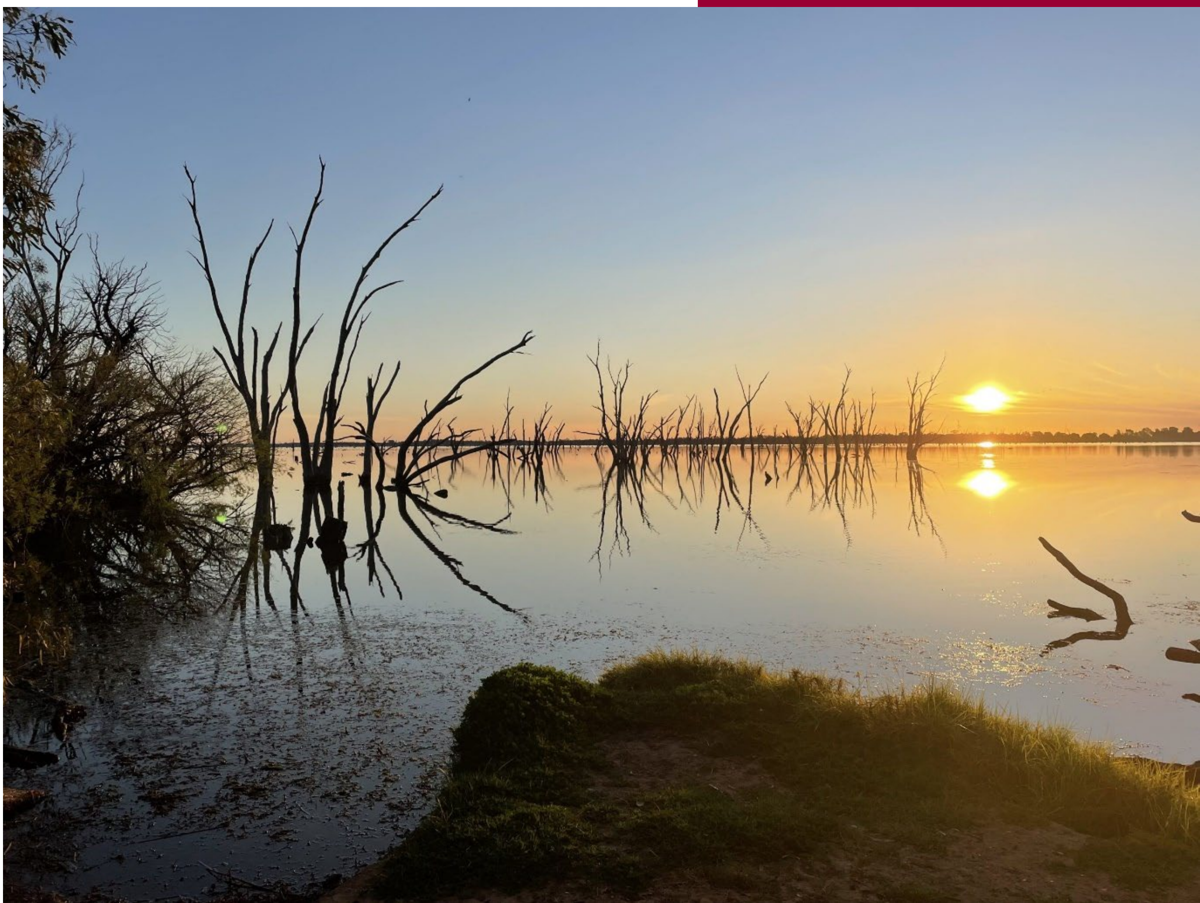
2024 Annual Report



Central Murray Credit Union Limited

ABN 69 087 651 812

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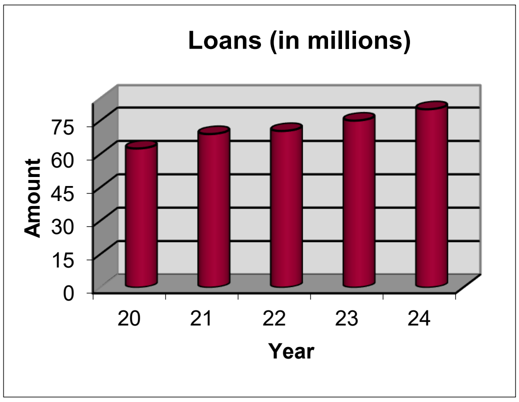
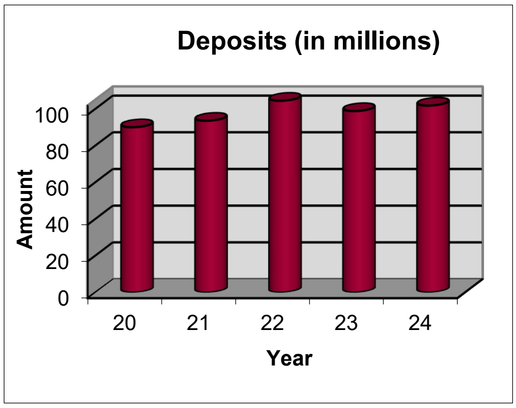
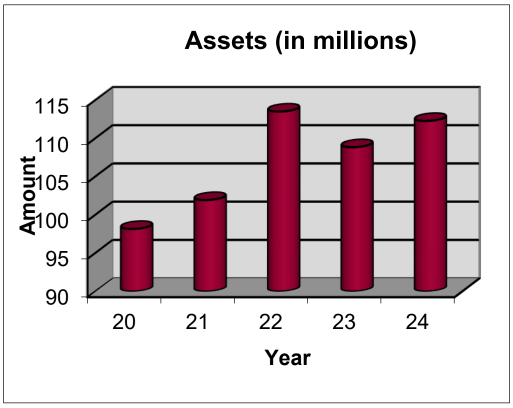
Performance Review Comparison



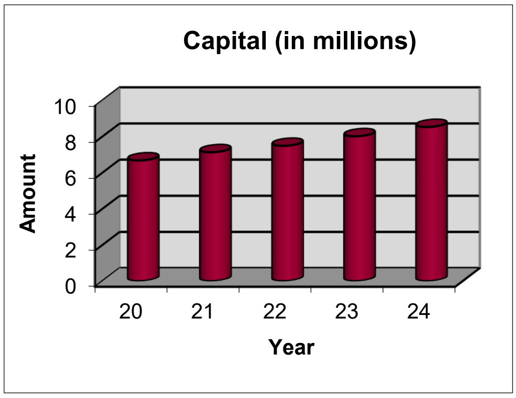
2017	$58,857,579		
2018	$63,116,177	growth	7.24%
2019	$67,745,196	growth	7.33%
2020	$62,504,645	loss	-7.74%
2021	$68,989,545	growth	10.38%
2022	$70,356,509	growth	1.98%
2023	$75,028,310	growth	6.64%
2024	$80,133,357	growth	6.80%



2017	$71,643,723		
2018	$80,107,351	growth	11.81%
2019	$83,885,309	growth	4.72%
2020	$90,040,837	growth	7.34%
2021	$93,586,982	growth	3.94%
2022	$104,499,675	growth	11.66%
2023	$98,878,761	loss	-5.38%
2024	$101,865,656	growth	3.02%



2017	$78,692,940		
2018	$87,841,693	growth	11.63%
2019	$92,093,850	growth	4.84%
2020	$98,172,334	growth	6.60%
2021	$101,945,508	growth	3.84%
2022	$113,514,491	growth	11.35%
2023	$108,858,399	loss	-4.10%
2024	$112,291,787	growth	3.15%



2017	$5,842,175	growth	
2018	$6,217,440	growth	6.42%
2019	$6,534,954	growth	5.11%
2020	$6,676,372	growth	2.16%
2021	$7,130,144	growth	6.80%
2022	$7,484,964	growth	4.98%
2023	$8,013,207	growth	7.06%
2024	$8,526,466	growth	6.41%

Company Information

Directors

Michael O'Dwyer
John Gorman LL.B, B.Juris
Faith McCallum
Jonathan Symes
Joshua Vagg
Linda Douglas
Graeme Scannell

Company Secretary

John Edward Pattison

Management

Chief Executive Officer: John Pattison

Finance Manager: Julie Barnes

Operations Manager: Sally Eales

Staff

Senior Loans Officer: Amanda Seccull

Operations Officer: Emma Horne

IT Officer: John Buonopane

Loans Officer: Allison Lews

Member Services Staff

Member Services Supervisor: Shantal Spencer

Member Services Officers:

Melissa Pitches

Lisa Bates

Hayley Tresidder

Registered Office

58 Belmore Street Yarrawonga Vic 3730 Australia

Ph: (03) 5744 3713

Fax: (03) 5744 1926

Website: www.cmcu.com.au

Email: info@cmcu.com.au

Solicitor

Purcell Partners Pty Ltd, Level 1 (East) 327 Police Road, Mulgrave Vic 3170

Bankers

Credit Union Services Corporation (Australia) Limited

Auditors

External - Crowe, 491 Smollett Street Albury NSW 2640
Internal – AFS & Associates Pty Ltd, 61 Bull Street, Bendigo Vic 3550

Chair's Report

I am pleased to present my first report as Chair of CMCU. In doing so, it is important to acknowledge the contribution of John Gorman, who has served as Chair of our Board for a long period of time and given outstanding service in that role.

I also want to take this opportunity to welcome two new Directors to our board, who bring a wealth of experience to add to our Board's skill set. Graeme Scannell has a long history of working in the banking industry, and Jonathan Symes is an expert in the cyber security field. Both Graeme and Jonathan have already made valuable contributions to the Board.

It is also very pleasing to note that a positive result has been achieved for the financial year ending June 30th, 2024. This result benefits our members and our community and adds to our balance sheet.

The strong profit was made possible by the leadership of our CEO, John Pattison, who heads up our management team, which consists of Julie Barnes and Sally Eales. We are very fortunate to have such a strong team leading our organisation. The professionalism and dedication of our entire staff do not go unnoticed and ensure we continue to be at the forefront of our charter in serving our members as best we can.

Demand for CMCU lending products continued to grow during the financial year, reaching $80 million. We have continued to work with our members facing financial difficulty, which is clearly indicated in our current arrears position.

With the increased profit for the last financial year, CMCU has been able to work towards investing in necessary technology, which will, in turn, benefit our members.

Risk management is an area in which CMCU devotes considerable resources to minimising any internal or external threats. The Board Risk Committee made up of Board members, is responsible for monitoring and assessing the many risks faced by CMCU.

Cyber security represents the greatest risk we currently face. This risk does not discriminate, impacting businesses across the Board. Our staff is very diligent in checking members' transactions for unusual entries and keeping up to date with the latest software and types of cyber risks that exist. We ask that members help in this fight by continually checking their statements for any unusual transactions.

The Finance Industry is experiencing unprecedented change and consolidation. The way we conduct transactions has also changed with the introduction of digital banking and fast payments, which has impacted the way CMCU does business now. However, the biggest threats we face are the costs of these new technologies and the ever-increasing regulatory burden imposed by numerous statutory bodies.

The Board is excited to announce two new important initiatives that will take CMCU into the future, ensuring we progress forward and meet the demands of modern-day banking. The first is that Central Murray Credit Union will change its trading name to Central Murray Bank. This will assist with promoting our business and adding to our security.

Be assured that our service and care of our members will not change, and we will continue to meet your banking needs. The other announcement is that we will increase our office and banking space by taking over the building next door, which we do own. This added space will allow for better service with our members and assist our expansion moving into the future.

CMCU is a customer-owned banking institution, and all benefits remain within the communities we serve. During the last financial year, the Board agreed to donate over $35,000 in sponsorships to various schools, community groups, and sporting clubs.

Our business ethos of face-to-face member service will continue to fill the void created by the withdrawal of services by the big four banks in regional areas. Our flexibility enables us to continue exploring and introducing new products, emphasising digital banking and giving access to a wider geographical area and customer base.

On behalf of the Board, I thank John and his entire staff. Without our dedicated staff, we would not be able to excel in the service levels provided to our members.

To my fellow Directors, I sincerely appreciate your support and dedication during the past year in overseeing our business's operations. We have faced some challenges in the last year and a half, but I am very optimistic that from these experiences, we have become stronger as a Board.

In conclusion, I want to thank our members who have continued to entrust us with their banking requirements. Without our members, we don't exist!

Directors' report

The Directors present their report together with the financial statements of Central Murray Credit Union Limited (the 'Credit Union') for the year ended 30 June 2024 and the auditor's report thereon.

Information on Directors

The names and details of the Directors of the Credit Union in office during the financial year and until the date of this report are:

John Gorman - Independent Non-Executive - Member of Risk Committee - Member of Audit Committee	- Director of CMCU from 1984 until current - Solicitor
Michael O'Dwyer - Independent Non-Executive - Chair of the Board - Chair of Innovation and Strategy group - Member of Risk Committee	- Director of CMCU from 2002 until current - Marketing Manager (Retired)
Linda Douglas - Independent Non-Executive - Member of Risk Committee - Chair of Audit Committee	- Director of CMCU from 2003 until current - Legal Assistant
Faith McCallum - Independent Non-Executive - Member of Risk Committee - Member of Audit Committee	- Director of CMCU from 2010 until current - Business Administrator
Joshua Vagg - Independent Non-Executive - Chair of Risk Committee - Deputy Chair of the Board - Member of Audit Committee - Member of innovation and Strategy Group	- Director of CMCU from 2017 until current - Accountant
Graeme Scannell - Independent Non-Executive - Member of Risk Committee	- Director of CMCU from 2024 until current - CEO of AWA Alliance Bank (Retired)
Jonathan Symes - Independent Non-Executive - Member of Risk Committee	- Director of CMCU from 2024 until current - Chief Information Security Officer

All Directors were in office from the beginning of the financial year until the date of this report, unless otherwise indicated. All Directors are considered independent, non-executive directors.

Directors' meetings

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

	Board of Directors	Board Audit Committee	Board Risk Committee
Number of meetings held	12	7	12
Number of meetings attended:			
J Gorman	10	1	2
M O'Dwyer	12	-	5
L Douglas	11	5	5
F McCallum	10	7	12
J Vagg	11	7	12
B Skinner*	3	2	-
G Scannell^	5	-	3
J Symes~	1	-	-

* Director resigned 9th October 2023

^ Director appointed 21st February 2024

~ Director appointed 15th May 2024

Company Secretary

Mr John Pattison, the Credit Union's Chief Executive Officer, was appointed to the position of Company Secretary in February 1996 and continues to act in this capacity as at and since the end of the financial year.

Principal activities

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

Trading results

The operating profit for the financial year before income tax was $595,771 (2023: $737,339). Income tax expense was $90,613 (2023: $181,462).

Operating and financial review

Net loans and advances for the year have increased by $5,105,017 to $80,133,357.

Member deposits decreased during the year by $2,986,895 to $101,865,656.

Members' equity during the year has increased by $513,257 to $8,526,464.

Dividends

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

State of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Credit Union during the financial year under review.

Events subsequent to balance date

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

Likely developments

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

Further information about likely developments in the operations of the Credit Union 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 Credit Union.

Environmental regulation

The Credit Union's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Credit Union has adequate systems in place for the management of its environmental requirements.

Directors' benefits

During or since the end of the financial year, no Director of the Credit Union 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 Credit Union (or an entity that the Credit Union controlled, or a body corporate that was related to the Credit Union when the contract was made, or when the Director received, or became entitled to receive, the benefit) 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 for those outlined in Note 26 to the financial statements.

Indemnification and insurance of Directors and Officers

During the year, a premium was paid in respect of a contract insuring Directors and Officers of the Credit Union against liability. The Officers of the Credit Union covered by the insurance contract include the Directors, Executive Officers, Secretary, and employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the Credit Union.

Auditor’s Independence Declaration

The Lead auditor’s independence declaration for the year ended 30 June 2024 has been received and can be found on page 5 of the financial report.

Signed in accordance with a resolution of the Directors.

M O’Dwyer	J Vagg
Chairperson	*Vice Chairperson*

Dated at Yarrawonga this 22 September 2024.

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Albury NSW 2640 Australia

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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 Central Murray Credit Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2024 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

CROWE ALBURY

Jason Gilbert

JASON GILBERT
Partner

22 September 2024
Albury

Consolidated Entity Disclosure Statement

Central Murray Credit Union Limited (the “Credit Union) does not have any controlled entities and therefore is not required by the Australian Accounting Standards to prepare consolidated financial statements.

Section 295(3)(a) of the Corporations Act 2001 does not apply to the Credit Union.

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2024

	Note	2024	2023
		$	$
Interest revenue	5	5,809,007	4,453,134
Interest expense	5	(2,099,700)	(939,587)
Net interest income		3,709,307	3,513,547
Non-interest revenue	6	465,524	511,349
Other income	7	(7,221)	-
		4,167,610	4,024,896
Net impairment loss on financial assets		(16,057)	(18,475)
Other expenses	8	(3,555,783)	(3,269,082)
Profit from operations before income tax		595,770	737,339
Income tax expense	9	(90,613)	(181,462)
Profit after tax		505,157	555,877
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss			
Gain/(loss) on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		8,102	(27,634)
Total comprehensive income for the year		513,259	528,243

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes set out on pages 14 to 56.

Statement of Changes in Equity
For the year ended 30 June 2024

	Retained profits $	Member share redemption reserve $	Lending risk reserve $	Asset revaluation reserve $	General reserve $	Financial asset reserve $	Total $
Year ended 30 June 2023							
Opening balance at 1 July 2023	5,664,259	55,843	199,000	772,725	550,000	243,137	7,484,964
Profit after tax	555,877	-	-	-	-	-	555,877
Other comprehensive income for the period	-	-	-	-	-	(27,634)	(27,634)
Total recognised income and expense for the period	555,877	-	-	-	-	(27,634)	528,243
Transfer between reserves	(5,465)	5,465	-	-	-	-	-
Closing balance at 30 June 2023	6,214,671	61,308	199,000	772,725	550,000	215,503	8,013,207
Year ended 30 June 2024							
Opening balance at 1 July 2023	6,214,671	61,308	199,000	772,725	550,000	215,503	8,013,207
Profit after tax	505,157	-	-	-	-	-	505,157
Other comprehensive income for the period	-	-	-	-	-	8,102	8,102
Total recognised income and expense for the period	505,157	-	-	-	-	8,102	513,259
Transfer between reserves	(3,094)	3,094	-	-	-	-	-
Closing balance at 30 June 2024	6,716,734	64,402	199,000	772,725	550,000	223,605	8,526,466

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes set out on pages 14 to 56.

Statement of Financial Position
As at 30 June 2024

	Note	2024 $	2023 $
ASSETS			
Cash and cash equivalents	11	14,681,320	11,927,173
Other receivables	12	106,111	98,336
Loans and advances	13	80,133,357	75,028,310
Other financial assets	15	14,398,517	18,387,715
Property, plant and equipment	16	1,930,120	1,973,946
Intangible assets	17	156,814	263,748
Deferred tax assets	10	123,444	103,077
Other assets	18	762,104	1,076,094
TOTAL ASSETS		112,291,787	108,858,399
LIABILITIES			
Member deposits	19	101,865,656	98,878,761
Trade and other payables	20	1,242,405	1,169,348
Employee benefits	21	277,565	254,904
Income tax payable	10	57,700	194,783
Deferred tax liabilities	10	321,995	347,396
TOTAL LIABILITIES		103,765,321	100,845,192
NET ASSETS		8,526,466	8,013,207
EQUITY			
Reserves		1,809,732	1,798,536
Retained profits		6,716,734	6,214,671
TOTAL EQUITY		8,526,466	8,013,207

The Credit Union presents its statement of financial position showing assets and liabilities in their broad order of liquidity because this presentation provides reliable and more relevant information than separate current and non-current classifications.

For each asset and liability line item that combines amounts expected to be recovered and settled within:

- No more than 12 months after the reporting date; and
- More than 12 months after the reporting rate.

The Credit Union discloses in the notes the amount expected to be recovered or settled after more than 12 months.

The Statement of Financial Position is to be read in conjunction with the accompanying notes set out on pages 14 to 56.

Statement of Cash Flows
For the year ended 30 June 2024

	Note	2024 $	2023 $
Cash flows from operating activities			
Interest received on loans and advances		5,789,408	4,405,806
Interest paid on member deposits		(1,832,382)	(602,739)
Dividends received		20,640	14,095
Other non-interest income received		770,699	502,109
Income tax paid/ (refund received)		(286,026)	56,833
Payments to employees and suppliers		(3,554,194)	(2,846,264)
		908,145	1,529,840
Net (increase) in loans and advances		(5,121,104)	(4,690,276)
Net increase/(decrease) increase in deposits		2,986,895	(5,620,914)
Net cash (used in) operating activities	23	(1,226,064)	(8,781,350)
Cash flows from investing activities			
Net proceeds from sale of investment securities		4,000,000	-
Acquisition of property, plant and equipment		(19,789)	(105,971)
Net cash from / (used in) investing activities		3,980,211	(105,971)
Net (decrease)/increase in cash and cash equivalents		2,754,147	(8,887,321)
Cash and cash equivalents at 1 July		11,927,173	20,814,494
Cash and cash equivalents at 30 June	11	14,681,320	11,927,173

The Statement of Cash Flows is to be read in conjunction with the accompanying notes set out on pages 14 to 56.

Notes to the Financial Statements
For the year ended 30 June 2024

1. Introduction

Central Murray Credit Union Limited (the "Credit Union") is a company domiciled in Australia.

The financial statements were authorised for issuance by the Directors on 22 September 2024.

2. Statement of compliance

The Financial Statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001. They have been prepared under the assumption the Credit Union operates on a going concern basis, which assumes the Credit Union will be able to discharge its liabilities as they fall due.

Not-for-profit status

The Credit Union has analysed its purpose, objectives and operating philosophy and determined that it does not have profit generation as its prime objective.

3. Basis of preparation

The financial statements are presented in Australian dollars.

The financial statements have been prepared on an accruals basis and are based on historical costs except that the following assets and liabilities (if applicable) are stated at their fair value: land and buildings and equity investment securities designated as fair value through other comprehensive income.

Material accounting policy information adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

4. Material accounting policies

(a) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits at call and other short-term deposits with Approved Deposit-taking Institutions that can be readily converted into cash. This includes negotiable certificates of deposits. Negotiable certificates of deposits 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.

(b) Loans and advances

Loans and advances are financial assets 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.

(c) Provision for impairment / expected credit loses of financial assets

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

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

4. Material accounting policies (continued)

(c) Provision for impairment / expected credit loses of financial assets (continued)

Measurement of ECL

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

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

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

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

Critical accounting estimates and judgments in the ECL

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

Assumptions used for estimating impairment

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

Assessment of significant increase in credit risk

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

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

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.

4. Material accounting policies (continued)

(c) Provision for impairment / expected credit loses of financial assets (continued)

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 loans with lenders mortgage insurance
- Personal loans – secured and unsecured
- Secured by funds
- Overdrafts / overdrawn

(d) 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.

Investment securities are financial assets recognised initially at cost plus any directly attributable transaction costs.

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

(e) Property, plant and equipment & intangible assets

Land and buildings

Land and buildings are shown at fair value, based on periodic, at least every 3-5 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.

Depreciation

Property, plant and equipment, excluding land, is depreciated on a straight-line basis over the asset's useful life to the Credit Union, commencing when the asset is ready to use.

The estimated useful lives used for each class of depreciable assets are shown below:

• Buildings	40 years
• Plant & Equipment	2 to 20 years

Disposals

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. 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.

4. Material accounting policies (continued)

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

Intangible assets

Software

Items of computer software have a finite life and are carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between one and three years.

Amortisation

Amortisation is recognised in profit and loss on a straight-line basis over the useful lives of intangible assets, from the date that they are available for use.

(f) Employee entitlements

Long term service benefits

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash flows to be made for those benefits. In determining the liability, consideration is given to 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

Provision is made for employee benefits, those benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

(g) Member Deposits

Member deposits are held at amortised cost.

(h) 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.

(i) Revenue Recognition

Interest revenue

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

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

Fee income

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

Fee income relating to deposit or loan accounts is either:

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

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

Refer to Note 6 for further details of the revenue recognition for fees income.

4. Material accounting policies (continued)

(i) Revenue Recognition (continued)

Commission income

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

Refer to Note 6 for further details of the revenue recognition for fees income.

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.

(j) Leases

Credit Union as a lessee

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.

As at 30 June 2024, the Credit Union does not have any leases that require application and recognition under AASB 16 *Leases*.

Credit Union as a lessor

The lease over the investment property is classified as an operating lease.

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

(k) 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.

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.

(l) Goods and Services Tax

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 2019/15 from 1 July 2019. In addition, certain prescribed purchases are subject to reduced input tax credits (RITCH), of which 75% of the GST paid is recoverable.

4. Material accounting policies (continued)

(m) Reserves

Member share redemption reserve

The Credit Union has complied with Section 254K of the *Corporations Act 2001* via the creation of a member share redemption reserve. At the conclusion of each financial year the Credit Union establishes the number of members that resigned during the financial year and transfers the equivalent monetary amount to a member share redemption reserve from retained profits as the law requires that the redemption of the shares be made out of profits. The balance represents the amount of redeemable preference shares redeemed by the Credit Union since 1 July 1999. The reserve has a balance of $64,402 as at 30 June 2024 (2023: $61,308).

Lending risk reserve

The Credit Union has a lending risk reserve of $199,000 as at 30 June 2024 (2023: $199,000). This reserve is calculated at a minimum rate of 0.5% of risk weighted assets.

Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of owner-occupied land and buildings. The asset revaluation reserve as at 30 June 2024 is $772,725 (2023: $772,725).

General reserve

The general reserve represents a carry forward from a prior year equity transaction relating to the Credit Union. The general reserve as at 30 June 2024 is $550,000 (2023: $550,000).

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. The financial assets reserve as at 30 June 2024 is $223,605 (2023: $215,503).

(n) 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 4 (c) & Note 14 – Impairment of loans and advances with regards to the expected credit loss modelling and judgments, including:
  - Determining criteria for significant increase in credit risk: An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Credit Union takes into account qualitative and quantitative reasonable and supportable forward-looking information;
  - Choosing appropriate models and assumptions for the measurement of expected credit loss; and
  - Establishing groups of similar financial assets for the purposes of measuring expected credit loss: When expected credit loss is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.
- Note 16 - Fair value assumptions used for land and buildings;
- Note 15 – Fair value assumptions used for Equity investment securities designated as fair value through other comprehensive income (FVOCI).

4. Material accounting policies (continued)

(o) New or amended accounting standards adopted

The Credit Union has adopted all standards which become effective for the first time at 30 June 2024, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Credit Union.

The Credit Union has adopted the amendments to AASB 101 *Presentation of Financial Statements* which require only the disclosure of material accounting policy information rather than significant accounting policies and therefore policy information which does not satisfy one of the following requirements has been removed from these financial statements:

- Relates to change in accounting policy
- Policy has been developed in the absence of an explicit accounting standard requirement
- Documents an accounting policy of choice
- Relates to an area of significant judgement or estimation
- Relates to a complex transaction and is required to explain the treatment to the user.

Notes to the Financial Statements

For the year ended 30 June 2024 (continued)

5. Interest revenue and interest expense

	2024 $	2023 $
Interest revenue		
Investment securities	887,872	782,782
Loans and advances	4,921,135	3,670,352
	5,809,007	4,453,134
Interest expense		
Member deposits	2,099,700	939,587
	2,099,700	939,587

6. Non-interest revenue

	2024 $	2023 $
Revenue from contracts with customers		
Fees and commissions		
• Loan fees income	70,227	76,616
• Other fees income	313,620	341,995
• Commissions - insurance	27,004	36,292
• Commissions - other	7,573	17,730
Total revenue from contracts with customers	418,424	472,633
Timing of revenue recognition		
Non-interest revenue recognised at a point of time	104,804	130,638
Non-interest revenue recognised over time	313,620	341,995
Total	418,424	472,633
Other sources of income		
Dividends	20,640	14,095
Other income	26,460	24,621
Total non-interest revenue	465,524	511,349

Notes to the Financial Statements

For the year ended 30 June 2024 (continued)

6. Non-interest revenue (continued)

Revenue recognition is summarised in the accounting policy at Note 4(m).

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.
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.
Commission income		
Insurance	Commission income is generated via the issuing of 3rd party insurance policies to members. A marketing allowance 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. Marketing allowances are recognised in the year the campaign occurs.
Other	Other commission includes financial planning, Integris (off balance sheet loans) and Western Union international transactions.	Revenue is recognised at the point in time when it is received as that is when the service has occurred.

	2024 $	2023 $
7. Other income		
Gain/(Loss) on disposal of financial assets	(7,221)	-

	2024 $	2023 $
8. Other expenses		
Amortisation		
• Intangible assets	106,934	119,861
Depreciation		
• Buildings	16,885	16,812
• Plant and equipment	46,730	47,129
Fees and commissions	8,405	9,163
General and administration	2,227,483	2,060,156
Personnel costs		
• Wages and salaries	981,544	844,222
• Other associated personnel expenses	16,756	24,607
• Contributions to defined contribution superannuation plans	122,013	103,502
• Annual leave expense	9,110	15,497
• Long service leave expense	13,550	21,841
Rental on operating leases	6,373	6,292
Total other expenses	3,555,783	3,269,082

9. Income tax

	2024	2023
	$	$
Profit before tax	595,770	737,339
Prima facie income tax expense calculated at effective rate of 25% (2023: 25%) on net profit	148,943	184,335
Increase/(decrease) in income tax due to:		
Imputation credits	(6,281)	(4,495)
Other adjustments from prior year	-	-
Non-assessable income	-	(2,787)
Other	7,080	-
Under/(over) provided for in prior years	(59,129)	4,409
Income tax expense	90,613	181,462
Current tax expense	198,212	231,667
Deferred tax expense	(45,769)	(63,826)
Adjustment for DTL on FOVI	(2,701)	9,212
Adjustment to prior year tax	(59,129)	4,409
Income tax expense	90,613	181,462

Notes to the Financial Statements

For the year ended 30 June 2024 (continued)

10. Recognised deferred tax assets & liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2024	2023	2024	2023	2024	2023
	$	$	$	$	$	$
Loans & advances	18,382	14,415	-	-	18,382	14,415
Other financial assets	-	-	(67,107)	(64,406)	(67,107)	(64,406)
Prepayments	-	-	(22,951)	(17,262)	(22,951)	(17,262)
Property, plant & equipment [(1)]	-	-	(231,937)	(265,728)	(231,937)	(265,728)
Accrued expenses	35,670	24,936	-	-	35,670	24,936
Employee benefits	69,392	63,726	-	-	69,392	63,726
	123,441	103,077	(321,995)	(347,396)	(198,551)	(244,319)

(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 property that is subject to CGT.

Income tax payable:

The current tax payable for the Credit Union of $57,700 (2023: payable $194,783) represents the amount of income taxes payable in respect of current and prior periods.

	2024	2023
	$	$
Income tax payable / (receivable)	57,700	194,783
Movement in Taxation Provision		
Balance at beginning of the year	194,783	67,261
Current year's income tax expense on profit before tax	148,943	184,355
Income tax paid – current year	(276,165)	(36,885)
Income tax refund/(paid) – prior year	(9,861)	(19,948)
Balance at the end of the year	57,700	194,783

Notes to the Financial Statements

For the year ended 30 June 2024 (continued)

11. Cash and cash equivalents

Cash on hand and at bank	1,987,393	1,728,443
Deposits at call	3,000,000	3,500,000
Term deposits and Negotiable Certificates of Deposits	9,693,927	6,698,730
	14,681,320	11,927,173
Maturity Analysis		
No maturity	4,987,393	5,228,443
Remaining maturity not longer than 3 months	9,693,927	6,698,730
Remaining maturity longer than 3 months and less than 6 months	-	-
	14,681,320	11,927,173
Credit rating of cash & cash equivalents		
Cuscal Limited – rated A-1	6,800,490	7,290,635
ADI’s rated A-1+	-	-
ADI’s rated A-1	-	-
ADI’s rated A-2	5,183,425	3,487,026
ADI’s rated A-3	-	495,045
Unrated	2,000,000	-
Cash on hand – N/A	697,405	654,467
	14,681,320	11,927,173

12. Other receivables

Accrued income	90,980	71,381
Other	15,131	26,955
	106,111	98,336

13. Loans and advances

	2024 $	2023 $
Overdrafts	888,584	963,052
Term loans	79,318,302	74,122,917
Gross loans and advances	80,206,886	75,085,969
Provision for impairment	(73,529)	(57,659)
Net loans and advances	80,133,357	75,028,310
Maturity Analysis		
Overdrafts	888,584	963,052
Not longer than 3 months	826,480	725,731
Longer than 3 and not longer than 12 months	2,049,688	961,936
Longer than 1 and not longer than 5 years	10,480,680	7,871,368
Longer than 5 years	65,961,454	64,563,882
	80,206,886	75,085,969
Security held against loans		
Secured by mortgage over residential property	74,314,314	70,030,320
Secured by mortgage over commercial property	3,691,716	3,129,377
Total loans secured by real estate	78,006,030	73,159,697
Secured by funds	86,657	6,578
Partly Secured by goods mortgage	2,021,044	1,765,920
Wholly unsecured	93,155	153,774
	80,206,886	75,085,969

It is not practicable to value all collateral as at the balance date due to the variety of assets and 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	70,606,989	66,252,504
Loan to value ratio of more than 80% but mortgage insured	5,900,208	6,107,532
Loan to value ratio of more than 80% not mortgage insured	1,498,833	799,661
	78,006,030	73,159,697

Concentration of risk

Significant individual exposures

Individual credit facilities greater than 10% of capital in aggregate	9,152,841	6,890,893

Geographical concentrations

The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to the geographical areas of North Eastern Victoria.

- Victoria	64,593,034	60,205,029
- New South Wales	14,676,772	13,711,749
- Other	937,080	1,169,191
	80,206,886	75,085,969

14. Impairment of loans and advances

	2024	2023
	$	$
Total provision comprises of		
Expected credit loss allowance	73,529	57,659
Total provision	73,529	57,659

The loss allowance for 2024 is calculated and disclosed under the expected credit loss regime as per Note 4 (c).

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.

14. Impairment of loans and advances (continued)

Credit risk exposure under expected credit loss - 2024	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loan category	**2024 $**	**2024 $**	**2024 $**	**2024 $**
Mortgages loans – secured by residential property				
Not in arrears and up to 30 days	73,612,754	171,101	-	73,783,855
More than 30 days, but less than 90 days	-	-	-	-
More than 90 days, but less than 180 days	-	-	-	-
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	-	-
Mortgages loans – secured by commercial property				
Not in arrears and up to 30 days	3,566,591	-	-	3,566,591
More than 30 days, but less than 90 days	-	-	-	-
More than 90 days, but less than 180 days	-	-	-	-
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	-	-
Personal loans – secured & under secured				
Not in arrears and up to 30 days	1,967,856	-	-	1,967,856
More than 30 days, but less than 90 days	-	-	-	-
More than 90 days, but less than 180 days	-	-	-	-
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	-	-
Overdrafts	828,875	-	59,709	888,584
Total carrying amount – gross	**79,976,076**	**171,101**	**59,709**	**80,206,886**
Less expected credit loss allowance	(18,790)	(964)	(53,775)	(73,529)
Total carrying amount – net	**79,957,286**	**170,137**	**5,934**	**80,133,357**
Security analysis -Stage 2 & Stage 3	**-**	**-**	**-**	**-**
Estimated collateral – after discount	-	147,000	-	147,000

Notes to the Financial Statements

For the year ended 30 June 2024 (continued)

14. Impairment of loans and advances (continued)

Credit risk exposure under expected credit loss - 2023	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loan category	**2023 $**	**2023 $**	**2023 $**	**2023 $**
Mortgages loans – secured by residential property				
Not in arrears and up to 30 days	69,154,136	170,745	-	69,324,881
More than 30 days, but less than 90 days	-	-	-	-
More than 90 days, but less than 180 days	-	-	101,610	101,610
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	-	-
Mortgages loans – secured by commercial property				
Not in arrears and up to 30 days	3,054,254	-	-	3,054,254
More than 30 days, but less than 90 days	-	-	-	-
More than 90 days, but less than 180 days	-	-	-	-
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	-	-
Personal loans – secured & under secured				
Not in arrears and up to 30 days	1,637,108	-	-	1,637,108
More than 30 days, but less than 90 days	-	-	5,064	5,064
More than 90 days, but less than 180 days	-	-	-	-
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	-	-
Overdrafts	921,157	-	41,895	963,052
Total carrying amount – gross	**74,766,655**	**170,745**	**148,569**	**75,085,969**
Less expected credit loss allowance	(20,125)	(950)	(36,584)	(57,659)
Total carrying amount – net	**74,746,530**	**169,795**	**111,985**	**75,028,310**
Security analysis -Stage 2 & Stage 3	**-**	**-**	**-**	**-**
Estimated collateral – after discount	-	147,000	150,000	147,000

14. 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:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Movement category	**2024 $**	**2024 $**	**2024 $**	**2024 $**
Balance at 1 July per 2023	**20,125**	**950**	**36,584**	**57,659**
Transfers between stages	(1,335)	-	1,335	-
Movement due to increase in loans & advances	-	14	15,856	15,870
Movement due to change in credit risk	-	-	-	-
Bad debts written off from provision	-	-	-	-
Changes in model/risk parameters	-	-	-	-
Balance at 30 June 2024	**18,790`**	**964**	**53,775**	**73,529**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Movement category	**2023 $**	**2023 $**	**2023 $**	**2023 $**
Balance at 1 July per 2022	**28,627**	**934**	**9,214**	**38,775**
Transfers between stages	(8,502)		8,502	-
Movement due to increase in loans & advances	-	16	18,868	18,884
Movement due to change in credit risk	-	-	-	-
Bad debts written off from provision	-	-	-	-
Changes in model/risk parameters	-	-	-	-
Balance at 30 June 2023	**20,125**	**950**	**36,584**	**57,659**

14. Impairment of loans and advances (continued)

Sensitivity Analysis and Forward-Looking Information

The Credit Union has prepared a sensitivity analysis over the allowance for expected credit losses taking into consideration 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.

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 2024. 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.

Loans restructured

During the year, some loans that were previously past due or impaired, have been restructured by the Credit Union.	**2024** **$**	**2023** **$**
Loans restructured during the financial year - all	171,101	170,745
Balance at the end of the financial year	171,101	170,745

15. Financial Assets

	2024 $	2023 $
Investment securities		
Floating Rate Notes with other ADI's	4,500,000	8,000,000
Government Bonds	9,500,000	10,000,000
	14,000,000	18,000,000
Equity investment securities designated as fair value through other comprehensive income (FVOCI) – held at fair value		
• Shares in Cuscal Limited (a)	358,919	349,496
• Shares in Experteq Pty Ltd	39,598	38,219
	398,517	387,715
	14,398,517	18,387,715
Maturity Analysis of Investment Securities		
No maturity	-	-
Remaining maturity not longer than 12 months	3,000,000	2,500,000
Remaining maturity longer than 12 months and no longer than 5 years	11,000,000	15,500,000
	14,000,000	18,000,000
Credit rating of Investment Securities		
ADI's and Government Authorities rated A and above	14,000,000	18,000,000
Unrated ADI's and Government Authorities	-	-
	14,000,000	18,000,000

(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.

16. Property, plant and equipment

	2024	2023
	$	$
Land		
At fair value	1,200,000	1,200,000
	1,200,000	1,200,000
Buildings on freehold land		
At fair value	658,733	646,996
Accumulated depreciation	(53,823)	(36,937)
	604,910	610,059
Plant and equipment		
At cost	548,266	738,501
Accumulated depreciation	(423,056)	(574,614)
	125,210	163,887
Total property, plant and equipment at written down value	1,930,120	1,973,946

(a) Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Land	***Buildings***	***Plant and equipment***	***Total***
	$	$	$	$
Balance at 1 July 2022	1,200,000	626,871	105,045	1,931,916
Additions	-	-	105,971	105,971
Revaluations	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	(16,812)	(47,129)	(63,941)
Amortisation	-	-	-	-
Balance at 30 June 2023	1,200,000	610,059	163,887	1,973,946
Balance at 1 July 2023	1,200,000	610,059	163,887	1,973,946
Additions	-	11,736	8,053	19,789
Revaluations	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	(16,885)	(46,730)	(63,615)
Amortisation	-	-	-	-
Balance at 30 June 2024	1,200,000	604,910	125,210	1,930,120

16. Property, plant and equipment (continued)

(b) Valuations

The basis of land and buildings is fair value, being the price that would be received to sell the asset 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. The freehold land and buildings located at 58 Belmore Street and 60 Belmore Street, Yarrawonga were independently valued on 21st June 2021 by Roger M Porter, AAPI (Val) and applied by the Credit Union as at 30 June 2024.

The Directors have performed a review of the fair value and do not believe that there has been a material movement in fair value since the latest valuation performed by AAPI for these properties. The fair value was based on a capitalisation of income supported by direct comparison to comparable properties on a rate per square meter, which are materially consistent with those prevailing at the time of the last valuation. While the Director valuation 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. The fair value assessed may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that could not reasonably have been aware of as at the date of valuation). Refer to Note 4 (d), Note 4 (m) and Note 31 for further information on fair value measurement.

17. Intangible assets

	2024 $	2023 $
Computer and software licenses		
At cost	446,104	1,268,846
Accumulated amortisation	(289,290)	(1,005,098)
	156,814	263,748
Reconciliations		
Balance at beginning of the year	263,748	383,609
Additions	-	-
Amortisation	(106,934)	(119,861)
Balance at end of the year	156,814	263,748

18. Other assets

	2024 $	2023 $
Prepayments	136,967	129,101
Accrued Income	625,137	946,993
	762,104	1,076,094

19. Member deposits

	2024	2023
	$	$
Call deposits	54,671,724	56,530,447
Term deposits	47,193,932	42,348,314
	101,865,656	98,878,761
Maturity analysis		
At call	54,671,724	56,530,448
Not longer than 3 months	22,409,325	20,573,443
Longer than 3 and not longer than 12 months	24,134,627	21,044,707
Longer than 1 and not longer than 5 years	649,980	730,163
	101,865,656	98,878,761

Concentration of deposits

Geographical concentrations

The Credit Union operates in the geographic areas of North Eastern Victoria and Southern New South Wales and member deposits at balance date were principally received from members employed in these areas.

The geographical segment details are below:

	2024	2023
- Victoria	71,184,316	68,399,781
- New South Wales	29,493,431	28,389,126
- Other	1,187,909	2,089,854
	101,865,656	98,878,761

Significant individual member deposits

As at 30 June 2024 the Credit Union's deposit portfolio included $10,633,446 deposit exposures which represented 5% or more of total liabilities (2023: $7,084,461).

20. Trade and other payables

	2024	2023
Accrued interest payable	652,893	385,576
Sundry creditors and accruals	589,512	783,772
	1,242,405	1,169,348

21. Employee benefits

	2024	2023
Current		
Liability for long service leave	126,793	111,530
Liability for annual leave	130,047	120,937
Non-current		
Liability for long service leave	20,755	22,437
	277,565	254,904

Notes to the Financial Statements

For the year ended 30 June 2024 (continued)

22. Leases

Credit Union as a lessor

OPERATING LEASES

Nature of the leasing activities

The Credit Union receives rental income from tenants who lease a portion of the land and buildings owned by the Credit Union in Yarrawonga. These leases have been classified as operating leases for financial reporting purposes.

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.

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 are shown below:

	2024 $	2023 $
Lease/rental income (excluding variable lease payments not dependent on an index or rate)	1,506	24,570
Lease/rental income relating to variable lease payments not dependent on an index or rate	-	6,292
Total lease/rental income	**1,506**	**30,862**

Direct operating expenses (including repairs & maintenance) arising that generated rental income during the period	-	-
Direct operating expenses (including repairs & maintenance) arising <u>that did not</u> generate rental income during the period	-	-
Total direct operating expenses	**-**	**-**

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

< 1 year	1,506	25,799
1 - 2 years	-*	26,573
2 - 3 years	-*	27,370
> 3 years	-	-
Total undiscounted lease payments receivable	**1,506**	**79,742**

* In agreement with the tenants the lease was terminated on the 17th July 2024. The Credit Union is not looking to lease out the premises in the future.

FINANCE LEASES

Nature of the leasing activities

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

23. Reconciliation of cash flows from operating activities

(a) Cash flow from operating activities

	2024 $	2023 $
Profit after income tax	505,157	555,877
Non cash flows in operating surplus/(deficit):		
Impairment charge	16,057	18,475
Depreciation	63,615	63,941
Amortisation	106,934	119,861
Gain on disposal of plant & equipment	-	-
Changes in assets and liabilities:		
(Increase)/Decrease in receivables	(7,776)	(42,473)
(Increase)/Decrease in other assets	313,992	401,017
(Increase)/Decrease in deferred tax asset	(20,367)	(32,649)
Increase/(Decrease) in payables and accruals	73,058	302,898
Increase/(Decrease) in income tax payable	(137,083)	127,522
Increase/(Decrease) in employee benefits	22,660	37,338
Increase/(Decrease) in deferred tax liability	(28,102)	(21,967)
Net cash from revenue activities	908,145	1,529,840
Add/(deduct) non-revenue operations		
(Increase)/decrease in loans and advances	(5,121,104)	(4,690,276)
Increase/(decrease) in deposits	2,986,895	(5,620,914)
Cash inflow/(outflow) from operating activities	(1,226,064)	(8,781,350)

(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;
- (iii) investment securities, including shares in special service providers.

(c) Bank overdraft facility

As at 30 June 2024, the Credit Union does not have a bank overdraft facility. This is consistent with 2023.

(d) Special finance line – standby facility

As at 30 June 2024, the Credit Union does not have a standby facility. This is consistent with 2023.

23. Reconciliation of cash flows from operating activities (continued)

(e) CUSCAL – Settlement Security Deposit

In the 2024 financial year, CMCU lodged a Settlement Security Deposit (“SSD”) with CUSCAL. The SSD is a security deposit of $2,740,000 (2023: $2,740,000) held in a standard term deposit account with CUSCAL.

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

(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 cash and cash equivalents in the statement of financial position and Note 11 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 in its calculation of MLH disclosed in Note 29 Risk Management Objectives and Policies.

The Credit Union has also treated the SSD in accordance with its accounting policy for cash and cash equivalents for the purpose of interest rate risk and the maturity profile of financial assets in Note 30 Financial Instruments notwithstanding the existence of these specific contractual encumbrances.

24. 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.

24. Contingent liabilities and credit commitments (continued)

Security analysis of credit related commitments	Credit related commitments		Financial guarantees	
Secured by:	**2024 $**	**2023 $**	**2024 $**	**2023 $**
Secured by mortgage over real estate	1,246,590	1,342,426	10,000	10,000
Secured by funds	-	80,000	-	-
Partly secured by goods mortgage	133,170	92,505	-	-
Fully unsecured	64,491	64,991	5,100	5,100
Guarantee	10,000	10,000	-	-
Total	**1,454,251**	**1,589,922**	**15,100**	**15,100**

Other contingent liabilities

Central Murray Credit Union 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;
- May be required to advance permanent loans of up to 0.2% of total assets per financial year to another credit union requiring financial support; and
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

Other commitments

The Credit Union has a number of Service Agreements with external parties for the supply of services into the future.

25. Outsourcing arrangements

The Credit Union has outsourcing arrangements with Cuscal Limited for the provision of corporate banking services and facilities, settlement services with bankers for member cheques and access to the direct entry system.

The Credit Union has outsourcing arrangements with Cuscal Limited for the provision of network transactions for automatic teller facilities, the provision of debit cards and personal identification numbers and access to the BPAY scheme and the New Payments Platform.

The Credit Union has outsourcing arrangements with Experteq Pty Ltd for the provision of computer data processing services and Cuscal Limited for computer software services, rights to visa cards and the provision of central banking facilities.

Ultradata Australia provides and maintains the application software (Ultracs) utilised by the Credit Union.

The Credit Union has an outsourcing arrangement with AFS & Associates for the provision of internal audit services.

26. Key management personnel

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

Non-executive directors

M O'Dwyer	Chairperson
J Vagg	Vice-Chairperson
L Douglas	
J Gorman	
F McCallum	
G Scannell	
J Symes	
B Skinner (resigned 9th October 2024)	

Executive

J Pattison	Chief Executive Officer

Transactions with key management personnel

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

Key Management personnel compensation

The Key Management Personnel compensation included in "personnel costs" (see Note 8) are as follows:

	2024 $	2023 $
Short-term employee benefits	294,070	274,797
Other long-term benefits	3,565	7,944
Post employment benefits	40,816	35,821
	338,451	318,562

Loans and advances to key management personnel and other related parties

Details regarding the aggregate of loans and advances made, guaranteed or secured by the Credit Union to Key Management Personnel and their related parties as at balance date are as follows:

Loans and advances to key management personnel	1,871,877	2,286,795
Loans and advances to other related parties	-	-
	1,871,877	2,286,795

All loans to Directors by the Credit Union 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 all staff.

Revolving credit facilities totalling $nil (2023: $nil) were made available to Directors and Key Management Personnel during the year. The aggregate amount receivable at 30 June 2024 was $nil (2023: $nil). Key Management Personnel, who are not Directors, receive a concessional rate of interest on their facilities. These benefits, where subject to fringe benefits tax, are included in the remuneration above. All other revolving credit facilities are at normal commercial terms and conditions.

There was $nil concessional loan rate facilities funded during 2024 (2023: $nil), excluding those disclosed separately as Key Management Personnel loans.

26. Key management personnel (continued)

Loans to key management personnel and other related parties (continued)

Loans totalling $707,678 (2023: $850,000) were made to Key Management Personnel and other related parties during the year. As at 30 June 2024 there was $nil (2023: $nil) of loans approved but not yet funded in relation to Key Management Personnel.

During the year, Ms L Douglas, Mr J Vagg, Mrs B Skinner and Mr J Pattison (2023: Ms L Douglas, Mr J Vagg, Mr M Forster-Knight, Mrs F McCallum, Mrs B Skinner and Mr J Pattison) repaid $2,432,978 (2023: $2,385,209) of the balances outstanding on their loans and revolving credit facilities.

The Credit Union's policy for lending to Key Management Personnel and their related parties is that all loans are approved on the same terms and conditions as is applied to members of each class of loan. Interest is payable monthly. All loans are secured by either a registered first mortgage over the borrowers' residences, or by goods mortgages, over security provided by the borrower.

Interest received on the loans to Key Management Personnel and other related parties totalled $100,541 (2023: $114,814). 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 2024 (2023: nil).

	2024	2023
	$	$
Deposits from key management personnel and other related parties as at balance date		
Total value term and savings deposits from key management personnel	316,129	78,867
Total value term and savings deposits from other related parties	-	-
Total interest paid on deposits to key management personnel	520	745
Total interest paid on deposits to other related parties	-	-

The Credit Union'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 Credit Union

From time to time the Key Management Personnel of the Credit Union and their related parties may conduct banking related transactions with the Credit Union. These transactions are on the same terms and conditions as those entered into by other members.

No members of the Key Management Personnel of the Credit Union, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. Each Director would hold at least 1 share in the Credit Union.

27. Concentration of assets and liabilities

The Credit Union has cash and cash equivalents exposures in excess of 10% of member's equity in regards to a number of investment institutions. At 30 June 2024, these holdings are in accordance with the requirements of APS 221 *Large Exposures*.

One of the entities is Cuscal Limited, a Special Services Provider (SSP). The net investment totalling $7,159,409 (2023: $7,640,131) represents shares held in Cuscal Limited of $358,919 (2023: $349,495) and cash and investments with Cuscal Limited of $6,800,490 (2023: $7,290,635).

Other cash investments in excess of 10% of shareholders equity were also placed in APRA regulated deposit taking institutions at 30 June 2024.

Concentration of loans and advances and member deposits are detailed in Notes 13 and 19 respectively.

28. Auditor's remuneration

	2024 $	2023 $
Amounts received or due and receivable by the External Auditor of Central Murray Credit Union (including GST) for:		
- audit of the financial statements of the Credit Union	52,195	48,345
- other regulatory assurance services	57,475	19,580
- other services – taxation and other assistance	8,184	8,546
	117,854	76,471

Audit and related services were provided by Crowe Albury and taxation services by Findex. The above amounts exclude out of pocket expenses recovered.

29. Risk management objectives and policies

Introduction

The Board of the Credit Union has overall responsibility for the establishment and oversight of the risk management framework. The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union.

The Credit Union's risk management focuses on the major areas of market risk, credit risk and operational risk. Authority flows from the Board to the Board Risk Committee and Board Audit Committee from there to the Management Risk Committee and from there to Internal Audit which are integral to the management of risk.

The main elements of risk governance are as follows.

- *Board:* This is the primary governing body. It approves the level of risk which the Credit Union is exposed to and the framework for reporting and mitigating those risks.
- *Board Risk Committee:* Its key role in risk management is the overview of the Credit Union's internal control framework and risk management systems.
- *Board Audit Committee:* Its key role in risk management is to consider and confirm that the significant risks and controls are to be assessed within the internal audit plan. The Committee receives the internal audit reports to assess compliance with the controls, and provides feedback to the Board for their consideration.
- *Management Risk Committee:* Its key role is to provide independent and objective challenge, oversight, monitoring and reporting to material risk arising from the Credit Union's operations.
- *Internal Audit:* Internal audit has responsibility for implementing the controls testing and assessment as required by the Board Audit Committee:

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

- Market risk management system;
- Liquidity risk management system;
- Credit risk management system;
- Large exposures risk management system;
- Operational risk management system;
- Business continuity management policy; and
- Outsourcing policy.

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

(a) Market risk

The objective of the Credit Union's market risk management is to manage and control market risk exposures in order to optimise risk and return.

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the Credit Union's financial condition or results. The Credit Union is exposed only to interest rate risk arising from changes in market interest rates within its own banking book. The Credit Union is not exposed to currency risk or other significant price risk. The Credit Union does not trade in the financial instruments it holds on its books.

The management of market risk is the responsibility of the Chief Executive Officer, who reports directly to the Board.

29. Risk management objectives and policies (continued)

(a) Market risk (continued)

(i) 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 of interest rates.

Most financial institutions are exposed to interest rate risk within its treasury operations. The Credit Union does not have a treasury operation and does not trade its financial instruments.

Interest rate risk in the banking book

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

The interest rate risk on the banking book is monitored and measured on a regular basis, including via the quarterly APRA reporting.

In the banking book the most common risk the Credit Union faces arises from fixed rate assets and liabilities. This exposes the Credit Union to the risk of sensitivity should the interest rate change.

The level of mismatch on the banking book is set out in Note 30 below. The table set out in Note 30 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.

Method of managing risk

The Credit Union manages its interest rate risk by the use of interest rate sensitivity analysis. The details and assumptions used are set out below.

Interest rate sensitivity

The policy of the Credit Union to manage the risk is to maintain a balanced 'on book' strategy by ensuring that the net interest gap between assets and liabilities (the Gap) is not excessive.

The Gap is measured regularly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposit liabilities to rectify the imbalance to within acceptable levels. The policy of the Credit Union is not to undertake derivatives to match the interest rate risks.

Based on the calculations as at 30 June 2024, the net profit impact for a 1% increase in interest rates would be $622,120 increase in profit (2023: $660,068). A decrease of 1% in interest rates would have an equal but opposite effect.

The Credit Union performs a sensitivity analysis to measure market risk exposures on an annual basis, as part of the annual budgeting process. The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing on the banking book of the Credit Union for the next 12 months using a variety of assumptions.

29. Risk management objectives and policies (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Credit Union will not be able to meet its financial obligations as they fall due. It is the policy of the Credit Union that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flow needs;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, and
- Monitoring the prudential ratio daily.

The liquidity strategy requires the holding of surplus funds in liquid assets which meet APRA's criteria for classification as eligible Minimum Liquidity Holdings ("MLH") the availability of appropriate standby lines of funding; maintenance of reliable sources of funding and daily liquidity projections.

The Credit Union has a contractual arrangement with the Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support for the Credit Union in times of need. Further details of the CUFSS arrangements are included at Note 24.

APRA Prudential Standards place specific management and reporting requirements on ADIs in relation to liquidity risk. The Credit Union uses the MLH basis to calculate liquidity. Under this calculation the Credit Union is required to maintain at least 9% of total adjusted liabilities in specified eligible assets at all times. The Credit Union maintains a required minimum liquidity level of at least 16% (2023: 16%) to meet adequate operational cash flow requirements. The ratio is monitored 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.

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

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

	2024	**2023**
Minimum Liquidity Holdings (MLH)	22.28%	26.68%
Operational Liquid Assets (Non MLH)	2.64%	-
Total	**24.92%**	**26.68%**

In order to ensure compliance with APS 210 *Liquidity*, the Credit Union has set up an Austraclear Proxy and Settlement Services agreement with FIIG Securities Limited. This facility ensures that the Credit Union has the ability to liquidate MLH assets within 48 hours as required by APS 210.

29. Risk management objectives and policies (continued)

(c) Credit risk

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

(i) Credit risk – loans & advances:

All loans and facilities are within Australia. The geographic distribution is monitored and analysed, with details of the concentration detailed in Note 13.

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 risk management policy has been endorsed by the Board to ensure that loans are only made to members that are creditworthy and capable of meeting loan repayments.

The Credit Union has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value of individual borrowers, non mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Debt recovery procedures where appropriate; and
- Establishing appropriate provisions to recognise the impairment of loans and facilities.

A regular review of the Credit Union's compliance with the credit risk management policy and associated policies and procedures is conducted as part of the internal audit program.

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 arises 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 14.

29. Risk management objectives and policies (continued)

(c) Credit risk (continued)

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.

Collateral securing loans

A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the Credit Union is exposed to risks in the reduction to Loan to Valuation Ratio (LVR) cover should the property market be subject to a substantial decline.

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

The Credit Union maintains a general policy to attract residential mortgages which carry an 80% loan to valuation ratio or less. Note 13 details the nature and extent of the security held against the loan held as at balance date.

Concentration risk

Concentration risk is a measurement of the Credit Unions' exposure to an individual borrower or industry.

The Credit Union has in place a large exposure policy limit of 10% of regulatory capital. The Credit Union can lend above 10% of capital, however APRA must be consulted prior to undertaking the loan or facility. APRA may impose additional capital requirements on the Credit Union if the aggregate of large exposures is deemed to be higher than prudentially acceptable.

Details of the Credit Union's large exposures at balance date are set out in Note 13.

(ii) Credit risk – liquid investments:

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss.

The risk of losses from the liquid investments undertaken is mitigated by the nature and quality of the independent rating of the investment bodies and the limits to concentration as approved by APRA from time to time.

The Credit Union uses the ratings of 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 compiled with.

Given the high quality of these investments, the Credit Union does not expect any counterparty to fail to fulfil its obligations. The exposure values associated with each credit quality investment body are detailed in Notes 11 and 27.

External Credit Assessment for Institution Investments

The Credit Union uses the ratings of 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 compiled with. The exposure values associated with each credit quality step are detailed in Note 11.

29. Risk management objectives and policies (continued)

(d) Operational risk

Operational risk is the risk of loss to the Credit Union resulting from deficiencies in processes, personal technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in the Credit Union relate mainly from those risks arising from a number of sources including legal compliance, business continuity, information technology, outsource 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.

(e) Regulatory and Compliance risk

Regulatory and Compliance risk is the risk of failing to comply with regulatory requirements.

The Credit Union's compliance program identifies the key legislative and regulatory obligations that impact the Credit Union and identifies the measures in place to ensure compliance with them.

(f) Strategic risk

Strategic risk is the risk to current or prospective earnings and capital, resulting from unexpected or adverse changes in the business environment with respect to the economy, the political landscape, regulation, technology, social morals, the actions of competitors and business decisions.

Strategic risk is constantly considered through business strategy, i.e. planning and, where applicable, monitored via the quarterly risk report with additional commentary on emerging issues included in the monthly report.

(g) Capital risk

Capital risk is the risk that there is insufficient capital available to protect against unexpected loss. The Credit Union's policy is to maintain a strong capital base and to maintain a balance between profitability and benefits provided to members by way of better interest rates, lower fees, convenient locations and superior service.

The Credit Union's capital management objectives are to:

- Ensure there is sufficient capital to support the Credit Union's operational requirements;
- Maintain sufficient capital to exceed internal and externally imposed capital requirements; and
- Safeguard the Credit Union's ability to continue as a going concern in all types of market conditions.

The Credit Union is subject to minimum capital requirements imposed by APRA based on the guidelines developed by the Basel Committee on Banking Supervision. The Credit Union reports to APRA under Basel III capital requirements and uses the standardised approach for credit and operational risk.

APRA requires Authorised Deposit-taking Institutions ("ADIs") to have a minimum ratio of capital to risk weighted assets of 8%. In addition, APRA imposes ADI specific minimum capital ratios which may by higher than these levels.

The Board approved internal capital assessment process requires capital to be well above the regulatory required levels.

29. Risk management objectives and policies (continued)

(g) Capital risk (continued)

	2024 $	2023 $
Capital adequacy calculation		
Tier 1 capital		
Net tier 1 capital	6,930,338	5,881,993
Tier 2 Capital		
Net tier 2 capital	217,790	199,000
Total Capital	7,148,128	6,080,993
Risk profile		
Credit Risk	36,074,241	34,902,983
Operational Risk	3,607,424	3,490,298
Total risk weighted assets	39,681,665	38,393,281
Capital adequacy ratio	18.01%	15.84%

The level of capital ratio can be affected by growth in assets relative to growth in capital and by changes in the mix of financial assets managed by the Credit Union.

To manage the Credit Union's capital, the Credit Union reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the Board and APRA if the capital ratio falls below the internal trigger point of 16.00%. Further a 3-year budget projection of the capital levels is prepared annually to address how strategic decisions or trends may impact on the capital level.

Internal capital adequacy assessment process

The Credit Union manages its internal capital levels for both current and future activities through the Board in its capacity as the primary governing body. The capital required for any change in the Credit Union's strategic direction, forecasts, or unforeseen circumstances, are assessed by the Board.

Notes to the Financial Statements

For the year ended 30 June 2024 (continued)

30. Financial instruments

(a) Interest rate risk

The Credit Union's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial instruments	Floating (variable) interest rate		Fixed interest rate maturing in: 1 year or less		Fixed interest rate maturing in: Over 1 to 5 years		Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 %	2023 %
Financial assets:												
Cash and cash equivalents	4,290	4,574	9,694	6,699	-	-	697	654	14,681	11,927	3.91%	2.68%
Other receivables	-	-	-	-	-	-	106	98	106	98	N/A	N/A
Loans and advances (gross)	79,612	74,480	595	-	-	606	-	-	80,207	75,086	6.39%	6.22%
Financial assets	3,000	6,000	-	-	11,000	12,000	399	388	14,399	18,388	2.04%	2.61%
Total financial assets	86,902	85,054	10,289	6,699	11,000	12,606	1,202	1,140	109,393	105,499		
Financial liabilities:												
Members deposits	54,636	56,494	46,544	41,618	650	730	36	37	101,866	98,879	2.44%	1.89%
Trade and other payables	-	-	-	-	-	-	1,242	1,169	1,242	1,169	N/A	N/A
Total financial liabilities	54,636	56,494	46,544	41,618	650	730	1,278	1,206	103,108	100,048		

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

30. 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	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Financial assets:														
Cash and cash equivalents	9,760	6,741	-	-	-	-	-	-	4,987	5,228	14,747	11,969	14,861	11,927
Other Receivables	-	-	-	-	-	-	-	-	15	27	15	27	106	98
Loans and advances (gross)	2,111	1,931	5,882	5,442	41,882	38,828	106,206	97,438	-	-	156,081	143,639	80,207	75,086
Financial assets	502	509	2,518	2,012	11,082	14,596	-	1,014	399	388	14,501	18,519	14,399	18,388
Total financial assets	12,373	9,181	8,400	7,454	52,964	53,424	106,206	98,452	5,401	5,643	185,344	174,154	109,573	105,499
Financial liabilities:														
Members deposits	22,876	20,816	25,168	21,814	699	778	-	-	54,672	56,530	103,415	99,938	101,866	98,879
Trade and other payables	-	-	-	-	-	-	-	-	590	784	590	784	1,242	1,169
Total financial liabilities	22,876	20,816	25,168	21,814	699	778	-	-	55,262	57,314	104,005	100,722	103,108	100,048

30. Financial instruments (continued)

(c) Net fair values

The fair value is required to be disclosed where the financial instruments are not measured at fair value in the Statement of Financial Position. Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

Assets where the fair value is lower that the book value have not been written down in the accounts of the Credit Union on the basis that they are held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

The Credit Union has assessed that at balance date, the carrying amount of all financial instruments approximates fair value with the exception of Financial Assets – Investment Securities as described below. The description of the valuation techniques and assumptions are detailed below:

Recognised financial instruments

Cash and cash equivalents

The carrying amounts approximate fair value because of their short-term to maturity (i.e. less than three months) or are receivable on demand.

Other receivables

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

Loan and advances

The majority of the Credit Union's loans are variable rate loans. The carrying amount of these loans is considered to approximate fair value. The net fair value of any non-variable rate loans is estimated using 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 2024 approximates net fair value.

Member deposits

The fair value of call deposits and fixed rate deposits repricing within 12 months, is the amount shown in the Statement of Financial Position. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related period to maturity. The maximum term for fixed term deposits accepted by the Credit Union is two years.

The Credit Union has assessed its own credit risk in regards to the fair value of deposits, and has assessed that no material valuation adjustment based on the capital management system utilised by the Credit Union as outlined in Note 29 (g).

Trade and other payables

The carrying amount approximates fair value as they are short term in nature as outlined in Note 30.

Financial assets – investment securities

The fair value of investment securities that are not traded in an active market are determined using discounted cash flow analysis with terms to maturity, as closely as possible, the estimated future cash flows. The fair value of investment securities is $13,658,840. The carrying amount of investments securities per note 15 is $14,000,000.

30. Financial instruments (continued)

Financial assets through other comprehensive income (FVOCI)

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.

(d) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	2024 $	2023 $
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	1,987,393	1,728,443
Receivables due from other financial institutions	16,693,927	18,198,730
Receivables due from government authorities	10,000,000	10,000,000
Other receivables	106,111	98,336
Member loans and advances (gross)	80,206,886	75,085,969
	108,994,317	105,111,478
Financial assets at fair value through other comprehensive income (FVOCI)		
Other financial assets	398,517	387,714
	398,517	387,714
Total financial assets	109,392,834	105,499,192
Financial liabilities		
Financial liabilities at amortised cost		
Accounts payable and other liabilities	1,242,405	1,169,348
Member deposits	101,865,656	98,878,761
Total financial liabilities	103,108,061	100,048,109

31. Fair value measurement

Fair value hierarchy

Refer to details of the fair value hierarchy at Note 4(s).

2024	Level 1	Level 2	Level 3	Total
Assets measured at fair value	$	$	$	$
Land and buildings	-	1,804,910	-	1,804,910
Other financial assets (at FVOCI)	-	-	398,517	398,517
Total	**-**	**1,804,910**	**398,517**	**2,203,427**

2023	Level 1	Level 2	Level 3	Total
Assets measured at fair value	$	$	$	$
Land and buildings	-	1,810,059	-	1,810,059
Other financial assets (at FVOCI)	-	-	387,714	387,714
Total	**-**	**1,810,059**	**387,714**	**2,197,773**

Assets measured at fair value based categorised as Level 2

Land and buildings 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	**2024 $**	**2023 $**
Balance at 1 July per AASB 139	N/A	N/A
Adjustment on initial application of AASB 9	N/A	N/A
Balance at 1 July per AASB 9	**387,714**	**424,560**
Revaluation through other comprehensive income	10,803	(36,846)
Impairment through profit or loss	-	-
Purchases	-	-
Sales	-	-
Closing balance - at 30 June	**398,517**	**387,714**

32. Corporate information

The Credit Union is a company registered under the Corporations Act 2001.

The address of the registered office is 58 Belmore Street, Yarrawonga Vic 3730.

Head office of the business is located in Yarrawonga Vic 3730.

The nature of the operations and its principal activities are the provision of deposit taking facilities and loan facilities to members of the Credit Union.

33. Subsequent events

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

Directors’ Declaration

In the opinion of the Directors of Central Murray Credit Union Limited: -

1. the financial statements and notes, set out on pages 9 to 56, are 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 2024 and of its performance as for the year ended on that date; and
   (b) complying with the Accounting Standards and the *Corporations Regulations 2001*; and

2. There are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

3. The information disclosed in the consolidated entity disclosure statement is true and correct.

Signed in accordance with a resolution of the Directors:

M O’Dwyer	J Vagg
Chairperson	*Vice Chairperson*

Dated at Yarrawonga this 22 September 2024.

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Central Murray Credit Union Limited

Independent Auditor's Report to the members of Central Murray Credit Union Limited

Opinion

We have audited the financial report of Central Murray Credit Union Limited (the Credit Union), which comprises the statement of financial position as at 30 June 2024, 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 the material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

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

(a) giving a true and fair view of the Credit Union's financial position as at 30 June 2024 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information contained in the Credit Union's Annual Report for the year ended 30 June 2024 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*
- the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001;* and

for such internal control as the directors determine is necessary to enable the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Crowe

CROWE ALBURY

Jason Gilbert

JASON GILBERT

Partner

22 September 2024

Albury