rated below AA	10,941,995	14,877,514
Unrated Authorised Deposit Taking Institutions	12,000,000	10,000,000
Cash on hand	2,492,772	2,428,434
	41,334,654	43,684,734

8. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

	2018 $	2017 $
Interest Earning Deposits	59,043,687	41,211,324
	59,043,687	41,211,324
Maturity analysis		
At call	-	-
Not longer than 3 months	-	-
Longer than 3 months and not longer than 12 months	21,773,920	15,456,822
Longer than 12 months	37,269,767	25,754,502
	59,043,687	41,211,324
Credit rating of receivables due from other financial institutions		
CUSCAL – rated A-1	4,710,000	4,710,000
Banks – rated AA and above	-	8,006,590
Banks – rated below AA	51,333,687	28,494,734
Unrated Authorised Deposit Taking Institutions	3,000,000	-
	59,043,687	41,211,324

9. RECEIVABLES

	2018 $	2017 $
Interest receivable	379,566	289,155

10. LOANS AND ADVANCES

	2018 $	2017 $
Overdrafts	3,311,128	3,232,622
Term loans	265,483,489	255,069,467
Gross loans and advances	268,794,617	258,302,089
Provision for impairment	(50,806)	(521,243)
Net loans and advances	268,743,811	257,780,846
Maturity analysis		
Overdrafts	3,311,128	3,232,622
Remaining maturity not longer than 3 months	5,810,445	5,880,703
Remaining maturity longer than 3 and not longer than 12 months	17,137,131	16,725,199
Remaining maturity longer than 1 and not longer than 5 years	82,883,449	80,200,763
Remaining maturity longer than 5 years	159,652,464	152,262,802
	268,794,617	258,302,089
Security held against loans		
Secured by mortgage over residential property	252,464,335	243,064,466
Secured by mortgage over other property	9,527,489	7,863,390
Total loans secured by real estate	261,991,824	250,927,856
Secured by funds	1,645,020	1,608,975
Partly secured by goods mortgage	4,389,336	4,910,397
Wholly unsecured	768,437	854,861
	268,794,617	258,302,089

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:

	2018 $	2017 $
Loan to value ratio of 80% or less	210,317,110	195,757,242
Loan to value ratio of more than 80% but mortgage insured	26,082,190	27,213,584
Loan to value ratio of more than 80% not mortgage insured	16,065,035	20,093,640
	252,464,335	243,064,466

Concentration of risk

Significant individual exposures

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

10. LOANS AND ADVANCES (continued)

Geographical concentrations

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

	2018 $	2017 $
- Victoria	254,916,347	246,652,155
- New South Wales	11,056,667	9,872,701
- Other	2,821,603	1,777,233
	268,794,617	258,302,089

11. IMPAIRMENT OF LOANS AND ADVANCES

Total provision comprises of		
Collective provisions	50,806	521,243
Specific provisions	-	-
Total provision	50,806	521,243
Movement in the collective provision for impairment		
Balance at beginning of year	521,243	39,871
Bad and doubtful debts previously provided for and written back to profit or loss	(409,100)	537,239
Bad debts previously provided for and written off during the year	(100,541)	(55,867)
Impairment charge for the year	39,204	-
Balance at end of year	50,806	521,243
Movement in the specific provision for impairment		
Balance at beginning of year	-	-
Bad and doubtful debts transferred (to)/from profit or loss	-	-
Bad debts previously provided for and written off during the year	-	-
Balance at end of year	-	-
Impairment charge comprises of		
Collective provision increase/(decrease)	(369,896)	537,239
Specific provision increase/(decrease)	-	-
Bad debts recognised directly to profit or loss	5,385	4,974
Total bad debts expense	(364,511)	542,213

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

Ageing analysis of loans and advances past due	2018 $	2017 $
Loans and advances past due and not impaired		
Up to 30 days	4,602,274	2,173,252
More than 30 days, but less than 90 days	987,414	495,274
More than 90 days, but less than 180 days	-	-
More than 180 days, but less than 270 days	-	-
More than 270 days, but less than 365 days	-	-
More than 365 days	-	-
Over limit facilities less than 14 days	14,324	8,696
	5,604,012	2,677,222
Loans and advances past due and impaired		
Up to 30 days	-	-
More than 30 days, but less than 90 days	-	-
More than 90 days, but less than 180 days	258,879	548,893
More than 180 days, but less than 270 days	1,110	17,211
More than 270 days, but less than 365 days	-	263,812
More than 365 days	6,984	142,058
Over limit facilities more than 14 days	9,842	9,023
	276,815	980,997
Security analysis of loans and advances past due		
Loans and advances past due and not impaired		
Secured by mortgage over real estate	5,512,372	2,602,602
Secured by funds	8,224	-
Partly secured by goods mortgage	69,092	58,486
Wholly unsecured	14,324	16,134
	5,604,012	2,677,222
Loans and advances past due and impaired		
Secured by mortgage over real estate	167,096	939,763
Secured by funds	90,627	-
Partly secured by goods mortgage	9,250	30,870
Wholly unsecured	9,842	10,364
	276,815	980,997

Loans renegotiated

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

	2018 $	2017 $
Loans renegotiated during the financial year	2,608,078	3,710,901
Specific provision for impairment	-	-
Balance at the end of the financial year	2,608,078	3,710,901

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

	2018 $	2017 $
Assets acquired through enforcement of security		
Loan balance where Real Estate was acquired through enforcement of security and held at the end of the financial year	-	135,994
Collective provision for impairment	-	(135,994)
Balance at the end of the financial year	-	-
Net fair value of real estate assets acquired through the enforcement of security during the financial year	-	50,000
Net fair value of other assets acquired through the enforcement of security during the financial year	-	15,000

12. OTHER FINANCIAL ASSETS

	2018 $	2017 $
Shares in special service providers (a)	437,048	437,048

(a) Shares in special service providers

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

Cuscal Limited was created to supply services to the member credit unions and does not have an independent business focus. These shares, accounting for $421,466 (2017: $421,466) of the balance, are held to enable the Company to receive essential banking services. The shares are not able to be traded and are not redeemable.

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

The remaining $15,582 shares (2017: $15,582) are held in TAS. As disclosed in Note 22, TAS provides the Company with electronic data processing services.

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

13. INTANGIBLE ASSETS

	2018 $	2017 $
Computer software & licences		
At cost	1,086,945	845,100
Provision for amortisation	(816,879)	(758,610)
	270,066	86,490

Reconciliations

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

	2018 $	2017 $
Computer software & licences		
Balance at beginning of the year	86,490	102,347
Acquisitions	125,762	42,370
Internal Transfer from work in progress	24,205	8,050
Internal Transfer from prepaid assets	101,514	-
Disposals	-	-
Less amortisation	(67,905)	(66,277)
Balance at end of the year	270,066	86,490

14. PROPERTY, PLANT AND EQUIPMENT

	2018 $	2017 $
Freehold land - at fair value	2,079,000	2,079,000
Buildings on freehold land – at fair value	1,824,291	1,824,291
Accumulated depreciation	(90,632)	(45,025)
Total buildings on freehold land	1,733,659	1,779,266
Plant and equipment- at cost	3,042,797	3,293,304
Accumulated depreciation	(1,716,486)	(2,070,091)
Total plant and equipment	1,326,311	1,223,213
Capital Works in Progress – at Cost	-	24,205
Carrying amount of total property, plant & equipment	5,138,970	5,105,684

Notes to the Financial Statements

For the year ended 30 June 2018

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 2016	2,079,000	1,800,999	1,103,146	257,969	5,241,114
Additions	-	23,292	205,421	18,578	247,291
Revaluations	-	-	-	-	-
Internal transfers	-	-	244,292	(244,292)	-
Internal transfers to intangibles	-	-	-	(8,050)	(8,050)
Disposals	-	-	(94,954)	-	(94,954)
Depreciation	-	(45,025)	(234,692)	-	(279,717)
Balance at 30 June 2017	2,079,000	1,779,266	1,223,213	24,205	5,105,684
Balance at 1 July 2017	2,079,000	1,779,266	1,223,213	24,205	5,105,684
Additions	-	-	447,493	-	447,493
Revaluations	-	-	-	-	-
Internal transfers	-	-	-	(24,205)	(24,205)
Internal transfers to intangibles	-	-	-	-	-
Disposals	-	-	(115,230)	-	(115,230)
Depreciation	-	(45,607)	(229,165)	-	(274,772)
Balance at 30 June 2018	2,079,000	1,733,659	1,326,311	-	5,138,970

14. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Valuations

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

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

The Directors believe that the valuations obtained are a reasonable approximation of fair value and have been recognised on this basis as at 30 June 2018.

15. INVESTMENT PROPERTY

	2018 $	2017 $
At fair value	660,000	660,000
Accumulated impairment	-	-
Balance at end of the year	660,000	660,000

Reconciliation

Reconciliation of investment property is set out below:

	2018	2017
Balance at beginning of the year	660,000	660,000
Acquisitions	-	-
Revaluation	-	-
Disposals	-	-
Impairment	-	-
Balance at end of the year	660,000	660,000

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

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

The Directors believe that the valuations obtained are a reasonable approximation of fair value and have been recognised on this basis as at 30 June 2018.

Notes to the Financial Statements

For the year ended 30 June 2018

16. OTHER ASSETS

	2018 $	2017 $
Prepayments	229,213	242,159
Sundry debtors	132,430	216,909
	361,643	459,068

17. DEPOSITS

	2018 $	2017 $
On call deposits	207,584,003	204,867,911
Term deposits	119,981,571	99,961,034
	327,565,574	304,828,945

Maturity analysis

	2018 $	2017 $
On call	207,584,003	204,867,911
Not longer than 3 months	50,467,420	38,895,853
Longer than 3 and not longer than 12 months	58,628,499	53,798,135
Longer than 1 and not longer than 5 years	10,885,652	7,267,046
	327,565,574	304,828,945

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.

	2018 $	2017 $
Victoria	319,579,698	293,876,083
Other States	7,985,876	10,952,862
	327,565,574	304,828,945

The Company's deposit portfolio does not include any deposits which represent 10% or more of total liabilities (2017: Nil).

18. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2018 $	2017 $
Trade creditors	403,726	392,985
Accrued interest payable	1,302,208	1,125,444
Accrued expenses	2,019,570	1,281,829
	3,725,504	2,800,258

19. EMPLOYEE BENEFITS

	2018 $	2017 $
Current		
Accrued salaries and wages	-	-
Liability for long service leave	443,949	437,535
Liability for annual leave	339,733	336,212
Non-current		
Liability for long service leave	34,273	29,282
	817,955	803,029

20. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

(a) Cash flow from operating activities

	2018 $	2017 $
Profit after income tax	2,907,027	2,121,911
Non cash flows in operating surplus/(deficit):		
Charge for bad and doubtful debts	(364,511)	542,210
Depreciation of property, plant & equipment	274,772	279,717
Amortisation on intangible assets	67,905	66,277
Loss on sale of asset	32,047	16,773
Gain on revaluation of investment property and equipment	-	-
Changes in assets and liabilities:		
Increase/(Decrease) in employee benefits	14,926	(25,772)
(Increase)/Decrease in accrued receivables	(90,411)	(31,934)
(Increase)/Decrease in deferred tax asset	179,930	(137,240)
(Increase)/Decrease in other assets	97,425	(163,707)
Increase/(Decrease) in payables and accruals	925,246	(815,859)
Increase/(Decrease) in income tax payable	(105,624)	44,014
Increase/(Decrease) in deferred tax liability	(3,037)	(3,512)
Net cash from revenue activities	3,935,695	1,892,878
Add/(deduct) non revenue operations:		
Increase in loan balance	(10,598,454)	(8,522,399)
Increase in deposits and short term borrowings	22,736,629	37,082,032
Cash flow from operating activities	16,073,870	30,452,511

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

(b) Cash flows presented on a net basis

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

(i) member deposits to and withdrawals from deposit accounts;

(ii) borrowings and repayments on loans, advances and other receivables; and

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

(c) Bank overdraft facility

The Company has an overdraft facility available to the extent of $5,000,000 (2017: $5,000,000). This facility is provided by Cuscal Limited and is subject to funds being available from Cuscal Limited at the time of drawdown and incurs interest at 4.00% (2017: 4.00%). As at 30 June 2018 the utilised portion of the facility was $Nil (2017: $Nil).

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

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

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

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

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

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

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

(a) until Cuscal have received all money the Credit Union owe them at any time or which Cuscal determine the Credit Union will or may owe them in the future; and

(b) until Cuscal are satisfied that they will not be asked to refund any such money (or any part of it) to a trustee in bankruptcy, a liquidator or any other person; and

(c) other than in accordance with the terms applying to each deposit.

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

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

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

The Credit Union has classified the SSD as a receivable from other financial institution and the OSD as cash and cash equivalents in the statement of financial position and Note 8 on the basis of a determination made by the prudential regulator (APRA) that the Settlement Security Deposit is for the purpose of facilitating or securing settlement obligations, deposits relating to industry support schemes are to be utilised for a prudential purpose and thus can be included as part of the Credit Union's prudential liquidity holding. The Credit Union has therefore included the SSD and OSD in its calculation of MLH disclosed in Note 24 – Risk Management Objectives and Policies.

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

21. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

In the normal course of business the Company enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of members. The Company uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets. For financial guarantees the Company's interest has been fully secured by either a fixed savings authority over frozen fixed deposits or by a mortgage over real estate.
Credit commitments and contingent liabilities existing as at 30 June 2018 are inclusive of Goods and Services Tax.

	2018 $	2017 $
Credit related commitments		
Approved but undrawn loans and credit limits	7,037,998	10,875,013
Security analysis of credit-related commitments		
Secured by mortgage over real estate	5,118,220	9,124,266
Secured by funds	507,455	452,691
Partly secured by goods mortgage	97,299	128,179
Wholly unsecured	1,315,024	1,169,877
	7,037,998	10,875,013
Financial guarantees		
Guarantees	325,730	147,003
Security analysis of financial guarantees		
Secured by mortgage over real estate	251,560	14,624
Secured by funds	74,170	132,379
Partly secured by goods mortgage	-	-
Wholly unsecured	-	-
	325,730	147,003

21. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS (continued)

Credit Union Financial Support System Limited

With effect from 1 July 1999, Goulburn Murray Credit Union Co-operative Limited is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme that all credit unions who are affiliated with Cuscal Limited have agreed to participate in.

CUFSS is a company limited by guarantee with each credit union's guarantee being $100.

As a member of CUFSS, the Company:

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

22. OUTSOURCING ARRANGEMENT

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

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

23. KEY MANAGEMENT PERSONNEL

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

Non-executive directors

Geoff Cobbledick	Chair
Fiona Merrylees	Deputy Chair
Frank Mandaradoni	
John Guilmartin	Resigned November 2017
Robert Morris	
Eugenie Stragalinos	
Eileen Curtis	
John Calleja	Appointed December 2017
Executives	
René Deen	Chief Executive Officer – retired August 2018
Peter Thomas	Deputy Chief Executive Officer
Rebecca Hearn	Chief Finance Officer
Brett Elgar	Chief Risk and Compliance Officer
Ken Kilsby	Loans Manager – resigned November 2017
Robert Chaston	Loans Manager – appointed November 2017
Paul Cross	IT Manager

Transactions with key management personnel

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

Key management personnel compensation

The key management personnel compensation included in “personnel costs” (see Note 3) are as follows:

	2018 $	2017 $
Short-term employee benefits	1,043,705	975,280
Other long term benefits	(1,210)	14,289
Post employment benefits	93,661	88,313
	1,136,156	1,077,882

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

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

23. KEY MANAGEMENT PERSONNEL (continued)

Loans to key management personnel and other related parties

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

	2018 $	2017 $
Loans to key management personnel	1,100,930	942,680
Loans to other related parties	-	-
	1,100,930	942,680

All loans to Directors and key management personnel by the Company have been made in the normal course of business and on the normal commercial terms and conditions. A concessional loan rate facility is available to qualifying staff. During the course of the year, three concessional loan rate fundings (2017: one) were made available to qualifying key management personnel. Three key management personnel were advanced funds on existing concessional loan rate facilities during 2018 (2017: four).

Revolving credit facilities $45,000 (2017: $45,000) were made available to Directors and key management personnel during the year. The aggregate amount receivable at 30 June 2018 was $Nil (2017: $Nil).

Loans and redraws totalling $891,722 (2017: $497,650) were made to key management personnel, Mr P Thomas, Mrs R Hearn and Mr K Kilsby during the year. (2017: Mr R Deen, Mr P Thomas, Mr P Cross and Mrs R Hearn).

During the year Mr P Cross, Mr R Deen, Mr P Thomas, Mrs R Hearn, Mr K Kilsby and Mrs F Merrylees (2017: Mr P Cross, Mr R Deen, Mr P Thomas, Mrs R Hearn and Mrs F Merrylees) repaid $767,422 (2017: $579,839) of the balances outstanding on their loans.

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

Interest received on the loans to key management personnel totalled $43,606 (2017: $38,660) and on loans to other related parties totalled $Nil (2017: $Nil). No amounts have been written down or recorded as allowances, as all balances outstanding are considered fully collectable.

There were no other amounts receivable at 30 June 2018 (2017: $Nil) nor were any other loans advanced during the period.

23. KEY MANAGEMENT PERSONNEL (continued)

Deposits from key management personnel and other related parties

	2018 $	2017 $
Total value Term and Saving Deposits from key management personnel	504,289	888,813
Total interest paid on deposits to key management personnel	11,445	11,016

The Company's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted on the same terms and conditions which applied to members for each type of deposit.

Other key management personnel transactions with the Company

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

No members of key management persons of the Company, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

During the 2018 financial year, GMCU maintained a commercial arrangement with SMR Legal to provide conveyancing and other legal services. Fiona Merrylees is a Director of SMR Legal as well as being a director of GMCU.

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

24. RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

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

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

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

The main elements of risk governance are as follows:

Board: This is the primary governing body. It approves the level of risk which the Company is exposed to and the framework for identifying, monitoring, managing, mitigating and reporting those risks. The Board has 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 regularly on the overall identification, monitoring, management, mitigation and reporting of operational issues, and ensures that policies and procedures adopted by the Board are implemented.

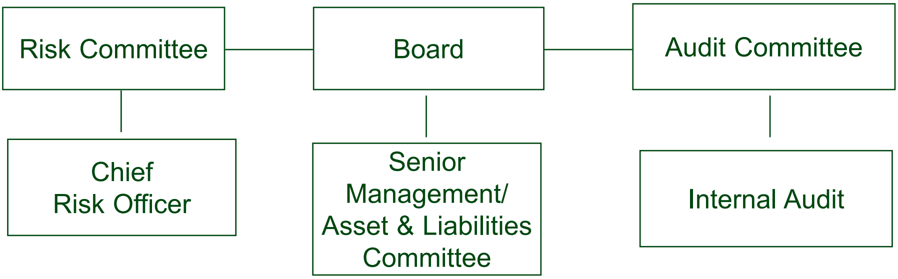
Chief Risk Officer: This role has responsibility for the development and implementation of the risk management framework and policies, and providing assistance to Board, management and staff in all aspects of risk management. The Chief Risk Officer reports directly to the Chief Executive Officer; attends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

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

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Introduction (continued)

The following diagram gives an overview of the structure.



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

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

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

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

Market risk

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

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

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

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

Interest rate risk

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

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

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

The level of mismatch on the banking book is set out in Note 25 below. The table set out in Note 25 displays the period that each asset and liability will reprice as at the balance date. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

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

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

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

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

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Based on independent VaR calcuations as at 30 June 2018 using a 10 day holding period and a 99% confidence level, the VaR was 0.09% of capital. No comparison has been done for the 2017 year.

Based on independent EaR calculations as at 30 June 2018 using a shift in interest rates of 100 basis points for one year, EaR was $105,398. No comparison has been done for the 2017 year.

Liquidity risk

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

The Company manages liquidity risk by:

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

Credit Union Financial Support Services liquidity support scheme

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

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

Bendigo and Adelaide Bank non-securitisation lending facility

On 1 October 2014 GMCU entered into an APRA approved Receivables Acquisition and Servicing Agreement with the Bendigo and Adelaide Bank (Bendigo). This off-Balance Sheet loan funding facility is designed to cater for larger loans and/or high loan demand that on-Balance Sheet liquidity cannot readily address. Under this arrangement the Credit Union will assign mortgage secured loans to Bendigo at the book value of the loans, subject to acceptable documentation criteria with a complete absence of any securitisation vehicle and/or securitisation related matters. The Credit Union will contract directly with Bendigo and will be responsible for

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

ensuring the funding program is suitable for the organisation as well as its ongoing availability and administration. The loans transferred qualify for de-recognition on the basis that the assignment transfers all the risks and rewards to Bendigo and there are no residual benefits to the Credit Union. The Credit Union receives a management fee to recover the costs of ongoing administration for processing of the loan repayments and the issue of statements to the members. During the year the Credit Union did not utilise this lending facility to Bendigo (2017: $Nil).

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

As at 30 June 2018, the Company held 23.63% of total adjusted liabilities (Minimum Liquidity Holdings) as liquid assets (2017: 22.02%). The average during the financial year was 23.81% (2017: 19.84%), with the minimum reaching 21.04% during the year (2017: 17.55%).

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

2018	2017	2016	2015	2014
23.63%	22.02%	17.64%	22.22%	16.06%

Credit risk

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

Credit risk – loans and advances

All loans and facilities are within Australia. The geographic distribution is not analysed into specific areas within Australia as the exposure classes are not considered material. Concentrations are described in Note 10.

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

Past due and impaired

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

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

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk – loans and advances continued

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 the Company's loan portfolio from homogenous portfolios of assets and individually identified loans.

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

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

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

Details are set out in Note 11.

Bad Debts

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

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

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

Collateral securing loans

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

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

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

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk – Loans and Advances (continued)

Concentration risk – Individuals

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

The aggregate value of large exposure loans are set out in Note 10. The Company holds no significant concentrations of exposures to members. Concentration exposures to counterparts are closely monitored with reviews on a sample basis being prepared for exposures over 2.50% of the capital base by both Internal Audit and the Audit Committee.

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

Concentration risk - Industry

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

Credit Risk - Joint Mortgagee

In the current financial year, the Credit Union continued its arrangement with a third party mutual Authorised Deposit-taking Institution ('ADI) in being a joint mortgagee on a credit exposure with a single secured commercial property. A Deed of Agreement has been signed between the Credit Union and the third party mutual that established:

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

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

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquid investments

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

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

Under the liquidity support scheme at least 3% of the assets must be invested with approved Authorised Deposit Institutions under APS210, to allow the scheme to have adequate resources to meet its obligations if needed.

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

External credit assessment for Institution investments

The Company uses the ratings of Standards and Poors or other reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA prudential guidance AGN 112. The credit quality assessment scale within this standard has been complied with.

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

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational risk

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

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

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

Fraud

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

IT systems

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

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

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital Management

The capital levels are prescribed by APRA. Under the APRA prudential standards capital is determined in three components:

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

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

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

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

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital adequacy ratio calculation

	2018 $	2017 $
Tier 1		
Common Equity Tier 1		
Retained profits	42,094,229	39,235,302
General reserve	88,473	84,831
Property Revaluation Reserve	1,161,700	1,161,700
Regulatory adjustments to Tier 1 Capital	(961,406)	(954,723)
Net Tier 1 capital	42,382,996	39,527,110
Tier 2		
Lending risk reserve	901,032	856,574
Less prescribed deductions	-	-
Net Tier 2 capital	901,032	856,574
Total Capital	43,284,028	40,383,684

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

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

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

2018	2017	2016	2015	2014
23.77%	23.27%	24.36%	23.83%	24.64%

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

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

24. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Pillar 2 Capital on Operational Risk

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

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

Based on this approach, the Company's operational risk requirement at 30 June 2018 is as follows:

Operational risk capital $20,234,720 (2017: $18,748,675)

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

Internal capital adequacy management

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

Public disclosure of capital

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

25. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

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

Recognised Financial Instruments	Note	Accounting Policies	Terms and Conditions
(i) Financial assets			
Loans and advances	10	Loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month	All housing loans are secured by registered mortgages. Other loans are assessed on an individual basis.
Receivables	9	Amounts receivable from other entities are carried at nominal amounts due.	N/A
Cash and cash equivalents & Receivables due from other financial institutions	7 & 8	Interest earning deposits are stated at the lower of cost and net realisable value. Interest is recognised when earned.	Interest earning deposits have an average maturity of 694 days (2017: 777 days) and effective interest rates of 1.35% to 3.52% (2017: 1.35% to 3.22%).*
Other financial assets	12	Unlisted shares are carried at the lower of cost or recoverable amount. Dividend income is recognised when the dividends are received.	N/A

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

(ii) Financial liabilities

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

Notes to the Financial Statements

For the year ended 30 June 2018

25. FINANCIAL INSTRUMENTS (continued)

(b) Interest rate risk

Financial instruments	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Fixed interest rate maturing in: Over 1 to 5 years		Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 %	2017 %
Financial assets:												
Cash and cash equivalents *	10,900	11,379	86,986	71,089	-	-	2,493	2,428	100,378	84,896	2.48	2.23
Receivables	-	-	-	-	-	-	380	289	380	289	N/A	N/A
Other investments	-	-	-	-	-	-	437	437	437	437	N/A	N/A
Loans and advances	239,040	232,725	12,064	7,945	17,640	17,111	-	-	268,744	257,781	4.84	4.92
Total financial assets	249,940	244,104	99,050	79,034	17,640	17,111	3,310	3,154	369,939	343,403		
Financial liabilities:												
Deposits	207,584	204,868	109,096	92,694	10,886	7,267	-	-	327,566	304,829	1.37	1.32
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Short-term borrowings	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Payables	-	-	-	-	-	-	3,726	2,800	3,726	2,800	N/A	N/A
Total financial liabilities	207,584	204,868	109,096	92,694	10,886	7,267	3,726	2,800	331,292	307,629		

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

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

Notes to the Financial Statements

For the year ended 30 June 2018

25. FINANCIAL INSTRUMENTS (continued)

(c) Maturity profile of financial assets and liabilities

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

Financial instruments	Within 3 months		From 3 to 12 months		From 1 to 5 years		More than 5 years		No maturity		Total cash flows		Total carrying amount as per the Statement of Financial Position	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Financial assets:														
Cash and cash equivalents *	28,300	30,318	22,382	15,384	41,504	29,665	-	-	13,393	13,807	105,579	89,174	100,378	84,896
Receivables	-	-	-	-	-	-	-	-	-	-	-	-	380	289
Loans and advances	5,812	5,893	17,137	16,725	82,883	80,201	312,201	301,891	-	-	418,034	404,710	268,744	257,781
Other investments	-	-	-	-	-	-	-	-	437	437	437	437	437	437
Total financial assets	34,113	36,211	39,519	32,119	124,387	109,866	312,201	301,891	13,830	14,244	524,050	494,321	369,939	343,403
Financial liabilities:														
Deposits	50,907	38,120	60,183	55,033	11,159	7,385	-	-	207,944	205,262	330,193	305,800	327,566	304,829
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payables	-	-	-	-	-	-	-	-	2,423	1,675	2,423	1,675	3,726	2,800
Total financial liabilities	50,907	38,120	60,183	55,033	11,159	7,385	-	-	210,367	206,937	332,616	307,475	331,292	307,629

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

25. FINANCIAL INSTRUMENTS (continued)

(d) Net fair values

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

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

Recognised financial instruments

Cash and cash equivalents

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

Current securities and investments

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

Other receivables

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

Loan and advances

The fair values of loans receivable excluding impaired loans are estimated using a method not materially different from discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by using a method not materially different from discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows. The carrying amount of loans at 30 June 2018 approximates net fair value.

Members deposits

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

Trade and other payables

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

25. FINANCIAL INSTRUMENTS (continued)

(e) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	2018 $	2017 $
Financial Assets		
Financial assets carried at amortised cost		
Cash and cash equivalents	41,334,654	43,684,734
Receivables	379,566	289,155
Receivables due from other financial institutions	59,043,687	41,211,324
Loans to members	268,743,811	257,780,846
Total loans and receivables	369,501,718	342,966,058
Available for sale investments – carried at cost		
Other financial assets	437,048	437,048
Total available for sale investments	437,048	437,048
TOTAL FINANCIAL ASSETS	369,938,766	343,403,106
Financial liabilities		
Accounts payables and other liabilities	3,725,504	2,800,258
Deposits from members	327,565,574	304,828,945
Total carried at amortised cost	331,291,078	307,629,203
TOTAL FINANCIAL LIABILITIES	331,291,078	307,629,203

26. FAIR VALUE MEASUREMENT

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

26. FAIR VALUE MEASUREMENT (continued)

	2017			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets measured at fair value				
Land and buildings	-	3,858,267	-	3,858,267
Investment property	-	660,000	-	660.000
Total Assets	-	4,518,267	-	4,518,267

	2018			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets measured at fair value				
Land and buildings	-	3,812,660	-	3,812,660
Investment property	-	660,000	-	660.000
Total Assets	-	4,472,660	-	4,472,660

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

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

27. OPERATING LEASE COMMITMENTS

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

	2018 $	2017 $
Not later than one year	173,101	160,270
Later than one year and not later than five years	533,764	580,805
Later than five years	155,788	237,365
	862,653	978,440

Expenditure commitments are stated inclusive of Goods and Services Tax.

28. OPERATING LEASE RECEIVABLES

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

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

	2018 $	2017 $
Not later than one year	52,949	47,656
Later than one year and not later than five years	41,419	54,042
	94,368	101,698

29. CAPITAL EXPENDITURE COMMITMENTS

Estimated capital expenditure contracted for at balance date but not provided for:		
- payable not later than one year	118,601	378,838
	118,601	378,838

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

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

30. SUBSEQUENT EVENTS

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

Directors' declaration

The Directors of the Company declare that:-

1. the financial statements and notes, set out on pages 8 to 65, are in accordance with the *Corporations Act 2001*, including:

   (a) giving a true and fair view of the financial position of the Company as at 30 June 2018 and of its performance for the year ended on that date; and

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

2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

G Cobbledick – Chair

F Merrylees – Deputy Chair

Dated at Shepparton on this 26th day of September 2018.

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

Opinion

We have audited the financial report of Goulburn Murray Credit Union Limited (the Credit Union), which comprises the statement of financial position as at 30 June 2018, 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 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 2018 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 A*uditor'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 C*ode of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the information contained in the Credit Union's Annual Report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

Crowe Horwath

CROWE HORWATH ALBURY

BRADLEY D BOHUN
Partner

Dated 26 September 2018 Albury.

Administration

Melissa Ralph	Chief Executive Officer
René Deen	Chief Executive Officer (retired August 2018)
Peter Thomas	Deputy Chief Executive Officer
Rebecca Hearn	Chief Financial Officer
Brett Elgar	Chief Risk & Compliance Officer
Paul Cross	IT Manager
Rob Chaston	Loans Manager
Dallas Moore	Manager, Shepparton Branch
David Drummond	Manager, Seymour Branch
Jane Holt	Manager, Echuca Branch
Jenni Dunne	Manager, Kyabram Branch
Lonnie Roberts	Manager, Numurkah Branch
Melissa Hall	Manager, Kilmore Branch
Jennifer Cogger	Manager, Benalla Branch
Heath Munari	Manager, Euroa Branch

Auditors

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

Solicitors

Daniels Bengtsson Pty Ltd
SMR Legal

Bankers

CUSCAL Central Banking Scheme
National Australia Bank

Registered Office

91-95 Fryers Street, Shepparton

Benalla
32 Bridge Street, 3672
phone 03 5762 3380

Echuca
141 Hare Street, 3564
phone 03 5482 5333

Euroa
36 Binney Street, 3666
phone 03 5795 1771

Kilmore
76a Sydney Street, 3764
phone 03 5781 1221

Kyabram
145 Allan Street, 3620
phone 03 5852 2211

Mooroopna
112c McLennan Street, 3629
phone 03 5825 1999

Numurkah
102 Melville Street, 3636
phone 03 5862 2894

Seymour
72 Station Street, 3660
phone 03 5792 1075

Shepparton
91 Fryers Street, 3630
phone 03 5821 9033

Violet Town
33 Cowslip Street, 3669
phone 03 5798 1761

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