2020 Annual Report

Goulburn Murray Credit Union Co-operative Ltd.

gmcu.com.au

Board of Directors

Eugenie Stragalinos	Board Chair
John Calleja	Deputy Board Chair
Geoff Cobbledick	Board Member
Eileen Curtis	Board Member
Frank Mandaradoni	Board Member
Robert Morris	Board Member
Steven Shaw	Board Member

Chair’s Report

Fellow Members, it gives me great pleasure to present the Chair’s Report, in my first year as Chair of the Goulburn Murray Credit Union (GMCU).

This year has been a year like no other. With the World Health Organisation declaring a world-wide pandemic, the 2020 financial year has been an extremely challenging year for our members, the community, our industry, and the broader global and national economies.

Our performance over the last financial year reflects the impacts of these events and demonstrates the resilience of the GMCU.

The emergence of the COVID-19 global health emergency and resulting economic shocks both globally and nationally, has resulted in significant deterioration of economic settings. The effects of which we will be dealing with for the foreseeable future. Interest rates are at record lows, and governments have announced extraordinary support measures which recognises that economic recovery may take quite some time.

Despite the continuing reductions in the target cash rate, GMCU’s strong financial position has allowed us to be well placed to continue to help our members reach their financial goals. This has also allowed us to continue to invest in the longer-term sustainability of our organisation and our ability to continue to contribute to the regions and communities in which we operate.

Our Financial Performance for this year shows that the GMCU has recorded:

- An increase in assets of $41 million (10.22%)
- An increase in loans of $5.8 million (2.03%)
- An increase in deposits of $38 million (11.06%)
- An operating profit after tax $1.46 million (2018/19 $2.54 million)

In addition, our capital position remains strong at 22.06%.

This year has also seen GMCU make significant progress in the delivery of our strategy. Initiatives focused on the continued enhancement of GMCU’s technology and digital platforms, the rollout of the pilot “Your Financial Wellness” financial wellbeing initiative (in conjunction with UNSW) and the conclusion of our first full scale customer research and feedback program which contribute to enhancing products and services for members.

We have also delivered several key initiatives focussed on further assisting our members during this period:

- Fee reductions and waivers across a range of GMCU products and services
- Financial support for impacted borrowers through deferral of repayments
- Increased accessibility to electronic banking methods, including proactive campaigns to support members in accessing these services and changes to contactless transaction limits, and
- Participation in the government-guaranteed Small and Medium Enterprise (SME) loan scheme

GMCU remains committed to increasing the relevance and accessibility of our products and services, and this has already seen card and electronic transaction fees alone reduced by over $151,000 (17%) this year.

With the emergence of the COVID-19 pandemic, our ongoing focus remains on keeping our staff, members, and communities safe. Throughout this pandemic we ensured that banking services remained fully accessible to our almost 20,000 members. This has only been achieved from the combined efforts of our staff and members, and I would personally like to thank all our members for their co-operation in adapting to new protocols that enabled us to remain operational.

This last year has further demonstrated how adaptable and resilient our communities and our organisation truly are. Like many organisations, GMCU has introduced new remote and digital ways of working and we look forward to maintaining these practices over the longer term.

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

I would like to make special mention of Directors Geoff Cobbledick and Frank Mandaradoni who retire by rotation this year and will not be seeking re-election at this year's AGM. Both Geoff and Frank have been significant contributors to GMCU over many years, Frank joining the GMCU Board in 1996 and Geoff in 2008. Their dedication and sound stewardship have been very much appreciated, and their valuable contributions will be missed.

I would personally also like to thank Geoff for his guidance and support as he transitioned from the role of Board Chair. Geoff has always provided sound advice and strong leadership and I am grateful of Geoff's guidance over the past twelve months.

I would also like to thank Natalie Goodall for her contribution during her brief term on the GMCU Board and wish her the best of luck with her future endeavours. The Board has subsequently welcomed Steven Shaw who joined the Board in July 2020. I look forward to the insights Steve's extensive experience will enable him to bring to Board deliberations.

During this year we also farewelled Peter Thomas from our Executive team, after over 20 years of dedicated service and commitment to GMCU. Peter left the organisation to take on a new opportunity, and we wish Peter all the best for his future endeavours and thank Peter for his years of service.

I congratulate all of our management and staff on an excellent year. We are indeed fortunate to have such a dedicated and talented team working to enhance the banking experience of our members, thank you.

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 2020 and the auditor's report thereon.

Directors

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

Geoff Cobbledick MEd DipBus FCPA
Board Chair (up to Nov 19)
Occupation: Director
Director since: 2008

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

Eugenie Stragalinos BCom CPA MAICD
Board Chair (from Nov 19)
Chair – People & Culture (up to Nov 19)
Occupation: Director & Principal, ems Consulting Director since: 2016

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

Steven Shaw BBus
Occupation: Consultant & Advisor
Director since: 1 June 2020

Fiona Merrylees BA LLB
Deputy Board Chair (up to Nov 19)
Occupation: Lawyer
Director: 2005 – Nov 2019

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

John Calleja CA, MApFin, BCom, GAICD
Deputy Board Chair (from Nov 19)
Chair – People & Culture (from Nov 19)
Occupation: Chief Executive Officer
Director since: 2017

Natalie Goodall
Occupation: Self Employed
Director since: Nov 2019 – April 20

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

Directors' meetings

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

Director	Board of Directors' Meetings		Audit		Governance		People & Culture		Risk	
	A	B	A	B	A	B	A	B	A	B
F Mandaradoni	11	10	9	9	2	2	-	-	8	6
R Morris	11	10	9	7	3	3	-	-	8	6
E Curtis	11	11	9	8	1	1	4	4	-	-
E Stragalinos	11	11	4	4	1	1	4	4	8	7
F Merrylees	4	4	-	-	-	-	1	1	5	3
G Cobbledick	11	11	5	4	2	2	4	4	8	8
J Calleja	11	11	9	9	2	2	3	3	-	-
N Goodall	4	3	-	-	-	-	-	-	2	2
S Shaw	1	1	-	-	-	-	-	-	1	1

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

Company secretary

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

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

Principal activities

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

Operating & Financial Review

The profit for the financial year before income tax was $1,989,003 (2019: $3,522,500). Income tax was $521,762 (2019: $980,936). Profit after tax for 2020 was $1,521,055 (2019: $2,541,564).

Review of operations

Net loans for the year have increased by $5,808,995 to $291,598,012.
Member deposits increased during the year by $38,741,718 to $388,993,019.
Members' equity during the year has increased by $1,521,055 to $48,981,754.

There were no significant changes in the operations of the Credit Union, other than the impact of the Coronavirus (COVID-19) pandemic. The rapid rise of COVID-19 has seen an unprecedented global response by Governments, regulators and industry sectors. This has included an increased level of restrictions on corporate Australia's ability to operate, significant volatility and instability in financial markets and the release of a number of government stimulus packages to support individuals and businesses as the Australian and global economies face significant slowdowns and uncertainties.

The Credit Union received a number of COVID-19 related hardship applications from customers regarding their loan facilities during the 2020 financial year, which has been taken into account in the expected credit loss provision as at 30 June 2020.

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.

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 2020 has been received and can be found on page 7 of the financial report.

Dated at Shepparton this 23rd day of September 2020.

Signed in accordance with a resolution of the Directors.

E Stragalinos – Chair	J Calleja – Deputy Chair

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

PO Box 500
Albury NSW 2640 Australia

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

Auditor Independence Declaration Under 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 2020 there have been no contraventions of:

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

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

CROWE ALBURY

Crowe

BRADLEY D BOHUN

Partner

23 September 2020
Albury

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	2020 $	2019 $
Interest revenue	2	13,775,665	15,202,904
Interest expense	2	(4,450,995)	(5,143,750)
Net interest income		9,324,670	10,059,154
Non-interest revenue	3	2,315,129	2,313,191
General and administration	3	(7,541,154)	(7,151,628)
Net impairment (loss)/gain on financial assets		(422,224)	(45,770)
Occupancy expenses		(324,201)	(452,515)
Depreciation and amortisation expense	3	(441,272)	(350,096)
Fees and commission expense		(921,949)	(849,836)
Profit before tax		1,988,999	3,522,500
Income tax expense	5	(521,766)	(980,936)
Profit after tax		1,467,233	2,541,564
Other comprehensive income			
Gain/(loss) on the revaluation of land and buildings, net of tax		-	299,226
Gain/(loss) on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		53,814	-
Other comprehensive income for the year, net of tax		53,814	299,226
Total comprehensive income for the year		1,521,047	2,840,790

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 73.

Statement of Financial Position

As at 30 June 2020

	Note	2020 $	2019 ** $
ASSETS			
Cash and cash equivalents	7	49,005,314	56,538,462
Receivables due from other financial institutions	8	93,953,890	52,085,972
Receivables	9	233,253	270,887
Loans and advances	10	291,598,012	285,789,017
Other financial assets	12	1,077,200	1,004,478
Other assets	16	390,082	518,242
Investment property	15	685,000	685,000
Property, plant and equipment	14	5,133,468	5,333,374
Right-of-use assets	20	1,251,143	-
Deferred tax asset	6	339,241	258,111
Intangible assets	13	148,009	200,395
Current tax asset	6	61,811	-
TOTAL ASSETS		443,876,423	402,683,938
LIABILITIES			
Deposits	17	388,993,019	350,251,301
Accounts payables and other liabilities	18	3,704,819	3,857,401
Current tax payable	6	-	255,594
Employee benefits	19	726,027	684,296
Lease liabilities	20	1,299,093	-
Deferred tax liability	6	171,721	174,649
TOTAL LIABILITIES		394,894,679	355,223,241
NET ASSETS		48,981,744	47,460,697
EQUITY			
Reserves		3,107,026	2,908,865
Retained profits		45,874,718	44,551,832
TOTAL EQUITY		48,981,744	47,460,697

*** The Credit Union has not restated comparatives when initially applying AASB 16 Leases. The comparative information has been prepared under AASB 117 Leases.*

The statement of financial position is to be read in conjunction with the accompanying notes set out on pages 12 to 73.

Statement of Changes in Members Equity

Year ended 30 June 2019 **	Retained Profits $	Member Share Redemption Reserve $	Lending Risk Reserve $	Asset Revaluation Reserve $	Financial Asset Reserve	Total $
Opening balance at 1 July 2018	42,094,229	88,473	901,033	1,161,700	-	44,245,435
Effect of adoption of new accounting standards	(36,915)	-	-	-	411,387	374,472
Opening Balance at 1 July 2018 - restated	42,057,314	88,473	901,033	1,161,700	411,387	44,619,907
Profit after tax	2,541,564	-	-	-	-	2,541,564
Other comprehensive income for the period	-	-	-	299,226	-	299,226
Transfer to/(from) lending risk reserve	(44,786)	-	44,786	-	-	-
Transfer to member share redemption reserve	(2,260)	2,260	-	-	-	-
Closing balance at 30 June 2019	44,551,832	90,733	945,819	1,460,926	411,387	47,460,697
Year ended 30 June 2020						
Opening balance at 1 July 2019	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 2020	45,874,718	92,575	1,088,324	1,460,926	465,201	48,981,744

*** The Credit Union has not restated comparatives when initially applying AASB 16 Leases. The comparative information has been prepared under AASB 117 Leases.*

The statement of changes in members equity is to be read in conjunction with the accompanying notes set out on pages 12 to 73.

Statement of cash flows

For the year ended 30 June 2020

	Note	2020 $	2019 ** $
Cash flows from operating activities			
Interest received		13,813,298	15,311,583
Interest paid		(4,875,063)	(5,084,324)
Cash paid to suppliers and employees		(8,450,216)	(8,543,362)
Receipts from other services		2,443,293	2,156,592
Income tax paid		(942,133)	(974,394)
		1,989,179	2,866,095
Net movement in loans		(6,231,219)	(17,090,975)
Net movement in deposits and short-term borrowings		38,741,718	22,685,727
Net cash from/(used in) operating activities	21	34,499,678	8,460,847
Cash flows from investing activities			
Net movement in receivables due from other financial institutions		(41,867,918)	6,957,714
Payments for property, plant and equipment		(158,662)	(328,123)
Payments for intangible assets		(30,708)	(11,176)
Proceeds from sale of property, plant and equipment		82,870	124,546
Net cash from/(used in) investing activities		(41,974,418)	6,742,961
Cash flows from financing activities			
Repayment of the lease liabilities		(58,408)	-
Net cash from/(used in) financing activities		(58,408)	
Net increase/(decrease) in cash and cash equivalents		(7,533,148)	15,203,808
Cash and cash equivalents at 1 July		56,538,462	41,334,654
Cash and cash equivalents at 30 June	7	49,005,314	56,538,462

*** The Credit Union has not restated comparatives when initially applying AASB 16 Leases. The comparative information has been prepared under AASB 117 Leases.*

The statement of cash flows is to be read in conjunction with the accompanying notes set out on pages 12 to 73.

Notes to the Financial Statements

For the year ended 30 June 2020

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 2020.

(a) Statement of compliance

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

Not-for-profit status

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

(b) Basis of preparation

The financial statements are presented in Australian dollars.

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

Determination of fair values

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

Property, plant and equipment and investment property

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

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

Equity and investment securities

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

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

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

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

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

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'. The scenario testing undertaken indicates that key metrics such as Capital Adequacy and Liquidity are able to be maintained at levels above both statutory requirements and internal benchmarks for the forecasting period.

(c) Cash and cash equivalents

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

(d) Receivables due from other financial institutions

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

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.

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.

Measurement of ECL (continued)

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

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

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

The measurement of ECL reflects:

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

Critical accounting estimates and judgments in the ECL

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

Assumptions used for estimating impairment

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Provision for impairment / expected credit losses of financial assets (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;
- Loan with approved hardship or modified terms.

Calculation of expected credit losses

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

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

Critical accounting estimates and judgments in the ECL (continued)

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

The EAD represents the expected exposure at default.

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

Incorporation of forward looking information

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

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

Grouping of loans for losses measured on a collective basis

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Sensitivity analysis and forward-looking information

The uncertainty in the current environment due to the COVID-19 pandemic introduced significant estimation uncertainty in relation to the measurement of the Credit Union's allowance for expected credit losses which could result in an understatement or overstatement due to the following factors:

- The extent and duration of measures to stop or reduce the speed and spread of the Covid-19 virus;
- The extent and duration of the economic downturn, along with the time required for economic activity to recover; and
- The effectiveness and extent of continued government stimulus measures, in particular their impact on the magnitude of economic downturn and the extent and duration of the recovery.

The Credit Union has prepared a sensitivity analysis over the allowance for expected credit losses taking into consideration the following individual scenarios across the Credit Union's loan portfolio. The scenarios, including its underlying indicators, have been developed using a combination of publicly available data, internal forecasts and third-party information to form the base case scenario

Base Case – the scenario was prepared using reasonable and supportable information that is relevant and available without undue cost or effort at balance date. The Credit Union took into consideration COVID-19 hardship loans, loan-to-value ratio on security for loans in hardship, borrower's capacity to repay and expected default of borrowers, unemployment rates, and a continuation of government policy to support to individuals (i.e. JobKeeper and JobSeeker).

Worse than Base case – this scenario considered a deterioration of borrower's capacity to repay and expected default of borrowers, a future increase in unemployment rates, and a price shock to the in the property market compared to the base case.

Better than Base case - this scenario considered an improvement in the borrower's capacity to repay and expected default of borrowers, a future decrease in unemployment rates, and an improvement to the property market compared to the base case.

The results of the sensitivity analysis performed, taking into consideration a probability weighted average of each different scenario eventuating, showed that the effect was not material compared to the Credit Union's base case allowance for expected credit losses. The Credit Union has elected to use the base case to measure its expected credit loss allowance at 30 June 2020.

Given the economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future period, expected credit losses reported by the Credit Union should be considered as a best estimate within a range of possibilities. The rapidly evolving consequences of COVID-19 and government, business and consumer responses could result in adjustments to the allowance within the next financial year.

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.

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.

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

Policy applicable after 1 July 2019

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 ot 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 fees income.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue recognition (continued)

Dividend income

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

Income from property

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

Government assistance

Grant assistance grant income is recognised in profit or loss when 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'.

Policy applicable before 1 July 2019

Prior to the adoption of AASB 15, fee and commission income were recognised when the fees and income could be reliably measured, and the receipt became highly probable.

Revenue recognition for interest revenue and income from property are not under AASB 15, and as such were not impacted by the AASB 15 adoption.

(o) Leases

Policy applicable after 1 July 2019

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Leases (continued)

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

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

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.

Policy applicable before 1 July 2019

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

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.

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 $142,505 to a lending risk reserve account as at 30 June 2020. 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.

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 tor the measurement of expected credit loss; and
- Establishing groups of similar financial assets for the purposes of measuring expected credit loss: When expected credit loss is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

- Note 14 - Fair value assumptions used for land and buildings;
- Note 12 – Fair value assumptions used for other financial assets;
- 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 2020

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

AASB 16 Leases

General impact of initial application

AASB 16 *Leases* replaced AASB 117 *Leases* from 1 July 2019.

AASB 16 introduces new or amended requirement with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use account and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets.

In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

Details of these new requirements are described in Note 1(o), including the recognition exemptions to lease accounting as a lessee for low-value assets and short-term leases.

The impact of the adoption of AASB 16 on the Credit Union's financial statements is described below.

Financial impact on initial application

When adopting AASB 16, the Credit Union has applied the modified retrospective (cumulative catch -up) method from 1 July 2019, and therefore the comparative information has not been restated and continues to be reported under AASB 117 *Leases* and related Interpretations.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The impact of adoption as at 1 July 2019 on assets and liabilities is detailed below:

	Note	Original 30 June 2019 balance (under AASB 117)	Change	New 1 July 2019 balance (under AASB 16)
Right-of-use assets	20	-	1,357,502	1,357,502
Lease liabilities	20	-	(1,357,502)	(1,357,502)
Net impact		**-**	**-**	**-**

As at 1 July 2019, the Credit Union's right-of-use assets relate to leased properties used by the Credit Union as member service centres.

The Credit Union have presented right-of-use assets and the lease liabilities on the face of the statement of financial position. To support the additional disclosure requirements introduced by AASB 16, the financial statements have a new dedicated leasing note (refer to Note 20).

The application of AASB 16 has also had an impact on the statement of cash flows, as detailed below:

- Short-term lease payments and payments for leases of low-value assets are including as part of operating activities, under payments to suppliers and employees;
- Cash paid for the interest portion of lease liability is included as part of operating activities; and
- Cash payments for the principal portion for lease liabilities is included as part of financing activities.

Under AASB 117, all lease payments on operating leases were presented as part of cash flows from operating activities.

The adoption of AASB 16 did not have an impact on net cash flows.

The following transition methods and practical expedients within AASB 16 were applied in adopting the standard:

- The Credit Union measured the lease liability at the present value of remaining lease payments, discounted using the Credit Union's incremental borrowing rate at the date of initial application (1 July 2019). The incremental borrowing applied at 1 July 2019 was 7.56%;
- The Credit Union recognised the right-of-use asset at an amount equal to the lease liability;
- The Credit Union applied a single discount rate to the portfolio of property leases, as they were assessed as having reasonably similar characteristics;
- The Credit Union elected not to apply the requirements of AASB 16 to leases for which the assessed lease term is within 12 months of the date of initial application. These are accounted for the same way as short-term leases; and
- The Credit Union used hindsight in determining the lease term, when the contracts contained extension options.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In selecting which practical expedients to apply, the Credit Union has focused on reducing the complexity of implementation.

Reconciliation to previously reported operating lease commitments note

	$
Operating lease commitments note from 2019 financial statements (gross)	757,122
Less: discounting impact using 1 July 2019 incremental borrowing rate of 7.56%	(147,878)
Operating lease commitments note from 2019 financial statements (discounted)	**609,244**
Add: impact from inclusion of extension options that the Credit Union is 'reasonably certain' to exercise	748,258
Lease liabilities as at 1 July 2019 (under AASB 16)	**1,357,502**

Lease liabilities as at 1 July 2019 under AASB 16 is higher than the discounted lease commitments note under AASB 117, due to AASB 16 requiring the Credit Union to include lease extension terms where the Credit Union is 'reasonably certain' to exercise the option. The AASB 117 disclosure is only based on the non-cancellable period.

There are 'reasonably certain' extension options for all the property leases, which have extended the assessed lease terms significantly under AASB 16. The extended term means an increased lease liability. Details of the extension options are detailed at Note 20.

AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations.

The new Standard has been applied as at 1 July 2019 (as a not-for-profit entity) using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2019 and comparatives are not restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 July 2019.

AASB 15 requires the identification of discrete performance obligations within a customer contract and an associated transaction price that is allocated to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the goods or services is transferred to the customer.

The adoption of AASB 15 did not materially impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities of the Credit Union, and as such there was no 1 July 2019 adjustment relating to this standard.

2. INTEREST REVENUE AND INTEREST EXPENSE

	2020 $	2019 $
Interest revenue		
Deposits with other financial institutions	1,790,326	2,447,246
Loans and advances	11,985,339	12,755,658
	13,775,665	15,202,904
Interest expense		
Member deposits	4,353,692	5,143,541
Short-term borrowings	-	209
Lease liabilities	97,303	-
	4,450,995	5,143,750

3. OPERATING REVENUE AND EXPENSES

	2020 $	2019 $
Depreciation and amortisation expense		
Depreciation of property, plant and equipment:		
- Plant and equipment	204,068	223,643
- Buildings	47,750	45,607
Depreciation of right-of-use assets	106,359	-
Amortisation of intangible assets	83,095	80,846
Total depreciation and amortisation expense	441,272	350,096
General and administration expense		
Personnel costs:		
- Wages and salaries	4,100,537	3,935,458
- Employee entitlements	15,678	(133,655)
- Superannuation contributions	439,753	426,239
EDP costs	915,459	901,591
Marketing and promotion	437,086	569,118
General administration	1,066,279	912,769
Other	566,362	540,108
Total general and administration expense	7,541,154	7,151,628

3. OPERATING REVENUE AND EXPENSES (continued)

	2020 $	2019 $
Revenue from contracts with customers		
Loan fees	258,960	236,680
Electronic transaction fees	560,175	652,795
Visa card fees	171,254	230,484
Other fees	303,535	341,463
Commissions – insurance	493,085	460,586
Commissions – card based/BPAY	161,237	202,856
Commissions – financial planning	10,905	17,356
Commissions – other	49,858	51,966
	2,009,009	2,194,186
Other sources of income		
Rent	44,154	52,183
Dividends	58,827	27,996
Gain on Revaluation of Investment Property	-	25,000
Bad debts recovered	1,066	7,388
Other income	152,073	6,438
Government Grants	50,000	6,438
	306,120	119,005
Total non-interest revenue	2,315,129	2,313,191

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 2020

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.

4. AUDITOR'S REMUNERATION

	2020 $	2019 $
• Amounts received or due and receivable by the External Auditor of the Company (including GST) for:		
• Audit of the financial statements of the Company	83,688	81,252
• Other regulatory assurance service	21,390	25,933
• Other services in relation to the Company	16,896	13,221
	121,974	120,406

5. INCOME TAX

	2020 $	2019 $
Profit before tax	1,988,999	3,522,500
Prima facie income tax expense calculated at 27.50% on net profit	546,974	968,687
Increase/(decrease) in income tax due to:		
DTA/DTL	10,762	-
Non-deductible expenses	3	104
Non-assessable income	(13,750)	-
Imputation credits	(17,833)	(8,699)
Under/(over) provision for income tax in prior year	-	149
Other items	(4,390)	20,695
Income tax expense	521,766	980,936
Current tax expense		
Current year	624,728	960,718
Adjustments for prior year	-	149
Deferred tax expense	(102,962)	20,069
Income tax expense	521,766	980,936

6. RECOGNISED DEFERRED TAX ASSETS & LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 $	2019 $	2020 $	2019 $	2020 $	2019 $
Other Financial Assets	-	-	(166,440)	(156,043)	(166,440)	(156,043)
Loans & advances	118,062	38,754	-	-	118,062	38,754
Prepayments	-	-	(977)	(909)	(977)	(909)
Property, Plant and Equipment (1)	-	-	(4,304)	(17,697)	(4,304)	(17,697)
Accrued Expenses	26,717	31,174	-	-	26,717	31,174
Employee Benefits	181,995	188,183	-	-	181,995	188,183
Leases(net of ROU assets)	12,467	-	-	-	12,467	-
	339,241	258,111	(171,721)	(174,649)	167,520	83,462

(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 $61,811 (payable 2019: $255,594) represents the amount of income tax refundable in respect of current and prior periods.

	2020 $	2019 $
Income tax payable / (receivable)	(61,811)	255,594
Movement in taxation provision		
Balance at beginning of year	255,594	269,270
Current year's income tax expense on profit before tax	624,728	960,718
Income tax paid – current year	(686,539)	(705,124)
Income tax paid – prior year	(255,594)	(269,270)
Balance at end of year	(61,811)	255,594

7. CASH AND CASH EQUIVALENTS

Cash on hand and at bank	10,490,736	11,082,336
Interest earning deposits	38,514,578	45,456,126
	49,005,314	56,538,462

Notes to the Financial Statements

For the year ended 30 June 2018

7. CASH AND CASH EQUIVALENTS (continued)

	2020 $	2019 $
Maturity analysis		
At call	18,490,736	19,082,336
Not longer than 3 months	30,514,578	37,456,126
	49,005,314	56,538,462
Credit rating of cash & cash equivalents		
CUSCAL – rated A+	20,979,555	21,875,883
Banks – rated AA and above	5,019,850	-
Banks – rated below AA	17,894,728	15,956,126
Unrated Authorised Deposit Taking Institutions	2,600,000	16,500,000
Cash on hand	2,511,181	2,206,453
	49,005,314	56,538,462

8. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

	2020 $	2019 $
Interest Earning Deposits	93,953,890	52,085,972
	93,953,890	52,085,972
Maturity analysis		
At call	-	-
Not longer than 3 months	-	-
Longer than 3 months and not longer than 12 months	21,473,759	23,948,664
Longer than 12 months	72,480,131	28,137,308
	93,953,890	52,085,972
Credit rating of receivables due from other financial institutions		
CUSCAL – rated A-1	4,710,000	4,710,000
– rated AA and above	28,993,990	-
Banks – rated below AA	50,749,900	46,375,972
Unrated Authorised Deposit Taking Institutions	9,500,000	1,000,000
	93,953,890	52,085,972

9. RECEIVABLES

	2020 $	2019 $
Interest receivable	233,253	270,887

Notes to the Financial Statements

For the year ended 30 June 2020

10. LOANS AND ADVANCES

	2020 $	2019 $
Overdrafts	2,782,963	3,399,217
Term loans	289,269,135	282,530,724
Gross loans and advances	292,052,098	285,929,941
Provision for impairment	(454,086)	(140,924)
Net loans and advances	291,598,012	285,789,017
Maturity analysis		
Overdrafts	2,782,963	3,399,217
Remaining maturity not longer than 3 months	5,912,072	5,885,071
Remaining maturity longer than 3 and not longer than 12 months	17,095,145	17,447,668
Remaining maturity longer than 1 and not longer than 5 years	84,367,448	86,189,699
Remaining maturity longer than 5 years	181,894,470	173,008,286
	292,052,098	285,929,941

Security held against loans		
Secured by mortgage over residential property	273,564,163	268,915,135
Secured by mortgage over other property	13,219,073	11,301,694
Total loans secured by real estate	286,783,236	280,216,829
Secured by funds	1,284,346	1,306,196
Partly secured by goods mortgage	3,361,646	3,722,695
Wholly unsecured	622,870	684,221
	292,052,098	285,929,941

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	237,945,461	231,345,559
Loan to value ratio of more than 80% but mortgage insured	15,194,299	21,697,765
Loan to value ratio of more than 80% not mortgage insured	20,424,403	15,871,811
	273,564,163	268,915,135

Concentration of risk

Significant individual exposures

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

10. LOANS AND ADVANCES (continued)

Geographical concentrations

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

	2020 $	2019 $
- Victoria	281,327,976	272,202,641
- New South Wales	9,443,347	12,311,352
- Other	1,280,775	1,415,948
	292,052,098	285,929,941

11. IMPAIRMENT OF LOANS AND ADVANCES

	2020 $	2019 $
Total provision comprises of		
Expected credit loss allowance	454,086	140,924
Total provision	454,086	140,924

Amounts arising from expected credit loss:

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

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

<u>*Reconciliation of allowance for impairment*</u>

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 12 month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loan category	**2020 $**	**2020 $**	**2020 $**	**2020 $**
Mortgages loans – secured by residential property (residential and commercial)				
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
Personal loans – secured & under secured (including overdrafts/overdrawn)				
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
Secured by funds	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

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

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

Security analysis -Stage 2 & Stage 3				
Estimated collateral – after discount	N/A	2,203,950	755,000	N/A

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

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:

2020:

Movement category	Stage 1 12 month ECL 2020 $	Stage 2 Lifetime ECL 2020 $	Stage 3 Lifetime ECL 2020 $	Total 2020 $
Balance at 1 July 2019	**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**

During the 2020 financial year, there was no significant change to the gross carrying amount of financial instruments subject to the expected credit loss provision.

2019:

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

11. IMPAIRMENT OF LOANS AND ADVANCES (continued)

	2020 $	2019 $
Loans restructured		
During the year, some loans that were previously past due or impaired, have been restructured by the Credit Union.		
Loans restructured at beginning of financial year	2,418,687	2,608,078
Loans restructured during the financial year	6,787,016	1,657,758
Loans restructured during the financial year – moved from Stage 2 or Stage 3, to Stage 1	(5,513,630)	(1,847,149)
Loans restructured/transferred to non-impaired status during financial year	-	-
Balance at the end of the financial year	3,692,073	2,418,687
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

	2020 $	2019 $
Equity investment securities designated as fair value through other comprehensive income (FVOCI) – held at fair value		
- Shares in Cuscal Limited (a)	961,607	893,190
- Shares in TransAction Solutions Pty Ltd	115,593	111,288
	1,077,200	1,004,478

(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

13. INTANGIBLE ASSETS

	2020 $	2019 $
Computer software & licences		
At cost	1,128,830	1,098,122
Provision for amortisation	(980,821)	(897,726)
	148,009	200,396

Reconciliations

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

	2020 $	2019 $
Computer software & licences		
Balance at beginning of the year	200,396	270,066
Acquisitions	30,708	15,411
Internal Transfer (to)/from work in progress	-	(4,235)
Internal Transfer from prepaid assets	-	-
Disposals	-	-
Less amortisation	(83,095)	(80,846)
Balance at end of the year	148,009	200,396

14. PROPERTY, PLANT AND EQUIPMENT

	2020 $	2019 $
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	(47,750)	-
Total buildings on freehold land	1,862,250	1,910,000
Plant and equipment- at cost	3,160,366	3,146,712
Accumulated depreciation	(2,054,148)	(1,888,338)
Total plant and equipment	1,106,218	1,258,374
Carrying amount of total property, plant & equipment	5,133,468	5,333,374

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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 2018	2,079,000	1,733,659	1,326,311	-	5,138,970
Additions	-	-	328,123	-	328,123
Revaluations	86,000	221,948	-	-	307,948
Internal transfers	-	-	-	-	-
Internal transfers to intangibles	-	-	-	-	-
Disposals	-	-	(172,417)	-	(172,417)
Depreciation	-	(45,607)	(223,643)	-	(269,250)
Balance at 30 June 2019	2,165,000	1,910,000	1,258,374	-	5,333,374
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

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 2020, the Credit Union performed a 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 2020 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 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 obtained are a reasonable approximation of fair value and have been recognised on this basis as at 30 June 2020.

15. INVESTMENT PROPERTY

	2020 $	2019 $
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:

	2020	2019
Balance at beginning of the year	685,000	660,000
Acquisitions	-	-
Revaluation	-	25,000
Disposals	-	-
Impairment	-	-
Balance at end of the year	685,000	685,000

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 2020, 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 2020 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 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 obtained are a reasonable approximation of fair value and have been recognised on this basis as at 30 June 2020.

16. OTHER ASSETS

	2020 $	2019 $
Prepayments	258,656	242,240
Sundry debtors	131,426	276,002
	390,082	518,242

17. DEPOSITS

	2020 $	2019 $
On call deposits	254,170,483	222,501,337
Term deposits	134,822,536	127,749,964
	388,993,019	350,251,301

Maturity analysis

	2020 $	2019 $
On call	254,170,483	222,501,337
Not longer than 3 months	49,644,049	47,118,438
Longer than 3 and not longer than 12 months	77,522,832	68,054,202
Longer than 1 and not longer than 5 years	7,655,655	12,577,324
	388,993,019	350,251,301

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.

	2020 $	2019 $
Victoria	378,432,520	341,258,275
Other States	10,560,499	8,993,026
	388,993,019	350,251,301

18. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2020 $	2019 $
Trade creditors	464,992	405,356
Accrued interest payable	937,566	1,361,634
Accrued expenses	2,302,261	2,090,411
	3,704,819	3,857,401

19. EMPLOYEE BENEFITS

	2020 $	2019 $
Current		
Accrued salaries and wages	26,048	-
Liability for long service leave	350,208	359,907
Liability for annual leave	321,370	298,866
Non-current		
Liability for long service leave	28,401	25,523
	726,027	684,296

20. LEASES

The Credit Union has applied AASB 16 *Leases* using the modified retrospective (cumulative catch -up) method from 1 July 2019, and therefore the comparative information has not been restated and continues to be reported under AASB 117 *Leases* and related Interpretations.

(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

	2020 $
At cost	1,357,502
Accumulated depreciation	(106,359)
Balance at end of the year	1,251,143

Notes to the Financial Statements

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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 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

	2020 $
Current	
Not later than 1 year	65,313
Non-current	
Later than 1 year	1,233,780
Total	**1,299,093**

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

	2020 $
Current	
Not later than 1 year	158,107
Non-current	
Later than 1 year and not later than 5 years	593,913
Later than 5 years	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.

20. LEASES (continued)

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.

There is no potential future lease payments not 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:

	2020
	$
Interest expense on lease liabilities	97,303
Rental expense relating to variable lease payments not included in the measurement of lease liabilities	58,094
Rental expense relating to short-term leases	12,250
Rental expense relating to low-value assets	17,434
Income from sub-leasing right-of-use assets	-
Statement of cash flows	
Total cash outflow for leases	**58,048**

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 2020, the Credit Union is committed to $12,250 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.

20. LEASES (continued)

- **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.

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:

	2020 $	2019 $
Lease/rental income (excluding variable lease payments not dependent on an index or rate)	44,154	52,182
Lease/rental income relating to variable lease payments not dependent on an index or rate		
Total lease/rental income relating to investment properties	**44,154**	**52,182**
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**	-

20. LEASES (continued)

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

	2020	2019
	$	$
< 1 year	24,904	53,930
1-2 years	14,938	24,097
2-3 years	-	14,694
3-4 years	-	-
4-5 years	-	-
> 5 years	-	-
Total undiscounted lease payments receivable	**39,842**	**92,721**

(b) Credit Union as a lessor

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 2020

21. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2020	2019
	$	$
(a) Cash flow from operating activities		
Profit after income tax	1,467,233	2,541,564
Non cash flows in operating surplus/(deficit):		
Charge for bad and doubtful debts	422,224	45,770
Depreciation of property, plant & equipment	251,818	269,250
Depreciation of right of use asset	106,359	269,250
Amortisation of intangible assets	83,095	80,846
Loss on sale of asset	23,878	47,872
Gain on revaluation of investment property and equipment	-	(25,000)
Changes in assets and liabilities:		
Effect for allowance for impairment losses on adoption of AASB9	-	(36,915)
Effect for fair value adjustment for other financial assets on adoption of AASB9	-	411,387
Increase/(Decrease) in employee benefits	41,731	(133,659)
(Increase)/Decrease in accrued receivables	37,634	108,679
(Increase)/Decrease in other financial assets	(18,908)	(567,430)
(Increase)/Decrease in deferred tax asset	(81,130)	(7,598)
(Increase)/Decrease in income tax receivable	(61,811)	-
(Increase)/Decrease in other assets	128,160	(156,599)
Increase/(Decrease) in payables and accruals	(152,582)	131,897
Increase/(Decrease) in income tax payable	(255,594)	(13,678)
Increase/(Decrease) in deferred tax liability	(2,928)	169,709
Net cash from revenue activities	1,989,179	2,866,095
Add/(deduct) non revenue operations:		
Increase in loan balance	(6,231,219)	(17,090,975)
Increase in deposits and short term borrowings	38,741,718	22,685,727
Cash flow from operating activities	34,499,678	8,460,847

(b) Cash flows presented on a net basis

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

(i) member deposits to and withdrawals from deposit accounts;
(ii) borrowings and repayments on loans, advances and other receivables; and
(iii) investment securities including shares in special service providers and unlisted shares.

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

(c) Bank overdraft facility

The Company has an overdraft facility available to the extent of $5,000,000 (2019: $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 2.75% (2019: 3.75%). As at 30 June 2020 the utilised portion of the facility was $Nil (2019: $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 24 – Risk Management Objectives and Policies.

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 25 - 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**	
Secured by:	**2020 $**	**2019 $**	**2020 $**	**2019 $**
Secured by mortgage over real estate	6,952,591	8,471,875	205,690	218,462
Secured by funds	646,667	509,913	74,170	74,170
Partly secured by goods mortgage	96,069	72,969	-	-
Fully unsecured	1,041,384	1,026,188	-	-
Total	**8,736,712**	**10,080,945**	**279,860**	**292,632**

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.

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

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

	Non-executive directors
Geoff Cobbledick	Chair (up to Nov 19)
Fiona Merrylees	Deputy Chair (resigned Nov 19)
Frank Mandaradoni	
Robert Morris	
Eugenie Stragalinos	Chair (from Nov 19)
Eileen Curtis	
John Calleja	Deputy Chair (from Nov 19)
Natalie Goodall	Appointed Nov 19 – resigned Apr 20
Steven Shaw	Appointed Jun 20

Executives

Melissa Ralph	Chief Executive Officer
Peter Thomas	Chief Operations Officer (resigned May 20)
Kelly Sampson	Chief Operations Officer (appointed May 20)
Rebecca Hearn	Chief Financial Officer
Brett Elgar	Chief Risk and Compliance Officer
Robert Chaston	Credit Manager
Paul Cross	Executive Manager IT

Transactions with key management personnel

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

24. KEY MANAGEMENT PERSONNEL (continued)

Key management personnel compensation

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

Short-term employee benefits	1,074,493	1,048,859
Other long term benefits	(9,673)	(41,415)
Post employment benefits	99,153	96,189
	1,163,974	1,103,633

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

P*ublic 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

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

	2020 $	2019 $
Loans to key management personnel	1,126,710	1,379,696
Loans to other related parties	-	-
	1,126,710	1,379,696

All loans to Directors and key management personnel by the Company have been made in the normal course of business and on the normal commercial terms and conditions. A concessional loan rate facility is available to qualifying staff. During the course of the year, one concessional loan rate fundings (2019: one) were made available to qualifying key management personnel. Four key management personnel were advanced funds on existing concessional loan rate facilities during 2020 (2019: two).

Revolving credit facilities $28,000 (2019: $28,000) were made available to Directors and key management personnel during the year. The aggregate amount receivable at 30 June 2020 was $Nil (2019: $Nil).

Loans and redraws totalling $158,600 (2019: $453,430) were made to key management personnel, Mr P Thomas,Mrs R Hearn, Mr P Cross and Mr R Chaston during the year. (2019: Mrs R Hearn, Mr P Cross and Mr R Chaston).

24. KEY MANAGEMENT PERSONNEL (continued)

During the year Mr P Cross, Mr P Thomas, Mrs R Hearn, Mr R Chaston and Mrs F Merrylees (2019: Mr P Cross, Mr P Thomas, Mrs R Hearn, Mr R Chaston and Mrs F Merrylees) repaid $456,160 (2019: $218,837) of the balances outstanding on their loans.

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

Interest received on the loans to key management personnel totalled $44,462 (2019: $44,077) and on loans to other related parties totalled $Nil (2019: $Nil). No amounts have been written down or recorded as allowances, as all balances outstanding are considered fully collectable.

There were no other amounts receivable at 30 June 2020 (2019: $Nil) nor were any other loans advanced during the period.

Deposits from key management personnel and other related parties

	2020 $	2019 $
Total value Term and Saving Deposits from key management personnel	387,300	362,150
Total interest paid on deposits to key management personnel	3,098	3,415

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

Other key management personnel transactions with the Company

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

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

During the 2020 financial year, GMCU maintained a commercial arrangement with SMR Legal to provide conveyancing and other legal services. Fiona Merrylees was a director of SMR Legal as well as being a director of GMCU but resigned as a director of GMCU in November 2019.

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

25. RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

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

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

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

The main elements of risk governance are as follows:

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

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

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

Asset & Liability Committee ('ALCO'): This is a committee of Senior Management that meets 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.

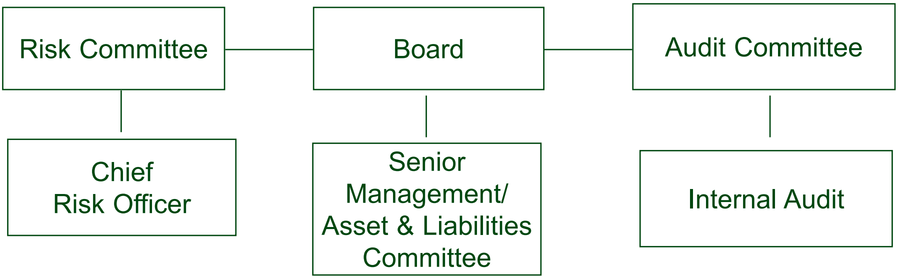
Chief Risk Officer: This role has responsibility for the development and implementation of the risk management framework and policies, and providing assistance to Board, management and staff in all aspects of risk management. The Chief Risk Officer reports directly to the Chief Executive Officer; attends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

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.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Introduction (continued)

Market risk (continued)

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

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

Interest rate risk

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

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

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

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

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

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

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

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

Based on independent VaR calcuations as at 30 June 2020 using a 10-day holding period and a 99% confidence level, the VaR was 0.40% of capital (2019: 2.12%).

Based on independent EaR calculations as at 30 June 2020 using a shift in interest rates of 100 basis points for one year, EaR was $156,706 (2019: $345,753).

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

The Company manages liquidity risk by:

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

Credit Union Financial Support Services liquidity support scheme

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

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

Bendigo and Adelaide Bank non-securitisation lending facility

On 1 October 2014 GMCU entered into an APRA approved Receivables Acquisition and Servicing Agreement with the Bendigo and Adelaide Bank (Bendigo). This off-Balance Sheet loan funding facility is designed to cater for larger loans and/or high loan demand that on-Balance Sheet liquidity cannot readily address. Under this arrangement the Credit Union will assign mortgage secured loans to Bendigo at the book value of the loans, subject to acceptable documentation criteria with a complete absence of any securitisation vehicle and/or securitisation related matters. The Credit Union will contract directly with Bendigo and will be responsible for ensuring the funding program is suitable for the organisation as well as its ongoing availability and administration. The loans transferred qualify for de-recognition on the basis that the assignment transfers all the risks and rewards to Bendigo and there are no residual 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 (2019: $Nil).

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

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

	2020	2019
Minimum Liquidity Holdings	30.58%	23.50%

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.

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

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

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.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk – loans and advances continued

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

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

The provisions for impaired and past due exposures relate to the loans to members. Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more. Details are set out in Note 11.

Bad Debts

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

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

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

Collateral securing loans

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

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

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

Concentration risk – Individuals

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

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk – loans and advances continued

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.

Liquid investments

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

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

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

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

External credit assessment for Institution investments

The 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.

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

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

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital Management

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

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

The market risk component is not required as 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.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital adequacy ratio calculation

	2020 $	2019 $
Capital adequacy ratio calculation		
Tier 1		
Net Tier 1 capital	46,684,362	45,391,302
Tier 2		
Net Tier 2 capital	1,088,324	945,819
Total Capital	47,772,686	46,337,121
Capital adequacy ratio	22.06%	24.07%

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

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

Pillar 2 Capital on Operational Risk

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

Based on this approach, the Company's operational risk requirement at 30 June 2020 is as follows:

Operational risk capital $23,970,964 (2019: $21,967,875)

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

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 2020

26. FINANCIAL INSTRUMENTS (continued)

(a) Interest rate risk

Financial instruments	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 %	2019 %
Financial assets:														
Cash and cash equivalents *	15,980	16,876	124,468	89,542	-	-	-	-	2,511	2,206	142,959	108,624	**0.93**	**2.02**
Receivables	-	-	-	-	-	-	-	-	233	271	233	271	**N/A**	**N/A**
Other investments	-	-	-	-	-	-	-	-	1,077	1,004	1,077	1,004	**N/A**	**N/A**
Loans and advances	250,859	259,459	8,715	12,494	31,762	13,835	262	-	-	-	291,598	285,789	**4.15**	**4.59**
Total financial assets	266,839	276,335	133,183	102,037	31,762	13,835	262	-	3,821	3,482	435,867	395,688		
Financial liabilities:														
Deposits	254,170	222,501	127,167	115,173	7,656	12,577	-	-	-	-	388,993	350,251	**1.17**	**1.52**
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-	**N/A**	**N/A**
Short-term borrowings	-	-	-	-	-	-	-	-	-	-	-	-	**N/A**	**N/A**
Payables	-	-	-	-	-	-	-	-	3,705	3,858	3,705	3,858	**N/A**	**N/A**
Total financial iabilities	254,170	222,501	127,167	115,173	7,656	12,577	-	-	3,705	3,858	392,698	354,110		

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

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

Notes to the Financial Statements

For the year ended 30 June 2020

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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Financial assets:														
Cash and cash equivalents *	30,852	33,000	21,731	30,434	75,434	31,049	-	-	18,491	19,082	146,508	113,566	142,959	108,624
Receivables	-	-	-	-	-	-	-	-	-	-	-	-	233	271
Loans and advances	5,959	5,902	17,095	17,448	84,367	86,190	320,346	330,954	-	-	427,767	440,494	291,598	285,789
Other investments	-	-	-	-	-	-	-	-	1,077	1,004	1,077	1,004	1,077	1,004
Total financial assets	36,811	38,903	38,826	47,882	159,801	117,238	320,346	330,954	19,568	20,087	575,353	555,064	435,868	395,688
Financial liabilities:														
Deposits	53,317	51,327	75,223	65,587	7,817	12,928	-	-	254,343	222,869	390,700	352,711	388,993	350,251
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payables	-	-	-	-	-	-	-	-	2,767	2,496	2,767	2,496	3,705	3,857
Total financial liabilities	53,317	51,327	75,223	65,587	7,817	12,928	-	-	257,110	225,364	393,467	355,207	392,698	354,108

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

26. FINANCIAL INSTRUMENTS (continued)

(c) Net fair values

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

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

Recognised financial instruments

Cash and cash equivalents

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

Current securities and investments

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

Other receivables

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

Loan and advances

The fair values of loans receivable excluding impaired loans are estimated using a method not materially different from discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by using a method not materially different from discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows. The carrying amount of loans at 30 June 2020 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.

26. FINANCIAL INSTRUMENTS (continued)

(d) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	2020 $	2019 $
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	49,005,314	56,538,462
Receivables due from other financial institutions	93,953,890	52,085,972
Other receivables	233,253	270,887
Loans and advances (gross)	292,052,098	285,929,941
	435,244,555	394,825,262
Financial assets at fair value through other comprehensive income (FVOCI)		
Other financial assets	1,077,200	1,004,478
Total financial assets	436,321,755	395,829,740
Financial liabilities		
Financial liabilities at amortised cost		
Accounts payable and other liabilities	3,704,819	3,857,401
Deposits from members	388,993,019	350,251,301
Total financial liabilities	392,697,838	354,108,702

27. FAIR VALUE MEASUREMENT

Fair value hierarchy

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

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

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

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 Notes 25(c).

Assets measured at fair value based categorised as Level 2
Land and buildings and investment property have been valued based on similar assets, location and market conditions.

Assets measured at fair value based categorised as Level 3 .

	Other financial assets (at FVOCI) Total	
Movement category	**2020**	**2019**
	$	**$**
Balance at 1 July per AASB 139	N/A	437,038
Adjustment on initial application of AASB 9	N/A	567,440
Balance at 1 July per AASB 9	1,004,478	1,004,478
Revaluation through other comprehensive income	72,722	-
Impairment through profit or loss	-	-
Closing balance - at 30 June	**1,077,200**	**1,004,478**

Notes to the Financial Statements

For the year ended 30 June 2020

28. CAPITAL EXPENDITURE COMMITMENTS

Estimated capital expenditure contracted for at balance date but not provided for:	2020 $	2019 $
- payable not later than one year	-	-
	-	-

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

The Coronavirus (COVID-19) was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had an impact on the Australian and local economy.

As at the date of preparation of these financial statements the impact of the Coronavirus (COVID-19) pandemic is ongoing and the situation is rapidly changing. The speed and recovery of economic activity is largely dependent on measures imposed by the Australian Government, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impacts of such a pandemic on the preparation of these financial statements, changes to the estimates and judgements that have been applied in the measurement of assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

Other than the above, 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 73, 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 2020 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 2020.

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

PO Box 500
Albury NSW 2640 Australia

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

Independent Auditor's Report

To the Members of Goulburn Murray Credit Union Co-operative Limited

Opinion

We have audited the financial report of Goulburn Murray Credit Union Co-operative Limited (the Credit Union), which comprises the statement of financial position as at 30 June 2020, 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 2020 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.

Emphasis of Matter – uncertainties of COVID-19 impacts

We draw attention to Note 1(t) under the heading 'Accounting estimates and judgments' in the financial statements. This note describes the significant areas of estimation, uncertainty and critical judgments used within the financial statements, and the increased relevance in the ongoing COVID-19 pandemic environment. Our opinion is not modified in respect of this matter.

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 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

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

PO Box 500
Albury NSW 2640 Australia

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

Auditor’s Responsibilities for the Audit of the Financial Report

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

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

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

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

CROWE ALBURY

Crowe

BRADLEY D BOHUN

Partner
23 September 2020
Albury

Management

Melissa Ralph	Chief Executive Officer
Rebecca Hearn	Chief Financial Officer
Kelly Sampson	Chief Operations Officer
Brett Elgar	Chief Risk & Compliance Officer
Paul Cross	Executive Manager IT
Michelle Frenkel	Executive Manager Member and Marketing
Robert Chaston	Credit Manager
Carly Gittens	Manager, Numurkah Branch
Dallas Moore	Manager, Shepparton Branch
Darryl Brown	Manager, Echuca Branch
David Drummond	Manager, Seymour Branch
Jennifer Cogger	Manager, Benalla Branch
Jennifer Dunne	Manager, Kyabram Branch
Melissa Hall	Manager, Kilmore Branch

Auditors

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

Solicitors

Daniels Bengtsson Pty Ltd
SMR Legal

Bankers

CUSCAL Central Banking Scheme
National Australia Bank

Registered Office

91-95 Fryers Street, Shepparton

Benalla
32 Bridge St, 3672
P: (03) 5762 3380

Echuca
141 Hare St, 3564
P: (03) 5482 5333

Euroa
36 Binney St, 3666
P: (03) 5795 1771

Kilmore
76a Sydney St, 3764
P: (03) 5781 1221

Kyabram
145 Allan St, 3620
P: (03) 5852 2211

Mooroopna
112c McLennan St, 3629
P: (03) 5825 1999

Numurkah
102 Melville St, 3636
P: (03) 5862 2894

Seymour
72 Station St, 3660
P: (03) 5792 1075

Shepparton
91 Fryers St, 3630
P: (03) 5821 9033

Violet Town
33 Cowslip St, 3669
P: (03) 5798 1761

Connect with us at gmcu.com.au

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

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