

2021 Annual Report

Goulburn Murray Credit Union Co-operative Ltd.



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Board of Directors

Eugenie Stragalinos

John Calleja

Fabienne Michaux

Robert Morris

Steve Shaw

Antoinette Truda

Board Chair

Deputy Chair

Board Member

Board Member

Board Member

Board Member



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

Chair's Report

On behalf of the Board, the Executive Team, and our people we are pleased to present you with our Annual Report for the financial year ended 2021.

Despite another tumultuous year for the communities we serve, the economy and financial markets, the GMCU has continued to deliver on its commitments to members and progress our strategy to 'unleash what's possible' for our members and communities.

We commenced the year with our renewed promise to our members and with our new look, both of which were developed with input from our members and communities. Our new look respects and acknowledges our 65-year history of serving our members and communities while also allowing us to focus on the future. As a community owned bank, it has been incredibly pleasing to have received so many compliments on our ongoing support of our communities especially in what has been another disrupted year due to the COVID-19 pandemic.

Banking with Purpose – investing in our communities

The impact of the COVID pandemic continues to present challenges not only for individuals and businesses in our communities, but also for the clubs, groups and community activities that make our region such a vibrant place to live.

GMCU has been proud to be able to contribute equivalent to over 7% of our after-tax profits through sponsorship and donations to over 80 sporting, community, and arts groups who were able to hold events throughout the year, as well as contributing to community initiatives that support the social and economic prosperity of our region. We were thrilled to have many of our supported community groups support GMCU in return, with representatives of local clubs joining us in branch as part of the sponsorship draw held at our brand launch event earlier this year. We have proudly supported our members in a way that reflects our unique understanding of the regions in which we operate and the communities we serve.

Strong performance

Year-on-year profit outcomes have remained consistent despite challenging economic and competitive pressures.

We achieved lending growth of \$12.8m and deposit growth of \$80.2m, both at almost twice that achieved in the prior year. This has seen GMCU reach total assets of in excess of \$500 million while maintaining a strong capital position of 20.03%.

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

As reflected in our Financial Statements, GMCU has recorded:

- An increase in assets of \$81.2 million (18.3%)
- An operating profit after tax of \$1.41 million (2019/20 \$1.46 million)

The GMCU has maintained focus by continuing to deliver on our strategy and rolled out new and enhanced product features to improve the relevance and accessibility of our products and services for our members. This has included the reduction in transaction fees with card and electronic transaction fees alone reduced by over \$300,000 or 42%, relative to last financial year.

Our members

GMCU remains committed to enhancing our member experience. Throughout the financial year we have made significant investment in our digital capability including the launch of our online lending and redraw facility and our refreshed website and banking application which makes every day banking needs and navigating our products and services even easier.

In addition, investment in our core banking platform has also enabled us to participate in new industry innovations such as open banking, which will further enhance our members experience in the future.

Our Governance

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

I would like to make special mention of Directors Eileen Curtis and Rob Morris. Eileen resigned from the GMCU Board in May 2021 after 5 years of service, and Rob will retire by rotation at this year's AGM after 14 years of service.

Both Eileen and Rob have been significant contributors to GMCU. Eileen's stewardship as the Chair of the Audit and Governance Committees over recent years, and Rob's stewardship as the Chair of the Risk Committee has been greatly appreciated. Their valued contributions will be missed.

Following the departure of these valued Directors, the GMCU Board has undertaken active recruitment to ensure that we maintain a skills-based Board that will continue to govern GMCU effectively and prudently on behalf of our members. In November 2020 we welcomed both Antoinette Truda and Fabienne Michaux to the Board and I would like to acknowledge the valuable contributions already made by them and look forward to their ongoing commitment to the GMCU.

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

As a result, our governance activities have included an increasing focus on areas of non-financial risk, including culture, cyber-crime, and climate change, and we expect that the outcomes of these areas of focus will become more visible over the coming year.

Our people

Finally and importantly, I congratulate all our management and staff on an excellent year. We are indeed fortunate to have such a dedicated, passionate, and talented team, led by our CEO Melissa Ralph, working to enhance the banking experience of our members, and working with our communities to unleash what's possible. Thank you. I'm proud to work with such a talented team, and I look forward to the year ahead!



Eugenie Stragalinos
Chair

Directors' report

The Directors present their report together with the financial statements of Goulburn Murray Credit Union Co-operative Limited (the "Company") for the year ended 30 June 2021 and the auditor's report thereon.

Directors

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

Eugenie Stragalinos BCom CPA MAICD

Board Chair

Chair – Governance (from Jun 21)

Occupation: Director & Principal, ems Consulting

Director since: 2016

John Calleja CA, MAPFin, BCom, GAICD

Deputy Board Chair

Chair – People & Culture (up to Nov 20)

Chair – Governance (up to Jun 21)

Chair – Audit (from Jun 21)

Occupation: Chief Executive Officer

Director since: 2017

Fabienne Michaux BBus (Economics & Finance) GradDip ACTA, GAICD

Occupation: Director

Director since: 30 November 2021

Robert Morris CPA

Chair – Risk Committee

Occupation: Accountant

Director since: 2007

Steven Shaw BBus

Chair: Member Experience & Culture (from Nov 20)

Occupation: Consultant and Advisor

Director since: 1 June 2021

Antoinette Truda MBA (Uni. Melb), PostGrad Dip. Management, BCom, BArts

Occupation: Chief Executive Officer

Director since: 30 November 2021

Geoff Cobbleddick MEd DipBus FCPA

Occupation: Director

Director since: 2008

Resigned: 30 November 2021

Eileen Curtis Bus MPA CPA AICD

Chair – Corporate Governance (up to Nov 20)

Chair – Audit (from Nov 20)

Occupation: Corporate Program Manager

Director since: 2016

Resigned: 31 May 2021

Frank Mandaradoni CPA

Chair – Audit Committee (up to Nov 20)

Occupation: Accountant

Director since: 1996

Resigned: 30 November 2021

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

Directors' meetings

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

Director	Board of Directors' Meetings		Audit		Governance		Member Experience & Culture		Risk	
	A	B	A	B	A	B	A	B	A	B
F Mandaradoni	9	5	3	2	-	-	-	-	2	1
R Morris	10	9	4	4	2	2	-	-	4	4
E Curtis	10	8	4	4	1	1	3	2	-	-
E Stragalinos	10	10	4	4	2	2	3	3	4	4
G Cobbleddick	5	5	-	-	-	-	1	1	2	2
J Calleja	10	9	4	4	1	1	1	1	-	-
S Shaw	10	10	-	-	2	2	2	2	4	4
A Truda	5	4	-	-	-	-	2	2	2	2
F Michaux	5	5	1	1	1	1	2	2	2	2

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

B – number of meetings attended

Directors' report (continued)

Company secretary

Mr Brett Elgar, the Company's Chief Risk and Compliance Officer, was appointed to the position of Company Secretary on 1 March 2020, and continues to act in this capacity as at and post the end of the financial year.

Mrs Rebecca Hearn, the Company's Chief Financial Officer, was appointed to the position of alternate Company Secretary on 20 June 2002, and continues to act in this capacity as at and post the end of the financial year.

Principal activities

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

Operating & Financial Review

The profit for the financial year before income tax was \$1,905,891 (2021: \$1,988,999). Income tax was \$496,050 (2021: \$521,766). Profit after tax for 2021 was \$1,409,841 (2021: \$1,467,233).

Review of operations

Net loans for the year have increased by \$12,806,133 to \$304,404,144.

Member deposits increased during the year by \$80,262,963 to \$469,255,954.

Members' equity during the year has increased by \$1,436,603 to \$50,418,347.

There were no significant changes in the operations of the Credit Union, other than the ongoing impact of the Coronavirus (COVID-19) pandemic.

The Credit Union's operational resilience has not been adversely impacted to date with all distribution channels and transaction systems continuing to be satisfactorily maintained. The Credit Union continues to monitor the potential impacts of this ongoing event on its credit risk exposures.

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

Other than the ongoing impact of the COVID-19 pandemic, 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.

Directors' report (continued)

Environmental regulation

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

Directors' benefits

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

- a Director,
- a firm of which a Director is a member, or
- an entity in which a Director has a substantial financial interest except those outlined in Note 24 to the financial statements.

Likely developments

No material likely developments are foreseen at this time that may affect the Company's operations. Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Indemnification and insurance of Officers and auditors

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

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

Public Prudential Disclosure

In accordance with the APS330 Public Disclosure requirements, 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 2021 has been received and can be found on page 7 of the financial report.

Dated at Shepparton this 23rd day of September 2021.

Signed in accordance with a resolution of the Directors..



.....
E Stragalinos – Chair



.....
J Calleja – Deputy Chair

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2021 there have been:

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

CROWE ALBURY**BRADLEY D BOHUN****Partner**

Dated at Albury this 23rd day of September 2021.

Liability limited by a scheme approved under Professional Standards Legislation.

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

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Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Interest revenue	2	11,734,621	13,775,665
Interest expense	2	(2,175,595)	(4,450,995)
Net interest income		9,559,026	9,324,670
Non-interest revenue	3	1,708,056	2,315,129
General and administration	3	(7,812,329)	(7,541,154)
Net impairment (loss)/gain on financial assets		107,602	(422,224)
Occupancy expenses		(278,059)	(324,201)
Depreciation and amortisation expense	3	(402,210)	(441,272)
Fees and commission expense		(976,195)	(921,949)
Profit before tax		1,905,891	1,988,999
Income tax expense	5	(496,050)	(521,766)
Profit after tax		1,409,841	1,467,233
<i>Other comprehensive income</i>			
Items that will not be reclassified subsequently to profit or loss:			
Gain/(loss) on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		26,762	53,814
Other comprehensive income for the year, net of tax		26,762	53,814
Total comprehensive income for the year		1,436,603	1,521,047

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 71.

Statement of Financial Position

As at 30 June 2021

	Note	2021 \$	2020 \$
ASSETS			
Cash and cash equivalents	7	84,778,960	49,005,314
Receivables due from other financial institutions	8	126,563,564	93,953,890
Receivables	9	334,360	233,253
Loans and advances	10	304,404,144	291,598,012
Other financial assets	12	1,104,347	1,077,200
Other assets	16	466,478	390,082
Investment property	15	685,000	685,000
Property, plant and equipment	14	4,982,893	5,133,468
Right-of-use assets	20	1,153,732	1,251,143
Deferred tax asset	6	325,199	339,241
Intangible assets	13	107,247	148,009
Current tax asset	6	253,816	61,811
TOTAL ASSETS		525,159,740	443,876,423
LIABILITIES			
Deposits	17	469,255,954	388,993,019
Accounts payables and other liabilities	18	3,334,822	3,704,819
Employee benefits	19	736,802	726,027
Lease liabilities	20	1,244,246	1,299,093
Deferred tax liability	6	169,569	171,721
TOTAL LIABILITIES		474,741,393	394,894,679
NET ASSETS		50,418,347	48,981,744
EQUITY			
Reserves		3,253,809	3,107,026
Retained profits		47,164,540	45,874,718
TOTAL EQUITY		50,418,347	48,981,744

The statement of financial position is to be read in conjunction with the accompanying notes set out on pages 12 to 71.

Statement of Changes in Members Equity

	Retained Profits	Member Share Redemption Reserve	Lending Reserve	Risk Reserve	Asset Revaluation Reserve	Financial Asset Reserve	Total
Year ended 30 June 2020	\$	\$	\$	\$	\$	\$	\$
Opening balance at 1 July 2020	44,551,832	90,733	945,819	1,460,926	411,387	47,460,697	
Profit after tax	1,467,233	-	-	-	-	1,467,233	
Other comprehensive income for the period	-	-	-	-	53,814	53,814	
Transfer to/(from) lending risk reserve	(142,505)	-	142,505	-	-	-	
Transfer to member share redemption reserve	(1,842)	1,842	-	-	-	-	
Closing balance at 30 June 2021	45,874,718	92,575	1,088,324	1,460,926	465,201	48,981,744	
Year ended 30 June 2021							
Opening balance at 1 July 2021	45,874,718	92,575	1,088,324	1,460,926	465,201	48,981,744	
Profit after tax	1,409,841	-	-	-	-	1,409,841	
Other comprehensive income for the period	-	-	-	-	26,762	26,762	
Transfer to/(from) lending risk reserve	(119,155)	-	119,155	-	-	-	
Transfer to member share redemption reserve	(864)	864	-	-	-	-	
Closing balance at 30 June 2021	47,164,540	93,439	1,207,479	1,460,926	491,963	50,418,347	

The statement of changes in members equity is to be read in conjunction with the accompanying notes set out on pages 12 to 71.

Statement of cash flows

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Interest received		11,633,514	13,813,298
Interest paid		(2,682,105)	(4,875,063)
Cash paid to suppliers and employees		(8,913,890)	(8,450,216)
Receipts from other services		1,631,660	2,443,293
Income tax paid		(676,550)	(942,133)
		992,629	1,989,179
Net movement in loans		(12,698,531)	(6,231,219)
Net movement in deposits and short-term borrowings		80,262,936	38,741,718
Net cash from/(used in) operating activities	21	68,557,034	34,499,678
Cash flows from investing activities			
Net movement in receivables due from other financial institutions		(32,609,675)	(41,867,918)
Payments for property, plant and equipment		(112,221)	(158,662)
Payments for intangible assets		(34,282)	(30,708)
Proceeds from sale of property, plant and equipment		27,637	82,870
Net cash from/(used in) investing activities		(32,728,541)	(41,974,418)
Cash flows from financing activities			
Repayment of the lease liabilities		(54,847)	(58,408)
Net cash from/(used in) financing activities		(54,847)	(58,408)
Net increase/(decrease) in cash and cash equivalents		35,773,646	(7,533,148)
Cash and cash equivalents at 1 July		49,005,314	56,538,462
Cash and cash equivalents at 30 June	7	84,778,960	49,005,314

The statement of cash flows is to be read in conjunction with the accompanying notes set out on pages 12 to 71.

Notes to the Financial Statements

For the year ended 30 June 2021

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 23rd September 2021.

(a) Statement of compliance

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

Not-for-profit status

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

(b) Basis of preparation

The financial statements are presented in Australian dollars.

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

Determination of fair values

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

Property, plant and equipment and investment property

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

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

Equity and investment securities

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

Notes to the Financial Statements

For the year ended 30 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

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

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

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

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

Going concern

The impact of the Coronavirus (COVID-19) pandemic and its impact on the Credit Union's operations has been subject to close consideration in preparing these financial statements. There has been a significant amount of scenario testing and forecasting undertaken to provide comfort that there is no material uncertainty in terms of the Credit Union as a 'going concern'.

(c) Cash and cash equivalents

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

(d) Receivables due from other financial institutions

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

Notes to the Financial Statements

For the year ended 30 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Receivables due from other financial institutions (continued)

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

(e) Loans and advances

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

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

Loan origination fees

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

Transaction costs

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Measurement of ECL

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

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

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

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

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

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

The measurement of ECL reflects:

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

Critical accounting estimates and judgments in the ECL

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

Assumptions used for estimating impairment

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

Notes to the Financial Statements

For the year ended 30 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Critical accounting estimates and judgments in the ECL (continued)

Assessment of significant increase in credit risk

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

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

Calculation of expected credit losses

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

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

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

The EAD represents the expected exposure at default.

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

Incorporation of forward looking information

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

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

Grouping of loans for losses measured on a collective basis

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

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

Notes to the Financial Statements

For the year ended 30 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Other financial assets

AASB 9 requires the Credit Union's equity investments in other financial assets to be held at fair value. The Credit Union has elected for these to be held at fair value through other comprehensive income (FVOCI).

Subsequent movements in fair value are recognised in other comprehensive income and never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss, unless the dividend clearly represents return of capital.

(h) Property, plant and equipment & intangible assets

Land and buildings

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

Plant and equipment

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

Leasehold improvements

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

Depreciation/amortisation

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

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

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

Land is not depreciated.

Disposals

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

Intangible assets

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

Notes to the Financial Statements

For the year ended 30 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- Computer software and licences 5 years

(i) Investment properties

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

Rental income from investment property is accounted for as described in accounting policy Note 1(n).

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

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

(j) Impairment of non-financial assets

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

(k) Employee entitlements

Long term service benefits

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

Short term benefits

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

Notes to the Financial Statements

For the year ended 30 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Deposits

Member deposits are held at amortised cost.

Interest payable

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

(m) Accounts payable and other liabilities

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

(n) Revenue recognition

Interest revenue

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

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

Fee income

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

Fee income relating to deposit or loan accounts is either:

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

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

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

Commissions

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

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

Notes to the Financial Statements

For the year ended 30 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue recognition (continued)

Dividend income

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

Income from property

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

Government assistance

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

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

(o) Leases

Credit Union as a lessee

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Leases (continued)

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

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

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

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

Credit Union as a lessor

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Leases (continued)

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

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

Operating leases

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

(p) Income Tax

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

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

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

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

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

(q) Goods and Services Tax

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Goods and Services Tax (continued)

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

(r) Reserves

Lending risk reserve

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

The Company has transferred the amount of \$119,155 to a lending risk reserve account as at 30 June 2021. This reserve is calculated at the rate of between 0.5% and 1.25% of risk weighted assets.

Member share redemption reserve

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

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

Asset revaluation reserve

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

Financial asset reserve

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

Notes to the Financial Statements

For the year ended 30 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Fair value measurement

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

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

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

Fair value measurement hierarchy

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

(t) Accounting estimates and judgements

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

- Note 1(f) and Note 11 – Impairment of loans and advances with regards to the expected credit loss modelling and judgments, including:
 - Determining criteria for significant increase in credit risk: An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Credit Union takes into account qualitative and quantitative reasonable and supportable forward-looking information;
 - Choosing appropriate models and assumptions for the measurement of expected credit loss; and
 - Establishing groups of similar financial assets for the purposes of measuring expected credit loss: When expected credit loss is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.
- Note 14 and Note 15 - Fair value assumptions used for land, buildings and investment property;
- Note 12 – Fair value assumptions used for other financial assets;
- Note 20 – Estimation of the lease term and determination of the appropriate rate to discount the lease payments.

Notes to the Financial Statements

For the year ended 30 June 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Accounting estimates and judgements (continued)

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Credit Union based on known information. The consideration extends to the nature of the products and service offered, customers, staffing and geographic regions in which the Credit Union operates. The key estimates and judgements associated with COVID-19 are detailed in Note 14 regarding fair value of land and buildings, Note 15 regarding investment property and Note 1(f) regarding expected credit loss on loans to customers.

(u) New or amended accounting standards adopted

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

(v) New or amended accounting standards not yet mandatory

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

Notes to the Financial Statements

For the year ended 30 June 2021

2. INTEREST REVENUE AND INTEREST EXPENSE

	2021 \$	2020 \$
Interest revenue		
Deposits with other financial institutions	1,252,232	1,790,326
Loans and advances	10,482,389	11,985,339
	<u>11,734,621</u>	<u>13,775,665</u>
Interest expense		
Member deposits	2,081,314	4,353,692
Short-term borrowings	-	-
Lease liabilities	94,281	97,303
	<u>2,175,595</u>	<u>4,450,995</u>

3. OPERATING REVENUE AND EXPENSES

	2021 \$	2020 \$
Depreciation and amortisation expense		
Depreciation of property, plant and equipment:		
Plant and equipment	172,425	204,068
Buildings	47,750	47,750
Depreciation of right-of-use assets	106,991	106,359
Amortisation of intangible assets	75,044	83,095
	<u>402,210</u>	<u>441,272</u>
General and administration expense		
Personnel costs:		
- Wages and salaries	3,973,292	4,100,537
- Employee entitlements	62,871	15,678
- Superannuation contributions	410,145	439,753
Electronic Data Processing costs	999,272	915,459
Marketing and promotion	406,111	437,086
General administration	1,358,829	1,066,279
Other	601,810	566,362
	<u>7,812,329</u>	<u>7,541,154</u>

Notes to the Financial Statements

For the year ended 30 June 2021

3. OPERATING REVENUE AND EXPENSES (continued)

	2021 \$	2020 \$
Revenue from contracts with customers		
Loan fees	272,892	258,960
Electronic transaction fees	422,336	560,175
Visa card fees	640	171,254
Other fees	257,183	303,535
Commissions – insurance	441,459	493,085
Commissions – card based/BPAY	166,417	161,237
Commissions – financial planning	7,865	10,905
Commissions – other	18,116	49,858
	1,586,907	2,009,009
Other sources of income		
Rent	26,698	44,154
Dividends	25,434	58,827
Bad debts recovered	2,200	1,066
Other income	16,817	152,073
Government Grants	50,000	50,000
	121,149	306,120
Total non-interest revenue	1,708,056	2,315,129

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021

3. OPERATING REVENUE AND EXPENSES (continued)

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

Notes to the Financial Statements

For the year ended 30 June 2021

4. AUDITOR'S REMUNERATION

Amounts received or due and receivable by the External Auditor of the Company (including GST) for:

	2021 \$	2020 \$
• Audit of the financial statements of the Company	86,900	83,688
• Other regulatory assurance service	22,880	21,390
• Other services in relation to the Company	5,236	16,896
	115,016	121,974

5. INCOME TAX

Profit before tax	1,905,891	1,988,999
Prima facie income tax expense calculated on net profit	495,532	546,974
Increase/(decrease) in income tax due to:		
DTA/DTL	12,898	10,762
Non-deductible expenses	-	3
Non-assessable income	(13,000)	(13,750)
Imputation credits	(7,215)	(17,833)
Under/(over) provision for income tax in prior year	2,457	-
Other items	5,378	(4,390)
Income tax expense	496,050	521,766
Current tax expense		
Current year	484,545	624,728
Adjustments for prior year	-	-
Deferred tax expense	11,505	(102,962)
Income tax expense	496,050	521,766

Notes to the Financial Statements

For the year ended 30 June 2021

6. RECOGNISED DEFERRED TAX ASSETS & LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
Other Financial Assets	-	-	(166,825)	(166,440)	(166,825)	(166,440)
Loans & advances	86,296	118,062	-	-	86,296	118,062
Prepayments	-	-	(875)	(977)	(875)	(977)
Property, Plant and Equipment (1)	-	-	(1,870)	(4,304)	(1,870)	(4,304)
Accrued Expenses	25,563	26,717	-	-	25,563	26,717
Employee Benefits	190,712	181,995	-	-	190,712	181,995
Leases(net of ROU assets)	22,628	12,467	-	-	22,628	12,467
	325,199	339,241	(169,570)	(171,721)	155,629	167,520

(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 refundable for the Company of \$253,816 (refundable 2020: \$61,811) represents the amount of income tax refundable in respect of current and prior periods.

	2021	2020
	\$	\$
Income tax payable / (receivable)	(253,816)	(61,811)
Movement in taxation provision		
Balance at beginning of year	(61,811)	255,594
Current year's income tax expense on profit before tax	484,545	624,728
Income tax paid – current year	(525,769)	(686,539)
Income tax paid – prior year	(150,781)	(255,594)
Balance at end of year	(253,816)	(61,811)

7. CASH AND CASH EQUIVALENTS

Cash on hand and at bank	6,919,678	10,490,736
Interest earning deposits	77,859,282	38,514,578
	84,778,960	49,005,314

Notes to the Financial Statements

For the year ended 30 June 2021

7. CASH AND CASH EQUIVALENTS (continued)

	2021 \$	2020 \$
Maturity analysis		
At call	12,210,280	18,490,736
Not longer than 3 months	72,568,680	30,514,578
	<u>84,778,960</u>	<u>49,005,314</u>
Credit rating of cash & cash equivalents		
CUSCAL – rated A+	14,850,369	20,979,555
Banks – rated AA and above	-	5,019,850
Banks – rated below AA	56,468,680	17,894,728
Unrated Authorised Deposit Taking Institutions	11,100,000	2,600,000
Cash on hand	2,359,911	2,511,181
	<u>84,778,960</u>	<u>49,005,314</u>

8. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

	2021 \$	2020 \$
Interest Earning Deposits	126,563,564	93,953,890
	<u>126,563,564</u>	<u>93,953,890</u>
Maturity analysis		
At call	-	-
Not longer than 3 months	-	-
Longer than 3 months and not longer than 12 months	38,440,867	21,473,759
Longer than 12 months	88,122,698	72,480,131
	<u>126,563,564</u>	<u>93,953,890</u>
Credit rating of receivables due from other financial institutions		
CUSCAL – rated A-1	4,710,000	4,710,000
Banks – rated AA and above	33,355,340	28,993,990
Banks – rated below AA	72,998,224	50,749,900
Unrated Authorised Deposit Taking Institutions	15,500,000	9,500,000
	<u>126,563,564</u>	<u>93,953,890</u>
9. RECEIVABLES		
Interest receivable	<u>334,360</u>	<u>233,253</u>

Notes to the Financial Statements

For the year ended 30 June 2021

10. LOANS AND ADVANCES	2021 \$	2020 \$
Overdrafts	2,576,572	2,782,963
Term loans	302,172,754	289,269,135
Gross loans and advances	304,749,327	292,052,098
Provision for impairment	(345,182)	(454,086)
Net loans and advances	<u>304,404,144</u>	<u>291,598,012</u>
<i>Maturity analysis</i>		
Overdrafts	2,576,572	2,782,963
Remaining maturity not longer than 3 months	5,989,186	5,912,072
Remaining maturity longer than 3 and not longer than 12 months	17,272,240	17,095,145
Remaining maturity longer than 1 and not longer than 5 years	85,402,176	84,367,448
Remaining maturity longer than 5 years	193,509,153	181,894,470
	<u>304,749,327</u>	<u>292,052,098</u>
<i>Security held against loans</i>		
Secured by mortgage over residential property	284,561,266	273,564,163
Secured by mortgage over other property	14,734,323	13,219,073
<i>Total loans secured by real estate</i>	<u>299,295,589</u>	<u>286,783,236</u>
Secured by funds	976,584	1,284,346
Partly secured by goods mortgage	3,664,284	3,361,646
Wholly unsecured	812,869	622,870
	<u>304,749,327</u>	<u>292,052,098</u>
It is not practicable to value all collateral as at the balance date due to the variety of assets and their condition. A breakdown of the quality of the residential mortgage security on a portfolio basis is as follows:		
Loan to value ratio of 80% or less	248,874,503	237,945,461
Loan to value ratio of more than 80% but mortgage insured	17,264,490	15,194,299
Loan to value ratio of more than 80% not mortgage insured	18,422,273	20,424,403
	<u>284,561,266</u>	<u>273,564,163</u>

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.

Notes to the Financial Statements

For the year ended 30 June 2021

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.

	2021	2020
	\$	\$
- Victoria	292,761,497	281,327,976
- New South Wales	9,613,877	9,443,347
- Other	2,373,953	1,280,775
	<u>304,749,327</u>	<u>292,052,098</u>

11. IMPAIRMENT OF LOANS AND ADVANCES

	2021	2020
	\$	\$
Total provision comprises of		
Expected credit loss allowance	345,182	454,086
Total provision	<u>345,182</u>	<u>454,086</u>

Amounts arising from expected credit loss:

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

Notes to the Financial Statements

For the year ended 30 June 2021

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

Reconciliation of allowance for impairment

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

Credit risk exposure under expected credit loss - 2020	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL	Lifetime ECL	
Loan category	2021	2021	2021	2021
	\$	\$	\$	\$
<i>Mortgages loans – secured by residential property (residential and commercial)</i>				
Up to 30 days	296,907,438	1,166,352	-	298,073,790
More than 30 days, but less than 90 days	-	537,269	-	537,269
More than 90 days, but less than 180 days	-	-	293,624	293,624
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	390,906	390,906
<i>Personal loans – secured & under secured (including overdrafts/overdrawn)</i>				
Up to 30 days	4,300,514	-	11,026	4,311,540
More than 30 days, but less than 90 days	-	5,561	2,319	7,880
More than 90 days, but less than 180 days	-	-	2,850	2,850
More than 180 days, but less than 270 days	-	-	71,273	71,273
More than 270 days, but less than 365 days	-	-	8,454	8,454
More than 365 days	-	-	75,157	75,157
<i>Secured by funds</i>	976,584	-	-	976,584
Total carrying amount – gross	302,184,536	1,709,182	855,609	304,749,327
Less expected credit loss allowance	(54,109)	(127,699)	(163,374)	(345,182)
Total carrying amount – net	302,130,427	1,581,483	692,237	304,404,148
Security analysis -Stage 2 & Stage 3				
Estimated collateral – after discount	N/A	1,537,900	991,200	N/A

Notes to the Financial Statements

For the year ended 30 June 2021

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

Credit risk exposure under expected credit loss - 2021	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loan category	2020 \$	2020 \$	2020 \$	2020 \$
<i>Mortgages loans – secured by residential property (residential and commercial)</i>				
Up to 30 days	271,750,213	14,397,564	-	286,147,777
More than 30 days, but less than 90 days	-	139,469	-	139,469
More than 90 days, but less than 180 days	-	-	-	-
More than 180 days, but less than 270 days	-	-	193,283	193,283
More than 270 days, but less than 365 days	-	-	41,490	41,490
More than 365 days	-	-	178,874	178,874
<i>Personal loans – secured & under secured (including overdrafts/overdrawn)</i>				
Up to 30 days	3,697,023	116,159	3,427	3,816,609
More than 30 days, but less than 90 days	-	54,647	886	55,533
More than 90 days, but less than 180 days	-	-	1,176	1,176
More than 180 days, but less than 270 days	-	-	75,931	75,931
More than 270 days, but less than 365 days	-	-	78,665	78,665
More than 365 days	-	-	38,945	38,945
<i>Secured by funds</i>	1,284,346	-	-	1,284,346
Total carrying amount – gross	276,731,582	14,707,839	612,677	292,052,098
Less expected credit loss allowance	(52,552)	(216,695)	(184,839)	(454,086)
Total carrying amount – net	276,679,030	14,491,144	427,838	291,598,012
Security analysis -Stage 2 & Stage 3				
Estimated collateral – after discount	N/A	15,768,264	632,100	N/A

Notes to the Financial Statements

For the year ended 30 June 2021

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

Reconciliation of allowance for impairment

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

2021:

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

During the 2021 financial year, there was no significant change to the gross carrying amount of financial instruments subject to the expected credit loss provision.

2020:

Movement category	Stage 1	Stage 2	Stage 3	Total
	12 month	Lifetime	Lifetime	
	ECL	ECL	ECL	
	2020	2020	2020	2020
	\$	\$	\$	\$
Balance at 1 July per AASB 9	38,577	52,948	49,399	140,924
Transfers between stages	-	(15,844)	15,844	-
Movement due to increase in loans & advances	6,892	-	-	6,892
Movement due to change in credit risk	-	179,591	223,744	403,335
Bad debts written off from provision	-	-	(104,148)	(104,148)
Changes in model/risk parameters	7,083	-	-	7,083
Balance at 30 June 2020	52,552	216,695	184,839	454,086

Notes to the Financial Statements

For the year ended 30 June 2021

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

	2021 \$	2020 \$
Loans restructured		
During the year, some loans that were previously past due or impaired, have been restructured by the Credit Union.		
Loans restructured at beginning of financial year	3,692,073	2,418,687
Loans restructured during the financial year	4,204,112	6,787,016
Loans restructured during the financial year – moved from Stage 2 or Stage 3, to Stage 1	(161,481)	-
Loans restructured/transferred to non-impaired status during financial year	(4,305,522)	(5,513,630)
Balance at the end of the financial year	3,429,182	3,692,073
Sale of asset acquired through enforcement of security		
Opening balance of enforcement security	-	-
Real estate acquired through enforcement of security	-	-
Expenses	-	-
Proceeds from sale of property & insurance claim	-	-
Balance of loan written off	-	-
Specific provision for impairment written back	-	-
Balance at the end of the financial year	-	-

12. OTHER FINANCIAL ASSETS

Equity investment securities designated as fair value through other comprehensive income (FVOCI) – held at fair value		
- Shares in Cuscal Limited (a)	976,396	961,607
- Shares in TransAction Solutions Pty Ltd (b)	127,951	115,593
	1,104,347	1,077,200

(a) Cuscal Limited

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

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

(b) TransAction Solutions Pty Ltd

Transaction Solutions Pty Ltd (TAS) primary function is to provide a secure and stable platform for the Ultradata Credit Union Solution and Ultracs retail banking software used by the TAS Managed Services user group, of which the Credit Union is a party. TAS is an unlisted public

Notes to the Financial Statements

For the year ended 30 June 2021

12. OTHER FINANCIAL ASSETS (continued)

TransAction Solutions Pty Ltd (cont)

company. The shares held by the Credit Union are not tradeable in an open market. The Credit Union is not intending to dispose of these shares.

Management have used unobservable inputs to assess the fair value of the shares. The financial reports of TAS record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of TAS, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a deep and liquid market, a market value is not able to be determined readily. Management has determined that the net tangible asset per share (from the latest available financial statement) is a reasonable approximation of fair value based on the likely value available on a sale.

13. INTANGIBLE ASSETS

Computer software & licences

	2021 \$	2020 \$
At cost	1,163,112	1,128,830
Provision for amortisation	(1,055,865)	(980,821)
	107,247	148,009

Reconciliations

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

Computer software & licences

Balance at beginning of the year	148,009	200,396
Acquisitions	34,282	30,708
Internal Transfer (to)/from work in progress	-	-
Internal Transfer from prepaid assets	-	-
Disposals	-	-
Less amortisation	(75,044)	(83,095)
Balance at end of the year	107,247	148,009

14. PROPERTY, PLANT AND EQUIPMENT

Freehold land - at fair value	2,165,000	2,165,000
Buildings on freehold land – at fair value	1,910,000	1,910,000
Accumulated depreciation	(95,500)	(47,750)
Total buildings on freehold land	1,814,500	1,862,250
Plant and equipment- at cost	3,194,316	3,160,366
Accumulated depreciation	(2,190,923)	(2,054,148)
Total plant and equipment	1,003,393	1,106,218
Carrying amount of total property, plant & equipment	4,982,893	5,133,468

Notes to the Financial Statements

For the year ended 30 June 2021

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 2019	2,165,000	1,910,000	1,258,374	-	5,333,374
Additions	-	-	158,662	-	158,662
Revaluations	-	-	-	-	-
Internal transfers	-	-	-	-	-
Internal transfers to intangibles	-	-	-	-	-
Disposals	-	-	(106,750)	-	(106,750)
Depreciation	-	(47,750)	(204,068)	-	(251,818)
Balance at 30 June 2020	2,165,000	1,862,250	1,106,218	-	5,133,468
Balance at 1 July 2020	2,165,000	1,862,250	1,106,218	-	5,133,468
Additions	-	-	112,221	-	112,221
Revaluations	-	-	-	-	-
Internal transfers	-	-	-	-	-
Internal transfers to intangibles	-	-	-	-	-
Disposals	-	-	(42,621)	-	(42,621)
Depreciation	-	(47,750)	(172,425)	-	(220,175)
Balance at 30 June 2021	2,165,000	1,814,500	1,003,393	-	4,982,893

Notes to the Financial Statements

For the year ended 30 June 2021

14. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Valuations

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

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

As at 30 June 2021, the Credit Union performed an internal desktop assessment to confirm that the carrying value of land & buildings are not materially different from the property valuation prepared by the external valuer for 30 June 2019. While the 2021 assessment does not indicate impairment of land and buildings, it does present 'estimation uncertainty' regarding the valuation of the land and buildings by acknowledging that past cycles indicate a lag for property markets to react to economic events, and that the extent of any decline or incline in value is presently uncertain, and may depend on the length of the COVID-19 pandemic. The fair value assessed may change significantly and unexpectedly over a relatively short period of time.

The Directors believe that the valuations held are a reasonable approximation of fair value and have been recognised on this basis as at 30 June 2021.

15. INVESTMENT PROPERTY

	2021	2020
	\$	\$
At fair value	685,000	685,000
Accumulated impairment	-	-
Balance at end of the year	685,000	685,000

Reconciliation

Reconciliation of investment property is set out below:

Balance at beginning of the year	685,000	685,000
Acquisitions	-	-
Revaluation	-	-
Disposals	-	-
Impairment	-	-
Balance at end of the year	685,000	685,000

Notes to the Financial Statements

For the year ended 30 June 2021

15. INVESTMENT PROPERTY (continued)

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 20 for further information.

The investment properties were valued during the 2019 year by Erin York AAPI, Certified Practising Valuer of Opteon (Kyabram) and Andrew Grant AAPI, Certified Practising Valuer of Opteon (Shepparton) with the fair value of \$685,000.

As at 30 June 2021, the Credit Union performed an internal desktop assessment to confirm that the carrying value of investment property are not materially different from the property valuation prepared by the external valuer for 30 June 2019. While the 2021 assessment does not indicate impairment of investment property, it does present 'estimation uncertainty' regarding the valuation of the investment property by acknowledging that past cycles indicate a lag for property markets to react to economic events, and that the extent of any decline or incline in value is presently uncertain, and may depend on the length of the COVID-19 pandemic. The fair value assessed may change significantly and unexpectedly over a relatively short period of time.

The Directors believe that the valuations held are a reasonable approximation of fair value and have been recognised on this basis as at 30 June 2021.

Notes to the Financial Statements

For the year ended 30 June 2021

16. OTHER ASSETS

	2021	2020
	\$	\$
Prepayments	347,347	258,656
Sundry debtors	119,131	131,426
	466,478	390,082

17. DEPOSITS

On call deposits	318,273,537	254,170,483
Term deposits	150,982,417	134,822,536
	469,255,954	388,993,019

Maturity analysis

On call	318,273,537	254,170,483
Not longer than 3 months	60,205,591	49,644,049
Longer than 3 and not longer than 12 months	82,418,834	77,522,832
Longer than 1 and not longer than 5 years	8,357,992	7,655,655
	469,255,954	388,993,019

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.

Victoria	456,246,181	378,432,520
Other States	13,009,772	10,560,499
	469,255,954	388,993,019

18. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Trade creditors	535,100	464,992
Accrued interest payable	431,056	937,566
Accrued expenses	2,368,666	2,302,261
	3,334,822	3,704,819

Notes to the Financial Statements

For the year ended 30 June 2021

19. EMPLOYEE BENEFITS

	2021 \$	2020 \$
Current		
Accrued salaries and wages	(26,048)	26,048
Liability for long service leave	352,466	350,208
Liability for annual leave	371,019	321,370
Non-current		
Liability for long service leave	39,365	28,401
	736,802	726,027

20. LEASES

(a) Credit Union as a lessee

Nature of the leasing activities

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

Terms and conditions of leases

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

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

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

Right-of-use assets

	2021 \$	2020 \$
At cost	1,357,502	1,357,502
Addition	9,580	-
Accumulated depreciation	(213,350)	(106,359)
Balance at end of the year	1,153,732	1,251,143

Notes to the Financial Statements

For the year ended 30 June 2021

20. LEASES (continued)

Reconciliation of the carrying amount of each class of right-of-use assets is set out below:

	Land and buildings \$	Total \$
Balance at 1 July 2020	1,251,143	1,251,143
Depreciation charge	106,991	106,991
Additions to right- of-use assets	9,580	9,580
Reductions in right-of-use assets due to changes in lease liability	-	-
Impairment of right-of-use assets	-	-
Balance at 30 June 2021	1,153,732	1,153,732

	Land and buildings \$	Total \$
Balance at 1 July 2019	1,357,502	1,357,502
Depreciation charge	106,359	106,359
Additions to right- of-use assets	-	-
Reductions in right-of-use assets due to changes in lease liability	-	-
Impairment of right-of-use assets	-	-
Balance at 30 June 2020	1,251,143	1,251,143

Lease liabilities

	2021 \$	2020 \$
Current		
Not later than 1 year	72,390	65,313
Non-current		
Later than 1 year	1,171,856	1,233,780
Total	1,244,246	1,299,093

Notes to the Financial Statements

For the year ended 30 June 2021

20. LEASES (continued)

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

	2021 \$	2020 \$
Current		
Not later than 1 year	160,963	158,107
Non-current		
Later than 1 year and not later than 5 years	561,174	593,913
Later than 5 years	1,284,078	1,392,332

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

Extension options

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

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

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

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

Income statement

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

	2021 \$	2020 \$
Interest expense on lease liabilities	94,281	97,303
Rental expense relating to variable lease payments not included in the measurement of lease liabilities	51,965	58,094
Rental expense relating to short-term leases	13,068	12,250
Rental expense relating to low-value assets	29,886	17,434
Income from sub-leasing right-of-use assets	-	-

Notes to the Financial Statements

For the year ended 30 June 2021

20. LEASES (continued)

Statement of cash flows

	2021 \$	2020 \$
Total cash outflow for leases	54,847	58,408

Exemptions applied

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

Key assumptions used in calculations

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

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

(b) Credit Union as a lessor

OPERATING LEASES

Nature of the leasing activities

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

Terms and conditions of leases

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

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

Notes to the Financial Statements

For the year ended 30 June 2021

20. LEASES (continued)

Income statement

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

	2021 \$	2020 \$
Lease/rental income (excluding variable lease payments not dependent on an index or rate)	-	-
Lease/rental income relating to variable lease payments not dependent on an index or rate	26,697	44,154
Total lease/rental income relating to investment properties	26,697	44,154
Direct operating expenses (including repairs & maintenance) arising from investment property that generated rental income during the period	-	1,799
Direct operating expenses (including repairs & maintenance) arising from investment property <u>that did not</u> generate rental income during the period	-	-
Total direct operating expenses relating to investment properties	-	1,799

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

	2021 \$	2020 \$
< 1 year	55,619	24,904
1-2 years	33,392	14,938
2-3 years	8,828	-
3-4 years	-	-
4-5 years	-	-
> 5 years	-	-
Total undiscounted lease payments receivable	97,839	39,842

FINANCE LEASES

Nature of the leasing activities

The Credit Union is not the lessor in any arrangements assessed as a finance lease.

Notes to the Financial Statements

For the year ended 30 June 2021

21. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2021 \$	2020 \$
(a) Cash flow from operating activities		
Profit after income tax	1,409,841	1,467,233
<i>Non cash flows in operating surplus/(deficit):</i>		
Charge/(Reversal) for bad and doubtful debts	(107,602)	422,224
Depreciation of property, plant & equipment	220,175	251,818
Depreciation of right of use asset	106,991	106,359
Amortisation of intangible assets	75,044	83,095
Loss on sale of asset	14,985	23,878
Gain on revaluation of investment property and equipment	-	-
<i>Changes in assets and liabilities:</i>		
Increase/(Decrease) in employee benefits	10,775	41,731
(Increase)/Decrease in accrued receivables	(101,107)	37,634
(Increase)/Decrease in other financial assets	(9,965)	(18,908)
(Increase)/Decrease in deferred tax asset	14,042	(81,130)
(Increase)/Decrease in income tax receivable	(192,005)	(61,811)
(Increase)/Decrease in other assets	(76,396)	128,160
Increase/(Decrease) in payables and accruals	(369,997)	(152,582)
Increase/(Decrease) in income tax payable	-	(255,594)
Increase/(Decrease) in deferred tax liability	(2,152)	(2,928)
Net cash from revenue activities	<u>992,629</u>	<u>1,989,179</u>
Add/(deduct) non revenue operations:		
Increase in loan balance	(12,698,531)	(6,231,219)
Increase in deposits and short term borrowings	80,262,936	38,741,718
Cash flow from operating activities	<u>68,557,034</u>	<u>34,499,678</u>

(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.

Notes to the Financial Statements

For the year ended 30 June 2021

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

(c) Bank overdraft facility

The Company has an overdraft facility available to the extent of \$5,000,000 (2020: \$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 2.60% (2020: 2.75%). As at 30 June 2021 the utilised portion of the facility was \$Nil (2020: \$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.

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 25 – Risk Management Objectives and Policies.

Notes to the Financial Statements

For the year ended 30 June 2021

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

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

22. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

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

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

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

Security analysis of credit related commitments	Credit related commitments		Financial guarantees	
	2021 \$	2020 \$	2021 \$	2020 \$
Secured by:				
Secured by mortgage over real estate	13,103,195	6,952,591	233,788	205,690
Secured by funds	622,501	646,667	74,170	74,170
Partly secured by goods mortgage	109,281	96,069	-	-
Fully unsecured	995,210	1,041,384	-	-
Total	14,830,187	8,736,712	307,958	279,860

Other contingent liabilities

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

As a member of CUFSS, the Credit Union:

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

Notes to the Financial Statements

For the year ended 30 June 2021

23. OUTSOURCING ARRANGEMENT

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

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

24. KEY MANAGEMENT PERSONNEL

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

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.

Notes to the Financial Statements

For the year ended 30 June 2021

24. KEY MANAGEMENT PERSONNEL (continued)

Key management personnel compensation

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

	2021 \$	2020 \$
Short-term employee benefits	1,120,721	1,074,493
Other long term benefits	13,281	(9,673)
Post employment benefits	105,494	99,153
	1,239,496	1,163,974

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.

Loans to key management personnel and other related parties

The table below explains the Credit Union's loans to key management personnel during 2021 and 2020 financial years:

	2021 \$	2020 \$
Beginning of the year	1,126,710	1,379,696
Loan advanced	444,500	158,600
Loan repayments received	465,278	456,294
Interest Charged	-	-
Interest Received	32,055	44,708
End of Year	1,137,987	1,126,710

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.

Revolving credit facilities \$28,000 (2020: \$28,000) were made available to Directors and key management personnel during the year. The aggregate amount receivable at 30 June 2021 was \$Nil (2020: \$Nil). Mrs R Hearn, Mr P Cross and Mr R Chaston).

Notes to the Financial Statements

For the year ended 30 June 2021

24. KEY MANAGEMENT PERSONNEL (continued)

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

There were no other amounts receivable at 30 June 2021 (2020: \$Nil) nor were any other loans advanced during the period.

'Deposits from key management personnel and other related parties'

	2021 \$	2020 \$
Total value Term and Saving Deposits from key management personnel	262,272	387,300
Total interest paid on deposits to key management personnel	360	3,098

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.

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

Notes to the Financial Statements

For the year ended 30 June 2021

25. RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

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

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

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

The main elements of risk governance are as follows:

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

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

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

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

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

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

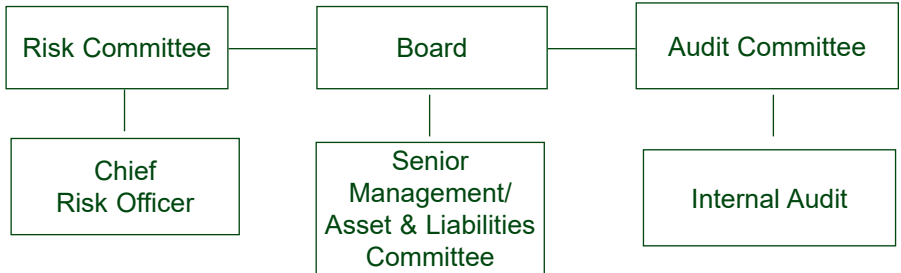
Notes to the Financial Statements

For the year ended 30 June 2021

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Introduction (continued)

The following diagram gives an overview of the structure.



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

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

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

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

Market risk

The objective of 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.

Notes to the Financial Statements

For the year ended 30 June 2021

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Market risk is the risk that changes in interest rates, or other prices and volatilities will have an adverse effect on the Company's financial condition or results. 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 26 below. The table set out in Note 26 displays the period that each asset and liability will reprice as at the balance date. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

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.

Notes to the Financial Statements

For the year ended 30 June 2021

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Based on independent Value at Risk (VaR) calculations as at 30 June 2021 using a 10-day holding period and a 99% confidence level, the VaR was 4.00% of capital (2020: 0.40%).

Based on independent Earnings at Risk (EaR) calculations as at 30 June 2021 using a shift in interest rates of 100 basis points for one year, EaR was \$834,846 (2020: \$156,706).

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 21 (c) describes the overdraft facilities as at the balance date. These facilities are in addition to the support from CUFSS.

Bendigo and Adelaide Bank non-securitisation lending facility

On 1 October 2014 GMCU entered into an APRA approved Receivables Acquisition and Servicing Agreement with the Bendigo and Adelaide Bank (Bendigo). This off-Balance Sheet loan funding facility is designed to cater for larger loans and/or high loan demand that on-Balance Sheet liquidity cannot readily address. Under this arrangement the Credit Union will assign mortgage secured loans to Bendigo at the book value of the loans, subject to acceptable documentation criteria with a complete absence of any securitisation vehicle and/or securitisation related matters. The Credit Union will contract directly with Bendigo and will be responsible for ensuring the funding program is suitable for the organisation as well as its ongoing availability and administration. The loans transferred qualify for de-recognition on the basis that the assignment transfers all the risks and rewards to Bendigo and there are no residual 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 (2020: \$Nil).

Notes to the Financial Statements

For the year ended 30 June 2021

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

CUSCAL

The Credit Union holds a total of \$9,710,000 in a Settlement Security Deposit and Overdraft Security deposit with Cuscal which is detailed at Note 23 (d). Under this arrangement, Cuscal facilitate the settlement obligations of the Credit Union.

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

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

	2021	2020
Minimum Liquidity Holdings	34.25%	30.58%

Credit risk

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

Credit risk – loans and advances

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

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

Past due and impaired

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2021

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk – loans and advances (continued)

For financial assets recognised on balance sheet, the maximum exposure to credit risk equals their carrying amount. Credit risk also includes off balance sheet exposures, such as approved but undrawn loans and credit limits, which are disclosed in Note 22 Contingent Liabilities and Credit Commitments.

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

Notes to the Financial Statements

For the year ended 30 June 2021

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk – loans and advances (continued)

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

Concentration risk – Individuals

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

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

The Company's policy on exposures of this size is to 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.

Notes to the Financial Statements

For the year ended 30 June 2021

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquid investments

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

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

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

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

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.

Notes to the Financial Statements

For the year ended 30 June 2021

25. 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, noting that cyber attack is a significant risk identified. 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.

Notes to the Financial Statements

For the year ended 30 June 2021

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital Management

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

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

The market risk component is not required as 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.

Notes to the Financial Statements

For the year ended 30 June 2021

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital adequacy ratio calculation

	2021 \$	2020 \$
Capital adequacy ratio calculation		
Tier 1		
Net Tier 1 capital	48,027,316	46,684,362
Tier 2		
Net Tier 2 capital	1,207,479	1,088,324
Total Capital	49,234,795	47,772,686
Capital adequacy ratio	20.03%	22.06%

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 14% and additionally to the regulator if the capital ratio falls below 12%. Further a 5 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Pillar 2 Capital on Operational Risk

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

Based on this approach, the Company's operational risk requirement at 30 June 2021 is as follows:

Operational risk capital \$26,646,698 (2020: \$23,970,964)

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

Notes to the Financial Statements

For the year ended 30 June 2021

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Internal capital adequacy management

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

Public disclosure of capital

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

Notes to the Financial Statements

For the year ended 30 June 2021

26. FINANCIAL INSTRUMENTS (continued)

(a) Interest rate risk

Financial instruments	Floating interest rate		Fixed interest rate maturing in:						Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate	
	2021 \$'000	2020 \$'000	1 year or less		Over 1 to 5 years		Over 5 years		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 %	2020 %
			2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000						
Financial assets:														
Cash and cash equivalents *	9,850	15,980	198,423	124,468	-	-	-	-	3,069	2,511	211,343	142,959	0.79	0.93
Receivables	-	-	-	-	-	-	-	-	334	233	334	233	N/A	N/A
Other investments	-	-	-	-	-	-	-	-	1,104	1,077	1,104	1,077	N/A	N/A
Loans and advances	220,831	250,859	29,572	8,715	53,358	31,762	262	642	-	-	304,404	291,598	3.50	4.15
Total financial assets	230,682	266,839	227,995	133,183	53,358	31,762	262	642	4,508	3,821	517,185	435,867		
Financial liabilities:														
Deposits	318,274	254,170	142,624	127,167	8,358	7,656	-	-	-	-	469,256	388,993	0.49	1.17
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Short-term borrowings	-	-	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Payables	-	-	-	-	-	-	-	-	3,335	3,705	3,335	3,705	N/A	N/A
Total financial liabilities	318,248	254,170	142,624	127,167	8,358	7,656	-	-	3,335	3,705	472,591	392,698		

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

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

Notes to the Financial Statements

For the year ended 30 June 2021

26. FINANCIAL INSTRUMENTS (continued)

(b) Maturity profile of financial assets and liabilities

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

Financial instruments	Within 3 months		From 3 to 12 months		From 1 to 5 years		More than 5 years		No maturity		Total cash flows		Total carrying amount as per the Statement of Financial Position	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Financial assets:														
Cash and cash equivalents*	72,015	30,852	38,708	21,731	91,688	75,434	-	-	12,920	18,491	215,330	146,508	211,343	142,959
Receivables	-	-	-	-	-	-	-	-	-	-	-	-	334	233
Loans and advances	6,043	5,959	17,272	17,095	85,402	84,367	313,380	320,346	-	-	422,097	427,767	304,404	291,598
Other investments	-	-	-	-	-	-	-	-	1,104	1,077	1,104	1,077	1,104	1,077
Total financial assets	78,058	36,811	55,980	38,826	177,090	159,801	313,380	320,346	14,024	19,568	638,531	575,353	517,185	435,868
Financial liabilities:														
Deposits	63,859	53,317	79,265	75,223	8,409	7,817	-	-	318,333	254,343	469,867	390,700	469,256	388,993
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payables	-	-	-	-	-	-	-	-	2,904	2,767	2,904	2,767	3,335	3,705
Total financial liabilities	63,859	53,317	79,265	75,223	8,409	7,817	-	-	321,237	257,110	472,771	393,467	472,591	392,698

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

Notes to the Financial Statements

For the year ended 30 June 2021

26. FINANCIAL INSTRUMENTS (continued)

(c) Net fair values

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

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

Recognised financial instruments

Cash and cash equivalents

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

Current securities and investments

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

Other receivables

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

Loan and advances

The fair values of loans receivable excluding impaired loans are estimated using a method not materially different from discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by using a method not materially different from discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows. The carrying amount of loans at 30 June 2021 approximates net fair value.

Members deposits

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

Trade and other payables

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

Other Financial Assets

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

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

Notes to the Financial Statements

For the year ended 30 June 2021

26. FINANCIAL INSTRUMENTS (continued)

(d) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	2021 \$	2020 \$
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	84,778,960	49,005,314
Receivables due from other financial institutions	126,563,564	93,953,890
Other receivables	334,360	233,253
Loans and advances (gross)	304,749,327	292,052,098
	<u>516,426,211</u>	<u>435,244,555</u>
Financial assets at fair value through other comprehensive income (FVOCI)		
Other financial assets	1,104,347	1,077,200
	<u>517,530,558</u>	<u>436,321,755</u>
Financial liabilities		
Financial liabilities at amortised cost		
Accounts payable and other liabilities	3,334,822	3,704,819
Deposits from members	469,255,954	388,993,019
Total financial liabilities	<u>472,590,776</u>	<u>392,697,838</u>

27. FAIR VALUE MEASUREMENT

Fair value hierarchy

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

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

2020	Level 1	Level 2	Level 3	Total
Assets measured at fair value	\$	\$	\$	\$
Land and buildings	-	4,075,000	-	4,075,000
Investment property	-	685,000	-	685,000
Other financial assets (at FVOCI)	-	-	1,077,200	1,077,200
Total	<u>-</u>	<u>4,760,000</u>	<u>1,077,200</u>	<u>5,837,200</u>

Notes to the Financial Statements

For the year ended 30 June 2021

27. FAIR VALUE MEASUREMENT (continued)

The Credit Union has assessed that, at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Note 26(c).

Assets measured at fair value based categorised as Level 2

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

Assets measured at fair value based categorised as Level 3

Movement category	Other financial assets (at FVOCI)	
	Total	
	2021 \$	2020 \$
Balance at 1 July per AASB 139	N/A	N/A
Adjustment on initial application of AASB 9	N/A	N/A
Balance at 1 July per AASB 9	1,077,200	1,004,478
Revaluation through other comprehensive income	27,147	72,722
Impairment through profit or loss	-	-
Closing balance - at 30 June	1,104,347	1,077,200

Notes to the Financial Statements

For the year ended 30 June 2021

28. CAPITAL EXPENDITURE COMMITMENTS

Estimated capital expenditure contracted for at balance date but not provided for:

- payable not later than one year

	2021	2020
	\$	\$
	-	-
	-	-

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.

29. SUBSEQUENT EVENTS

Other than the ongoing impact of the coronavirus (COVID-19 Pandemic), there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union in subsequent financial years.

Directors' declaration

The Directors of the Company declare that:-

1. the financial statements and notes, set out on pages 8 to 71, 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 2021 and of its performance for the year ended on that date; and
 - (b) complying with the Australian Accounting Standards and Corporations Regulations; and
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



.....
E Stragalinos – Chair



.....
J Calleja – Deputy Chair

Dated at Shepparton on this 23rd day of September 2021.

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

Opinion

We have audited the financial report of Goulburn Murray Credit Union Co-operative Limited (the Credit Union), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Credit Union's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information contained in the Credit Union's Annual Report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

- 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.

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

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

CROWE ALBURY**BRADLEY D BOHUN****Partner**
23 September 2021
Albury

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