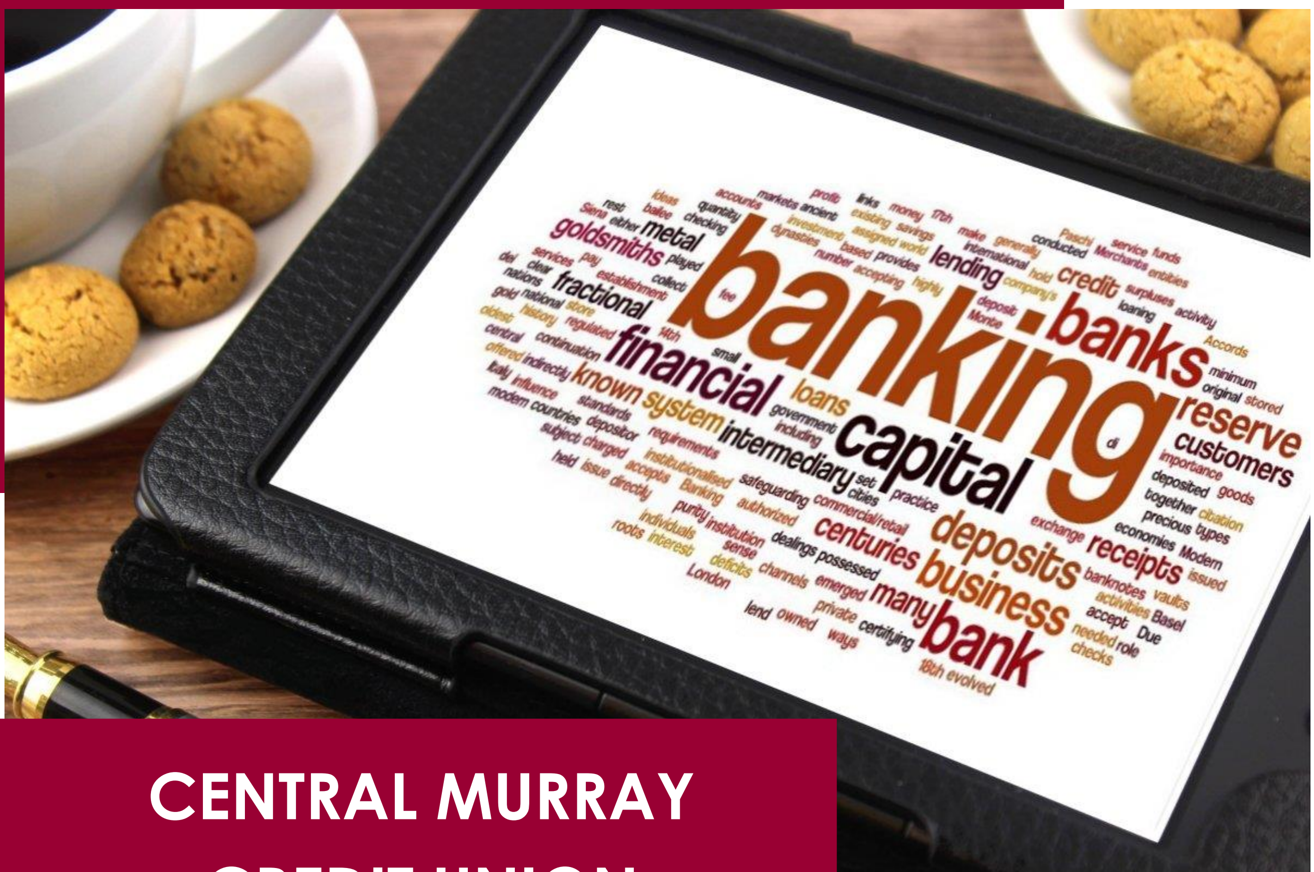

CENTRAL MURRAY CREDIT UNION

ANNUAL REPORT

2021

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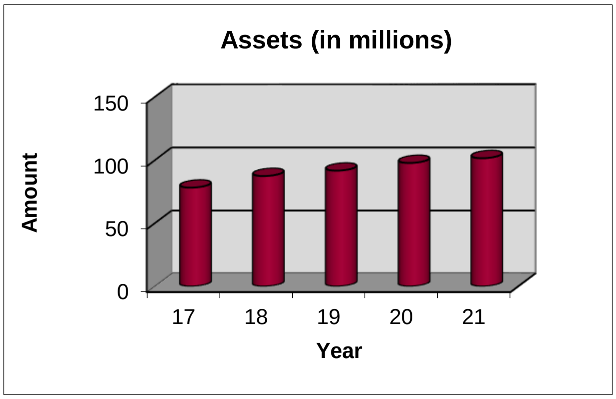
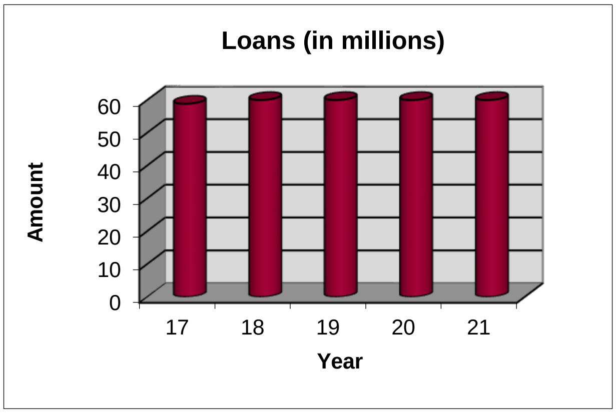
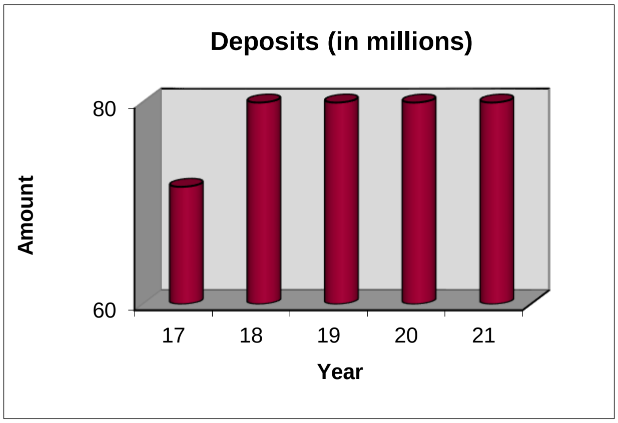
Performance Review Comparison



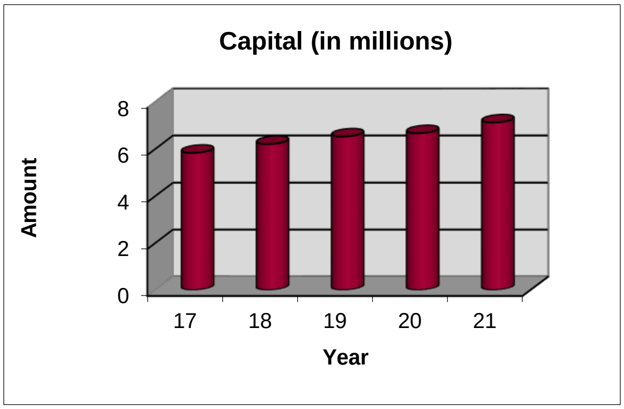
2014	$62,497,350		
2015	$65,652,726	growth	5.05%
2016	$73,525,908	growth	11.99%
2017	$78,692,940	growth	7.03%
2018	$87,841,693	growth	11.63%
2019	$92,093,850	growth	4.84%
2020	$98,172,334	growth	6.60%
2021	$101,945,508	growth	3.84%



2014	$47,563,235		
2015	$48,295,439	growth	1.54%
2016	$52,080,020	growth	7.84%
2017	$58,857,579	growth	13.01%
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%



2014	$55,651,104		
2015	$58,889,216	growth	5.82%
2016	$66,224,383	growth	12.46%
2017	$71,643,723	growth	8.18%
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%



2014	$5,332,689	growth	
2015	$5,555,099	growth	4.17%
2016	$5,686,408	growth	2.36%
2017	$5,842,175	growth	2.74%
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%

Company Information

Directors

John Gorman LL.B,B.Juris
Michael O'Dwyer
Linda Douglas
Michael Forster-Knight
Joshua Vagg
Faith McCallum

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

Member Services Staff

Member Services Supervisor: Allison Lewis
Member Services Officers:
Jade Barany
Shantal Spencer

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

Chairman's Report

In presenting the 2021 Annual Report on the operations and performance of the Central Murray Credit Union Limited for the past financial year I would like to advise our members the following;

The Credit Union achieved a solid financial result amidst continued challenging and difficult economic times. A pre-tax operating profit of $168,344 resulted in a net profit of $144,752. This included a revaluation of land and buildings and other equity instruments totalling $309,020 that increased comprehensive income to $453,772. This amount when added to our existing surplus brings the Total Reserves of the Credit Union to $7,130,144.

2021 has been an important year for the Credit Union. Significant milestones have been achieved. Our Asset Base has broken through the $100 million barrier (now totalling $101,945,508) - an increase of 3.85% on the previous year.

Member Deposits increased by 3.95% (now totalling $93,586,982) and our Loans to Members increased by 10.37% to $68,989,545.

Loan demand has been exceptional since the end of the Victorian lockdown in October 2020. Total loan funding for the financial year breaking all previous records totalling $21 million.

The Reserve Bank of Australia again reduced Official Interest Rates in November 2020 by 15 basis points to a new low of 0.10%. This has clearly signalled that no upward movement would be expected till 2024.

The combined impacts of Low Interest Rates on Housing Loans and the Covid-19 pandemic restrictions on movement and working conditions (more working from home) has seen numerous relocations taking place from metropolitan to regional areas. Property values have increased significantly due to supply and demand shortfalls on existing houses and new constructions that have issues with the supply of building materials and the shortage of available land blocks for development

Low interest rates will remain for some time and will continue to have an impact on our business model and profitability.

We are committed to ensure financial products available to Central Murray Credit Union customers are comparable to all other financial services providers operating within our community. This include Loans, Savings and Access products as well as the latest digital technology for our members to access their accounts.

The Covid-19 lockdown throughout Australia, and more so Victoria with its extended lockdown, has continued the transition away from traditional banking channels with digital access accounting for 95% of all banking transactions. All banking institutions have been reviewing their operations with many amending opening hours and some announcing branch closures. This will continue particularly with three of the Big Four banks re-signing long term agreements with Australia Post to provide banking services.

Digital banking is only one of many services that a banking institution provides. It is essential for regional communities in particular that personal banking is not lost. As the major banks continue to reduce regional services it is essential for communities to support their locally owned banking institutions like CMCU to ensure long-term banking services are maintained in regional areas

CHAIRMAN'S REPORT (CONTINUED)

Central Murray Credit Union is a customer owned banking institution where all benefits remain within the community. No other banking institution operating within our communities support local clubs, schools and local events to the equivalent level as the Credit Union.

Central Murray Credit Union Limited continues to comply with all Regulatory Authorities in particular ASIC (Australian Securities & Investments Commission) and APRA (Australian Prudential Regulatory Authority). The Credit Union as an ADI (Authorised Deposit-Taking Institution) is required to maintain minimum specific standards. As shown below the Credit Union maintains levels well in excess of the required minimum standards.

Liquidity:	Standard Requirement 9%	Central Murray Credit Union actual 20.62%
Capital:	Standard Requirement 8%	Central Murray Credit Union actual 14.61%

The Board of Directors are required and remain focused in maintaining Prudential Compliance in accordance with the regulatory governing bodies APRA and ASIC. Director responsibility has continually increased over the years and will continue to do so each year. The introduction of APRA Prudential Standard CPS510 Governance details the message from the regulators what is expected of senior members associated with ADI'S (Authorised Deposit-Taking Institutions). CPS510 places greater challenges and expectations upon each director in order to fulfil their role as a director of the Credit Union. New regulation CPS220 Risk Management requires the formation of a Risk Committee. The new committee will see a reassignment of duties between the Audit and Risk committees.

On behalf of my fellow Directors I would like to thank John and his entire staff. Without dedicated staff we would not be able to excel in the service levels provided to our customers and owners. To my fellow Directors I would like to acknowledge my appreciation for their support and dedication during the past year in overseeing the Credit Unions operations on behalf of all our customers and owners.

In closing, I would like to thank all Central Murray Credit Union customers and owners for their continued support.

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 2021 and the auditor's report thereon.

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:

J Gorman
Board Chairperson
Occupation: Solicitor
Director since 1984

F McCallum
Occupation: Bookkeeper
Director since 2010

M O'Dwyer
Board Vice Chairperson
Occupation: Marketing Manager
Director since 2002

L Douglas
Occupation: Office Administrator
Director since 2003

M Forster-Knight
Board Audit Committee Chairperson
Occupation: Business Manager
Director since 2004

J Vagg
Board Risk Committee Chairperson
Occupation: Accountant
Director since 2017

B Skinner
Occupation: Business Manager
Director since 2020

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	6	12
Number of meetings attended:			
J Gorman	10	-	-
M O'Dwyer	12	-	-
L Douglas	10	5	10
M Forster-Knight	10	5	10
F McCallum	12	5	11
J Vagg	12	6	11
B Skinner*	7	-	-

* Director appointed December 2020

DIRECTORS' REPORT (CONTINUED)

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 $168,344 (2020: $204,988). Income tax expense was $23,592 (2020: $73,551).

Operating and financial review

Net loans and advances for the year have increased by $6,484,900 to $68,989,545.

Member deposits increased during the year by $3,546,145 to $93,586,982.

Members' equity during the year has increased by $453,772 to $7,130,144

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 other than the impact of the Coronavirus (COVID-19) pandemic. The rapid rise of COVID-19 has seen an unprecedented global response by Governments, regulators and industry sectors. This has included an increased level of restrictions on corporate Australia's ability to operate, significant volatility and instability in financial markets and the release of a number of government stimulus packages to support individuals and businesses as the Australian and global economies face significant slowdowns and uncertainties.

Events subsequent to balance date

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

Directors' Report (continued)

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 23 to the financial statements.

Public Prudential Disclosure

In accordance with the APS 330 Public Disclosure requirements, the Credit Union is to publicly disclose certain information in respect of:

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

These disclosures can be viewed on the Credit Union's website:

http://www.cmcu.com.au/about_cmcu/aps330_public_disclosure_of_prudential_information (under About Us section).

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 2021 has been received and can be found on page 11 of the financial report.

Signed in accordance with a resolution of the Directors.

J Gorman	M O'Dwyer
Chairperson	*Vice Chairperson*

Dated at Yarrawonga this 15th September 2021

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

PO Box 500
Albury NSW 2640 Australia

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

Auditor Independence Declaration Under S307C of the *Corporations Act 2001* to the Directors of 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 2021 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

BRADLEY D BOHUN
Partner

15 September 2021
Albury

FINANCIAL STATEMENTS

Statement of Profit and Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	2021 $	2020 $
Interest revenue	2	2,731,232	3,381,087
Interest expense	2	(507,630)	(1,022,381)
Net interest income		2,223,602	2,358,706
Non-interest revenue	3	512,773	517,838
Other income	4	181	-
		2,736,556	2,876,544
Net impairment loss on financial assets		(15,111)	(49,717)
Other expenses	5	(2,553,101)	(2,621,839)
Profit from operations before income tax		168,344	204,988
Income tax expense	6	(23,592)	(73,551)
Profit after tax		144,752	131,437
Items that will not be reclassified subsequently to profit and loss			
Gain/(loss) on the revaluation of land and buildings, net of tax		216,758	-
Gain/(loss) on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		92,262	9,981
Total comprehensive income for the year		453,772	141,418

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes set out on pages 16 to 66.

Statement of Changes in Equity

For the year ended 30 June 2021

	Retained profits $	Member share redemption reserve $	Lending risk reserve $	Asset revaluation reserve $	General reserve $	Financial asset reserve $	Total $
Year ended 30 June 2020							
Opening balance at 1 July 2019	5,054,008	48,925	193,799	643,148	550,000	45,074	6,534,954
Profit after tax	131,437	-	-	-	-	-	131,437
Other comprehensive income for the period	-	-	-	-	-	9,981	9,981
Total comprehensive income for the year	**131,437**	**-**	**-**	**-**	**-**	**9,981**	**141,418**
Transfer to member share redemption reserve	(2,194)	2,194	-	-	-	-	-
Transfer to lending risk reserve					-		
Closing balance at 30 June 2020	**5,183,251**	**51,119**	**193,799**	**643,148**	**550,000**	**55,055**	**6,676,372**
Year ended 30 June 2021							
Opening balance at 1 July 2020	5,183,251	51,119	193,799	643,148	550,000	55,055	6,676,372
Profit after tax	144,752	-	-	-	-	-	144,752
Other comprehensive income for the period	-	-	-	216,758	-	92,262	309,020
Total comprehensive income for the year	**144,752**	**-**	**-**	**216,758**	**-**	**92,262**	**453,772**
Transfer to member share redemption reserve	(3,074)	3,074	-	-	-	-	-
Transfer to lending risk reserve							
Closing balance at 30 June 2021	**5,324,929**	**54,193**	**193,799**	**859,906**	**550,000**	**147,317**	**7,130,144**

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes set out on pages 16 to 66.

Statement of Financial Position

As at 30 June 2021

	Note	2021 $	2020 $
ASSETS			
Cash and cash equivalents	8	18,727,985	33,010,500
Other receivables	9	33,302	48,315
Loans and advances	10	68,989,545	62,504,645
Financial assets	12	10,328,740	205,748
Property, plant and equipment	13	2,127,447	1,856,131
Intangible assets	14	300,571	99,400
Right-of-use assets	19	-	106,726
Deferred tax assets	7	108,633	83,622
Current tax asset	7	45,187	11,665
Other assets	15	1,284,098	245,582
TOTAL ASSETS		101,945,508	98,172,334
LIABILITIES			
Member deposits	16	93,586,982	90,040,837
Trade and other payables	17	662,742	934,662
Employee benefits	18	209,984	207,225
Lease liabilities	19	-	110,602
Deferred tax liabilities	7	355,656	202,636
TOTAL LIABILITIES		94,815,364	91,495,962
NET ASSETS		7,130,144	6,676,372
EQUITY			
Reserves		1,805,215	1,493,121
Retained profits		5,324,929	5,183,251
TOTAL EQUITY		7,130,144	6,676,372

The Statement of Financial Position is to be read in conjunction with the accompanying notes set out on pages 16 to 66.

Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Interest received on loans and advances		2,751,116	3,383,123
Interest paid on member deposits		(650,180)	(1,155,664)
Dividends received		7,510	17,465
Interest paid – lease liability		(2,182)	(8,430)
Other non-interest income received		510,134	467,752
Income tax paid/(refund received)		(32,089)	(168,158)
Payments to employees and suppliers		(3,576,853)	(2,687,875)
		(992,544)	(151,787)
Net (increase)/decrease in loans and advances		(6,484,900)	5,240,551
Net increase/(decrease) in deposits		3,546,145	6,155,528
Net cash from (used in) operating activities	20	(3,931,299)	11,244,292
Cash flows from investing activities			
Acquisition of investment securities		(10,000,000)	-
Acquisition of property, plant and equipment		(75,985)	(45,901)
Proceeds from sale of property, plant and equipment		16,226	-
Acquisition of intangible assets		(283,806)	(32,296)
Net cash from (used in) investing activities		(10,343,565)	(78,197)
Cash flows from financing activities			
Repayment of lease liabilities		(7,651)	(54,259)
Net cash from/(used in) financing activities		(7,651)	(54,259)
Net increase/(decrease) in cash and cash equivalents		(14,282,515)	11,111,836
Cash and cash equivalents at 1 July		33,010,500	21,898,664
Cash and cash equivalents at 30 June	8	18,727,985	33,010,500

The Statement of Cash Flows is to be read in conjunction with the accompanying notes set out on pages 16 to 66.

Notes to Financial Statements For the year ended 30 June 2021

1. Significant accounting policies

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 15th September 2021.

(a) Statement of compliance

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

Not-for-profit status

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

(b) Basis of preparation

The financial statements are presented in Australian dollars.

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

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

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

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits at call and other short-term deposits with Approved Deposit-taking Institutions that can be readily converted into cash. This includes negotiable certificates of deposits and floating rate note securities (FRNS) with maturities three months and less. Negotiable certificates of deposits and floating rate note securities are held via the Austraclear system with the Reserve Bank of Australia, to enable conversion to cash. Cash and cash equivalents are recognised at the gross value of the outstanding balance.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021(CONTINUED)

1. Significant accounting policies (continued)

(d) Receivables due from other financial institutions

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

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

(e) Loans and advances

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

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

Loan origination fees

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

Transaction costs

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

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

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

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

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

- Financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans) (‘Stage 1’); and

Notes to Financial Statements For the year ended 30 June 2021(continued)

1. Significant accounting policies (continued)

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

- Financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (‘Stage 2’).

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

Measurement of ECL

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

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

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

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

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

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

The measurement of ECL reflects:

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

Critical accounting estimates and judgments in the ECL

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021(CONTINUED)

1. Significant accounting policies (continued)

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

Critical accounting estimates and judgments in the ECL (continued)

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.

Calculation of expected credit losses

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

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

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

The EAD represents the expected exposure at default.

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

Incorporation of forward-looking information

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

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021(CONTINUED)

1. Significant accounting policies (continued)

(f) 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

(g) Investment Securities

Investment securities are financial assets held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the statement of financial position. These are initially measured at fair value and subsequently measured at amortised cost. These have been assessed for impairment under AASB 9 'expected credit loss' (ECL) and no impairment is recognised.

(h) 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.

(i) Property, plant and equipment & intangible assets

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

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

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

Notes to Financial Statements For the year ended 30 June 2021(continued)

1. Significant accounting policies (continued)

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

Depreciation/amortisation

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

- Buildings 40 years
- Plant & Equipment 2 to 20 years
- Leasehold improvements 3 to 50 years

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

Land is not depreciated.

Disposals

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

Intangible assets

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

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

- Computer software 3 years

(j) Impairment of non-financial assets

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

(k) Employee entitlements

Long term service benefits

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

Notes to Financial Statements For the year ended 30 June 2021(continued)

1. Significant accounting policies (continued)

(k) Employee entitlements

Short term benefits

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

(l) Member Deposits

Member deposits are held at amortised cost.

Interest payable

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

(m) Accounts payable and other liabilities

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

(n) Revenue Recognition

Interest revenue

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

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

Fee income

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

Fee income relating to deposit or loan accounts is either:

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021(CONTINUED)

1. Significant accounting policies (continued)

(n) Revenue Recognition (continued)

Fee income (continued)

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

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

Commission income

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

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

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.

(o) Leases

Credit Union as a lessee

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

The Credit Union has elected to separate non-lease components from lease components and has accounted for payments separately, rather than as a single component.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021(CONTINUED)

1. Significant accounting policies (continued)

(o) Leases (continued)

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

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

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

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

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

(p) Income tax

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

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

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

reporting purposes and the amounts used for taxation purposes.

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

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

Revenues, expenses and assets are recognised net of the goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021(CONTINUED)

1. Significant accounting policies (continued)

(p) Income tax (continued)

circumstances, the GST is recognised as part of the cost of accounting of the asset or as part of the expense.

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

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

(q) 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 (RITC), of which 75% of the GST paid is recoverable.

(r) Off balance sheet funding

The Credit Union has facilitated the funding of Integris Securitisation Services Pty Ltd (Perpetual Trustees) securitised loans totalling $509,381 at 30 June 2021 (2020: $534,936) whereby the Credit Union has acted as an agent to promote and complete loans on their behalf for on-sale to an investment trust. The Credit Union receives a management fee in relation to each separate loan funded via this method. The Credit Union bears no risk exposure in respect of these loans.

(s) Reserves

Member share redemption reserve

The Credit Union has, in accordance with ASIC Compliance Note 2001.84, 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 $54,193 as at 30 June 2021 (2020: $51,119).

Lending risk reserve

The Credit Union has a lending risk reserve of $193,799 as at 30 June 2021 (2020: $193,799). This reserve is calculated at a minimum rate of 0.5% of risk weighted assets

Notes to Financial Statements For the year ended 30 June 2021(continued)

1. Significant accounting policies (continued)

(s) Reserves (continued)

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 2021 is $859,906 (2020: $643,148).

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 2021 is $550,000 (2020: $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 2021 is $147,317 (2020: $55,055).

(t) Fair value measurement

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

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

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

Fair value measurement hierarchy

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021(CONTINUED)

1. Significant accounting policies (continued)

(u) Accounting estimates and judgements

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

- Note 1(f) & Note 11 – Impairment of loans and advances with regards to the expected credit loss modelling and judgments, including:
  - Determining criteria for significant increase in credit risk: An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Credit Union takes into account qualitative and quantitative reasonable and supportable forward-looking information;
  - Choosing appropriate models and assumptions for the measurement of expected credit loss; and
  - Establishing groups of similar financial assets for the purposes of measuring expected credit loss: When expected credit loss is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.
- Note 13 - Fair value assumptions used for land and buildings;
- Note 12 – Fair value assumptions used for Equity investment securities designated as fair value through other comprehensive income (FVOCI); and

Judgement has also been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Credit Union based on known information. The consideration extends to the nature of the products and service offered, customers, staffing and the geographic region in which the Credit Union operates. The key estimates and judgements associated with COVID-19 are detailed in Note 11 (regarding expected credit loss on loans to members) and Note 13 (regarding fair value of land and buildings).

Going Concern

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021(CONTINUED)

1. Significant accounting policies (continued)

(v) New or amended accounting standards adopted

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

(w) New accounting standards and interpretations not yet mandatory

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

2. Interest revenue and interest expenses

	2021 $	2020 $
Interest revenue		
Investment securities	84,344	241,599
Loans and advances	2,646,888	3,139,488
	2,731,232	3,381,087
Interest expense		
Member deposits	504,818	1,013,951
Lease liabilities	2,812	8,430
	507,630	1,022,381

3. Non-interest revenue

	2021 $	2020 $
Revenue from contracts with customers		
Fees and commissions		
• Loan fee income	95,153	73,768
• Other fee income	282,029	289,781
• Commissions - insurance	16,703	17,267
• Commissions - other	40,118	38,140
Other sources of income		
Dividends	7,510	17,465
Bad debts recovered	-	10
Other income	21,260	31,407
Government Grants	50,000	50,000
Total non-interest revenue	512,773	517,838

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

Notes to Financial Statements For the year ended 30 June 2021 (continued)

3. Non-interest revenue (continued)

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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021(CONTINUED)

3. Non-interest revenue (continued)

Government grants

As part of its response to COVID-19, the Australian Government, in March 2020, announced various stimulus measures to ease the burden experienced by businesses as a result of the economic fallout from the coronavirus lockdown and social distancing measures.

The ‘Boosting Cash Flow for Employers’ measure provided a tax-free ‘payment’ to eligible businesses with aggregated annual turnover of less than $50 million if they employed people between 1 January 2020 and 30 June 2020. The scheme works as follows:

- Initial cash flow boost – 100% of PAYG withheld for January to June 2020 (maximum of $50,000, minimum of $10,000); and
- Additional cash flow boost – equal to the initial cash flow boost, received over two instalments as part of the June 2020 Business Activity Statement (BAS) and the September 2020 BAS (i.e. 50% in each BAS).

As both the ‘initial cash flow boost’ and ‘additional cash flow boost’ are effectively a waiver of the whole, or part, of the PAYG liability, the amount of the ‘payment’ is recognised as grant income under AASB 120 Accounting for Government Grants and Disclosure of Government Assistance because these cash flow boosts are being provided by the Government in return for compliance with conditions relating to the operating activities of the entity.

The Credit Union received an additional cash flow boost of $50k over two instalments, being the June 2020 and September 2020 BAS’s.

	2021 $	2020 $
4. Other income		
Gain/(Loss) on disposal of property, plant and equipment	181	-
5. Other expenses		
Amortisation		
• Leasehold improvements	5,301	6,166
• Intangible assets	82,635	86,773
Depreciation		
• Buildings	15,458	14,663
• Plant and equipment	56,875	52,551
• Right-of-use assets	3,775	18,400
Fees and commissions	8,447	5,496
General and administration	1,444,995	1,388,470
Personnel costs		
• Wages and salaries	828,946	911,193
• Other associated personnel expenses	12,646	15,856

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021(CONTINUED)

5 Other expenses (continued)

	2021 $	2020 $
• Contributions to defined contribution superannuation plans	85,067	95,839
• Annual leave expense	8,126	6,279
• Long service leave expense	(5,367)	13,779
Rental on operating leases	6,197	6,374
Total other expenses	2,553,101	2,621,839

6. Income tax

	2021	2020
Profit before tax	168,344	204,988
Prima facie income tax expense calculated at effective rate of 26% (2020: 27.5%) on net profit	43,769	56,371
Increase/(decrease) in income tax due to:		
Imputation credits	749	(5,296)
Other adjustments from prior year	(2,165)	31,768
Non-assessable income	(13,000)	-
Non-deductible expenses	-	(9,292)
Under/(over) provided for in prior years	(5,761)	-
Income tax expense	23,92	73,551

	2021	2020
Current tax expense	(34,438)	41,783
Deferred tax expense	129,121	35,275
Adjustment for DTL on ARR	(65,330)	(3,507)
Adjustment for change in tax rate	(5,761)	-
Income tax expense	23,592	73,551

7. Recognised deferred tax assets & liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 $	2020 $	2021 $	2020 $	2021 $	2020 $
Loans & advances	21,982	21,455	-	-	21,982	21,455
Right of use asset	-	(27,749)	-	-	-	(27,749)
Other financial assets	-	-	(49,663)	(16,165)	(49,663)	(16,165)
Prepayments	-	-	(22,312)	(16,607)	(22,312)	(16,607)
Property, plant &equipment (1)	-	-	(283,681)	(169,864)	(283,681)	(169,864)
Accrued expenses	3,120	7,280	-	-	3,120	7,280
Leases	-	28,756	-	-	-	28,756
Employee benefits	52,498	53,880	-	-	52,498	53,880
Tax value of loss carried forward	31,033	-	-	-	31,033	-
	108,633	83,622	(355,656)	(202,636)	(247,023)	(119,014)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021(CONTINUED)

7 Recognised deferred tax assets & liabilities (continued)

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 receivable for the Credit Union of $45,187 (2020: receivable $11,665) represents the amount of income taxes payable in respect of current and prior periods.

	2021 $	2020 $
Income tax payable / (receivable)	(45,187)	(11,665)
Movement in Taxation Provision		
Balance at beginning of the year	(11,665)	114,710
Current year's income tax expense on profit before tax	-	41,783
Income tax paid – current year	(45,187)	(168,158)
Income tax refund/(paid) – prior year	11,665	-
Prior year adjustments	-	-
Balance at the end of the year	(45,187)	(11,665)

8. Cash and cash equivalents

	2021 $	2020 $
Cash on hand and at bank	2,839,809	3,094,288
Deposits at call	700,000	7,200,000
Term deposits and Negotiable Certificates of Deposits	15,188,176	22,716,212
	18,727,985	33,010,500
Maturity Analysis		
No maturity	3,539,809	10,294,288
Remaining maturity not longer than 3 months	12,498,176	22,216,212
Remaining maturity longer than 3 months and less than 6 months	2,690,000	500,000
	18,727,985	33,010,500
Credit rating of cash & cash equivalents		
Cuscal Limited – rated A-1	5,086,481	11,122,725
ADI's rated A-1+	500,000	500,000
ADI's rated A-1	-	-
ADI's rated A-2	5,998,687	13,487,955
ADI's rated A-3	999,489	1,498,257
Unrated	5,500,000	5,500,000
Cash on hand – N/A	643,328	901,563
	18,727,985	33,010,500

9. Other receivables

	2021 $	2020 $
Accrued income	11,051	30,935
Other	22,251	17,380
	33,302	48,315

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021(CONTINUED)

10. Loans and advances

	2021 $	2020 $
Overdrafts	638,514	1,044,473
Term loans	68,438,961	61,542,684
Gross loans and advances	69,077,475	62,587,157
Provision for impairment	(87,930)	(82,512)
Net loans and advances	68,989,545	62,504,645
Maturity Analysis		
Overdrafts	638,514	1,044,473
Not longer than 3 months	775,596	741,382
Longer than 3 and not longer than 12 months	2,193,276	2,195,890
Longer than 1 and not longer than 5 years	10,810,436	9,915,450
Longer than 5 years	54,659,653	48,689,962
	69,077,475	62,587,157
Security held against loans		
Secured by mortgage over residential property	63,950,931	57,053,111
Secured by mortgage over commercial property	2,183,948	1,940,612
Total loans secured by real estate	66,134,879	58,993,723
Secured by funds	226,050	141,513
Partly Secured by goods mortgage	2,522,122	3,226,791
Wholly secured	194,424	225,130
	69,077,475	62,587,157

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	55,684,299	50,142,719
Loan to value ratio of more than 80% but mortgage insured	9,315,439	7,883,342
Loan to value ratio of more than 80% not mortgage insured	1,135,141	967,662
	66,134,879	58,993,723

Concentration of risk

Significant individual exposures

Individual credit facilities greater than 10% of capital in aggregate	7,302,569	2,874,608

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	56,689,234	48,590,602
- New South Wales	11,961,607	13,296,684
- Other	426,634	699,871
	69,077,478	62,587,157

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021(CONTINUED)

11. Impairment of loans and advances

	2021 $	2020 $
Total provision comprises of		
Expected credit loss allowance	87,930	82,512
Total provision	87,930	82,512

The loss allowance for 2021 is calculated and disclosed under the expected credit loss regime as per Note 1(f).

Amounts arising from expected credit loss:

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

11. Impairment of loans and advances (continued)

Credit risk exposure under expected credit loss - 2021	**Stage 1 12 month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loan category	**2021 $**	**2021 $**	**2021 $**	**2021 $**
Mortgages loans – secured by residential property				
Not in arrears and up to 30 days	63,536,617	-	-	63,536,617
More than 30 days, but less than 90 days	319,182	-	-	319,182
More than 90 days, but less than 180 days	-	-	131,702	131,702
More than 180 days, but less than 270 days	-	-	105,039	105,039
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	2,064,561	-	-	2,064,561
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	2,230,064	-	-	2,230,064
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	-	-	51,796	51,796
Overdrafts	596,829	-	41,685	638,514
Total carrying amount – gross	**68,747,253**	**-**	**330,222**	**69,077,475**
Less expected credit loss allowance	(9,414)	-	(78,516)	(87,930)
Total carrying amount – net	**68,737,839**	**-**	**251,706**	**68,989,545**
Security analysis -Stage 2 & Stage 3	**-**	**-**	**-**	**-**
Estimated collateral – after discount	-	-	-	-

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

11. Impairment of loans and advances (continued)

Credit risk exposure under expected credit loss - 2020	**Stage 1 12 month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loan category	**2020 $**	**2020 $**	**2020 $**	**2020 $**
Mortgages loans – secured by residential property				
Not in arrears and up to 30 days	56,347,937	-	-	56,347,937
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	1,804,731	-	-	1,804,731
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	3,345,125	-	-	3,345,125
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	-	-	44,891	44,891
Overdrafts	1,008,688	-	35,785	1,044,473
Total carrying amount – gross	**62,506,481**	**-**	**80,676**	**62,587,157**
Less expected credit loss allowance	(27,094)	-	(55,418)	(82,512)
Total carrying amount – net	**62,479,387**	**-**	**25,258**	**62,504,645**
Security analysis -Stage 2 & Stage 3	**-**	**-**	**-**	**-**
Estimated collateral – after discount	N/A	-	24,461	24,461

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

11. Impairment of loans and advances (continued)

Reconciliation of allowance for impairment

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

2021:

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Movement category	**2021 $**	**2021 $**	**2021 $**	**2021 $**
Balance at 1 July per 2020	**27,094**	**-**	**55,418**	**82,512**
Transfers between stages	-	-	-	-
Movement due to increase in loans & advances	(17,680)		32,461	14,781
Movement due to change in credit risk	-	-	-	-
Bad debts written off from provision	-	-	(9,363)	(9,363)
Changes in model/risk parameters	-	-	-	-
Balance at 30 June 2021	**9,414**	**-**	**78,516**	**87,930**

2020:

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Movement category	**2020 $**	**2020 $**	**2020 $**	**2020 $**
Balance at 1 July per 2019	**9,653**	**4,298**	**59,562**	**73,513**
Transfers between stages	-	-	-	-
Movement due to increase in loans & advances	17,441	-	36,411	53,852
Movement due to change in credit risk	-	(4,298)	-	(4,298)
Bad debts written off from provision	-	-	(40,555)	(40,555)
Changes in model/risk parameters	-	-	-	-
Balance at 30 June 2020	**27,094**	**-**	**55,418**	**82,512**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

11. Impairment of loans and advances (continued)

Sensitivity Analysis and Forward-Looking Information

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

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

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

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

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

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

The results of the sensitivity analysis performed, taking into consideration a probability weighted average of each different scenario eventuating, showed that the effect was not material compared to the Credit Union's base case allowance for expected credit losses. The Credit Union has elected to use the base case to measure its expected credit loss allowance at 30 June 2021. 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.

	2021 $	2020 $
Loans restructured		
During the year, some loans that were previously past due or impaired, have been restructured by the Credit Union		
Loans restructured during the financial year - all	213,314	284,470
Balance at the end of the financial year	-	-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

12. Other financial assets

	2021 $	2020 $
Investment Securities		
Floating Rate Notes with other ADI's	6,000,000	-
Government Bonds	4,000,000	-
	10,000,000	-
Equity investment securities designated as fair value through other comprehensive income (FVOCI) – held at fair value		
Shares in Cuscal Limited (a)	291,189	171,824
Shares in TransAction Solutions Pty Ltd	37,551	33,924
	328,740	205,748
Total Financial Assets	10,328,740	205,748
Maturity Analysis of Investment Securities		
No maturity	-	-
Remaining maturity not longer than 12 months	-	-
Remaining maturity longer than 12 months	10,000,000	-
	10,000,000	-
Credit rating of Investment Securities		
ADI's and Government Authorities rated A and above	10,000,000	-
Unrated ADI's and Government Authorities	-	-
	10,000,000	-

(a) Cuscal Limited

This company supplies services to the member organisations which are all Credit Unions and Mutual Banks. In 2019, these investments were classified as available-for-sale and measured at cost. 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.

Notes to Financial Statements
For the year ended 30 June 2021 (continued)

13. Property, plant and equipment

	2021 $	2020 $
Land		
At fair value	1,260,000	1,150,000
	1,260,000	1,150,000
Buildings on freehold land		
At fair value	708,790	582,290
Accumulated depreciation	(3,752)	(40,804)
	705,038	541,486
Plant and equipment		
At cost	636,689	684,603
Accumulated depreciation	(474,280)	(539,664)
	162,409	144,939
Leasehold improvements		
At cost	76,569	146,113
Accumulated amortisation	(76,569)	(126,407)
	-	19,706
Total property, plant and equipment at written down value	2,127,447	1,856,131

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

13. Property, plant & equipment (continued)

(a) Reconciliations

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

	Land	*Buildings*	*Plant and equipment*	*Leasehold improvements*	*Total*
	$	$	$	$	$
Balance at 1 July 2019	1,150,000	530,653	177,085	25,873	1,883,611
Additions	-	25,496	20,405	-	45,901
Revaluations	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation	-	(14,663)	(52,551)	-	(67,214)
Amortisation	-	-	-	(6,167)	(6,167)
Balance at 30 June 2020	1,150,000	541,486	144,939	19,706	1,856,131
Balance at 1 July 2020	1,150,000	541,486	144,939	19,706	1,856,131
Additions	-	-	75,985	-	75,985
Revaluations	110,000	179,010	-	-	289,010
Disposals	-	-	(1,640)	(14,405)	(16,045)
Depreciation	-	(15,458)	(56,875)	-	(72,333)
Amortisation	-	-	-	(5,301)	(5,301)
Balance at 30 June 2021	1,260,000	705,038	162,409	-	2,127,447

Notes to Financial Statements For the year ended 30 June 2021 (continued)

13. Property, plant & equipment (continued)

(b) Valuations

The 2021 revaluations were made by Roger M Porter as at 21st June 2021. These valuations have been carried out by Roger M Porter in accordance with the Australian Property Institute (API) "Professional Practice" guidance notes. The valuation basis of land and buildings is at fair value, in compliance with AASB 13. The fair value of non-financial assets takes into account a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The revaluation surplus net of applicable deferred income taxes was credited to asset revaluation reserves in Note 28.

The valuation was performed at a time of economic and social uncertainty due to Covid-19 pandemic. The valuation report acknowledged that there is not yet any comparable market available to determine what, if any, impact current Covid-19 (coronavirus disease) may have on the value or marketability of the subject property, particularly in the short and medium term. While the valuation report does not indicate impairment of land and buildings, it does present estimation uncertainty regarding the increased valuation of the land and buildings. The valuation is performed as at the current date of valuation only. The fair value assessed may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not have reasonably been aware of as at the date of valuation). The Credit Union has determined that the carrying amount of land and buildings, and the fair value are not materially different. The current valuation is based on specific assumptions that appear reasonable based on current local market sentiment and forecasts, notwithstanding the market uncertainty resulting from the current Covid-19 environment.

14. Intangible assets

	2021 $	2020 $
Computer and software licenses		
At cost	1,087,753	803,948
Accumulated amortisation	(787,182)	(704,548)
	300,571	99,400

Reconciliations

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

	2021 $	2020 $
Computer software and licences		
Balance at beginning of the year	99,400	153,877
Additions	283,806	32,296
Amortisation	(82,635)	(86,773)
Balance at end of the year	300,571	99,400

15. Other assets

	2021 $	2020 $
Prepayments	247,812	245,581
Accrued Income	1,036,285	-
	1,284,097	245,581

Notes to Financial Statements
For the year ended 30 June 2021 (continued)

16. Member deposits

	2021 $	2020 $
Call deposits	60,138,323	49,966,325
Term deposits	33,448,659	40,074,512
	93,586,982	90,040,837
Maturity analysis		
At call	60,138,323	49,966,325
Not longer than 3 months	14,865,789	18,361,502
Longer than 3 and not longer than 12 months	1,8582,870	20,992,664
Longer than 1 and not longer than 5 years	-	1,324,399
	93.586.982	90,040,837

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:

	2021	2020
- Victoria	68,564,340	67,494,705
- New South Wales	24,272,521	21,931,013
- Other	750,121	615,119
	93,586,982	90,040,837

Significant individual member deposits

As at 30 June 2021 the Credit Union's deposit portfolio included $nil deposit exposures which represented 5% or more of total liabilities (2020: $nil).

17. Trade and other payables

	2021	2020
Accrued interest payable	92,795	238,007
Sundry creditors and accruals	569,947	696,655
	662,742	934,662

18. Employee benefits

	2021	2020
Current		
Liability for long service leave	86,466	92,795
Liability for annual leave	100,406	92,279
Non-current		
Liability for long service leave	23,112	22,151
	209,984	207,225

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

19. Leases

(a) Credit Union as a lessee

Nature of the leasing activities

The Credit Union leased a property at Cobram, which was used as a member service centre. Effective 30th October 2020 the Credit Union terminated its lease arrangement and closed the member service centre.

Terms and conditions of leases

The lease was for an initial term of 3 years, and includes extension options (refer to the below section for further detail).

The lease contains an annual pricing mechanism based on a fixed rate designed to estimate a CPI movement. There are no non-index (i.e. CPI) related variable lease payments associated with the property lease.

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

Right-of-use assets

	2021 $	2020 $
At cost	125,126	125,126
Accumulated depreciation	(125,126)	(18,400)
Balance at end of year	-	106,726

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

	Land and buildings $	Total $
Balance at 1 July 2020	**106,726**	**106,726**
Depreciation charge	(3,775)	(3,775)
Additions to right- of-use assets	-	-
Reductions in right-of-use assets due to changes in lease liability	(102,951)	(102,951)
Impairment of right-of-use assets	-	-
Balance at 30 June 2020	**-**	**-**

	Land and buildings $	Total $
Balance at 1 July 2019	**125,126**	**125,126**
Depreciation charge	(18,400)	(18,400)
Additions to right- of-use assets	-	-
Reductions in right-of-use assets due to changes in lease liability	-	-
Impairment of right-of-use assets	-	-
Balance at 30 June 2020	**106,726**	**106,726**

Notes to Financial Statements For the year ended 30 June 2021 (continued)

19. Leases (continued)

Lease liabilities

	2021 $	2020 $
Current		
Not later than 1 year	-	17,473
Non-current		
Later than 1 year	-	93,129

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

	2021 $	2020 $
Not later than 1 year	-	13,642
Later than 1 year and not later than 5 years	-	94,569
Later than 5 years	-	11,840
Total	**-**	**130,051**

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

Extension options

The building lease contains extension options which allow the Credit Union to extend the lease term by beyond the non-cancellable period. Each extension option is for a further three years, and there are a maximum of three further extensions on the lease.

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

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

There are no potential future lease payments not included in the lease liabilities, as the Credit Union has assessed that the exercise of each option is reasonably certain as a balance date.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

19. Leases (continued)

Income statement

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

	2021 $	2020 $
Interest expense on lease liabilities	2,182	8,430
Rental expense relating to variable lease payments not included in the measurement of lease liabilities	-	-
Rental expense relating to short-term leases	-	-
Rental expense relating to low-value assets	-	-
Income from sub-leasing right-of-use assets	-	-

Statement of cash flows

	2021	2020
Total cash outflow for leases	7,651	22,954

Exemptions applied

The Credit Union has applied the exemptions relating to short-term leases and leases of low-value assets, as described at Note 1(n).

As at 30 June 2021, the Credit Union is committed to nil short-term leases.

Key assumptions used in calculations

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

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

Credit Union as a lessor

OPERATING LEASES

Nature of the leasing activities

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

19. Leases (continued)

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:

	2021 $	2020 $
Lease/rental income (excluding variable lease payments not dependent on an index or rate)	9,978	13,564
Lease/rental income relating to variable lease payments not dependent on an index or rate	6,008	5,865
Total lease/rental income	**15,986**	**19,429**

	2021 $	2020 $
Direct operating expenses (including repairs & maintenance) arising that generated rental income during the period	1,170	5,138
Direct operating expenses (including repairs & maintenance) arising that did not generate rental income during the period	-	-
Total direct operating expenses	**1,170**	**5,138**

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

< 1 year	27,300	22,527
1 - 2 years	27,557	3,900
2 - 3 years	27,818	3,900
3 - 4 years	-	-
4 - 5 years	-	-
> 5 years	-	-
Total undiscounted lease payments receivable	**82,675**	**30,327**

FINANCE LEASES

Nature of the leasing activities

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

Notes to Financial Statements For the year ended 30 June 2021 (continued)

20. Reconciliation of cash flows from operating activities

(a) Cash flow from operating activities

	2021 $	2020 $
Profit after income tax	144,752	131,437
Non cash flows in operating surplus/(deficit):		
Impairment charge	15,111	49,717
Depreciation and amortisation	164,044	178,553
Loss/(gain) on disposal of non-current assets	(181)	-
Changes in assets and liabilities:		
(Increase)/Decrease in receivables	15,012	7,321
(Increase)/Decrease in other assets	(1,038,516)	(166,429)
(Increase)/Decrease in deferred tax asset	(25,011)	1,832
(Increase)/Decrease in current tax asset	(33,522)	(11,665)
Increase/(Decrease) in payables and accruals	(271,917)	(267,853)
Increase/(Decrease) in other financial assets	-	(13,489)
Increase/(Decrease) in income tax payable	-	(114,710)
Increase/(Decrease) in employee benefits	2,759	20,058
Increase/(Decrease) in right of use asset	102,951	-
Increase/(Decrease) in lease liability	(118,063)	-
Increase/(Decrease) in deferred tax liability	50,037	33,441
Net cash from revenue activities	(992,544)	(151,787)
Add/(deduct) non revenue operations		
(Increase)/decrease in loans and advances	(6,484,900)	5,240,551
Increase/(decrease) in deposits	3,546,145	6,155,528
Cash flow from operating activities	(3,931,299)	11,244,292

(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 2021, the Credit Union does not have a bank overdraft facility. This is consistent with 2020.

(d) Special finance line – standby facility

As at 30 June 2021, the Credit Union does not have a standby facility. This is consistent with 2020.

(e) CUSCAL – Settlement Security Deposit

In the 2017 financial year, CMCU lodged a Settlement Security Deposit ("SSD") with CUSCAL. The SSD is a security deposit of $2,190,000 held in a standard term deposit account with CUSCAL.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

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

(e) CUSCAL – Settlement Security Deposit (continued)

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 8 on the basis of a determination made by the prudential regulator (APRA) that the Settlement Security Deposit is for the purpose of facilitating or securing settlement obligations, deposits relating to industry support schemes are to be utilised for a prudential purpose and thus can be included as part of the Credit Union's prudential liquidity holding. The Credit Union has therefore included the SSD in its calculation of MLH disclosed in Note 26 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 27 Financial Instruments notwithstanding the existence of these specific contractual encumbrances.

21. 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 includes approved but undrawn loans, credit limits and loan redraw facilities.

Security analysis of credit related commitments	**Credit related commitments**		**Financial guarantees**	
Secured by:	**2021 $**	**2020 $**	**2021 $**	**2020 $**
Secured by mortgage over real estate	2,247,729	2,159,584	10,000	10,000
Secured by funds	140,497	69,789	-	-
Partly secured by goods mortgage	49,572	64,329	-	-
Fully unsecured	176,393	220,851	5,100	5,100
Guarantee	41,286	26,475	-	-
Total	**2,655,477**	**2,541,028**	**15,100**	**15,100**

Notes to Financial Statements For the year ended 30 June 2021 (continued)

21. Contingent liabilities and credit commitments (continued)

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.

22. Outsourcing arrangements

The Credit Union has outsourcing arrangements with the National Australia Bank and 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 TransAction Solutions 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.

Notes to Financial Statements For the year ended 30 June 2021 (continued)

23. 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	
J Gorman	Chairperson
M O'Dwyer	Vice-Chairperson
L Douglas	
M Forster-Knight	
F McCallum	
J Vagg	
B Skinner	
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 5) are as follows:

	2021 $	2020 $
Short-term employee benefits	250,427	240,714
Other long term benefits	2,983	2,991
Post employment benefits	31,723	32,347
	285,133	276,052

Public disclosure of remuneration

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

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	2,255,419	984,108
Loans and advances to other related parties	-	-
	2,255,419	984,108

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 (2020: $nil) were made available to Directors and Key Management Personnel during the year. The aggregate amount receivable at 30 June 2021 was $29,750 (2020: $29,746). 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.

Notes to Financial Statements
For the year ended 30 June 2021 (continued)

23. Key management personnel (continued)

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

There was $54,706 concessional loan rate facilities funded during 2021 (2020: $794,370), excluding those disclosed separately as Key Management Personnel loans.

Loans totalling $1,238,800 (2020: $377,382) were made to Key Management Personnel and other related parties during the year. As at 30 June 2021 there was $nil (2020: $nil) of loans approved but not yet funded in relation to Key Management Personnel.

During the year, Mr M O'Dwyer, Ms L Douglas, Mr J Vagg, Mr M Forster-Knight, Mrs F McCallum, Mrs B Skinner and Mr J Pattison (2020: Mr M O'Dwyer, Ms L Douglas, Mr J Vagg, Mr M Forster-Knight, Mrs F McCallum, and Mr J Pattison) repaid $396,999 (2020: $2,290,998) 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.

This note excludes loans and advances through the use of the Integris securitisation program, as outlined in Note 1(q).

Interest received on the loans to Key Management Personnel and other related parties totalled $58,715 (2020: $53,358). 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 2021 (2020: nil).

	2021 $	**2020 $**
Deposits from key management personnel and other related parties as at balance date		
Total value term and savings deposits from key management personnel	684,780	88,790
Total value term and savings deposits from other related parties	-	-
Total interest paid on deposits to key management personnel	30	513
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.

Notes to Financial Statements For the year ended 30 June 2021 (continued)

23. Key management personnel (continued)

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.

24. 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 2021, 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 $5,377,670 (2020: $11,294,550) represents shares held in Cuscal Limited of $291,189 (2020: $171,825) and cash and investments with Cuscal Limited of $5,086,481 (2020: $11,122,725).

Other cash investments in excess of 10% of shareholders equity were also placed in APRA regulated deposit taking institutions at 30 June 2021.

Concentration of loans and advances and member deposits are detailed in Notes 10 and 16 respectively.

25. Auditor's remuneration

	2021 $	2020 $
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	37,950	39,347
- other regulatory assurance services	18,480	19,107
- other services – taxation and other assistance	7,804	10,461
	64,134	68,915

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

26. 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.

Notes to Financial Statements For the year ended 30 June 2021 (continued)

26. Risk management objectives and policies (continued)

(a) Market risk (continued)

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

(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 27 below. The table set out in Note 27 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 2021, the net profit impact for a 1% increase in interest rates would be $673,568 increase in profit (2020: $624,755). 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.

Notes to Financial Statements For the year ended 30 June 2021 (continued)

26. 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 21.

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 13% (2020: 13%) 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:

	2021	2020
Minimum Liquidity Holdings	20.62%	25.25%
Operational Liquid Assets	6.03%	6.79%
Total	**26.64%**	**32.04%**

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.

Notes to Financial Statements For the year ended 30 June 2021 (continued)

26. 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 10.

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved and close monitoring of defaults in the repayment of loans thereafter on a weekly basis. The credit 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 arise predominately in personal loans and facilities not secured by registered mortgages over real estate.

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

Notes to Financial Statements For the year ended 30 June 2021 (continued)

26. 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 10 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 10.

(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 8 and 24.

Notes to Financial Statements
For the year ended 30 June 2021 (continued)

26. Risk management objectives and policies (continued)

(c) Credit risk (continued)

Credit risk – liquid investments (continued)

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 8.

(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, outsources 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

26. Risk management objectives and policies (continued)

(g) Capital risk (continued)

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.

	2021 $	2020 $
Capital adequacy calculation		
Tier 1 capital		
Net tier 1 capital	6,301,497	6,177,425
Tier 2 Capital		
Net tier 2 capital	193,799	193,799
Total Capital	6,495,296	6,371,224
Risk profile		
Credit Risk	39,978,885	37,527,596
Operational Risk	4,484,371	4,500,144
Total risk weighted assets	44,463,256	42,027,440
Capital adequacy ratio	14.61%	15.16%

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 14%. 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.

Notes to Financial Statements For the year ended 30 June 2021 (continued)

26. Risk management objectives and policies (continued)

(g) Capital risk (continued)

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.

Public disclosure of capital

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

27. 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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 %	2020 %
Financial assets:												
Cash and cash equivalents	2,896	9,393	15,188	22,716	-	-	644	902	18,728	33,011	0.16%	0.98%
Other receivables	-	-	-	-	-	-	33	48	33	48	N/A	N/A
Loans and advances (gross)	65,995	61,349	3,083	1,239	-	-	-	-	69,078	62,588	3.78%	4.46%
Financial assets	-	-	-	-	10,000	-	329	206	10,329	206	0.40%	N/A
Total financial assets	68,891	70,742	18,272	23,955	10,000	-	1,006	1,156	98,168	95,853		
Financial liabilities:												
Members deposits	60,097	49,925	33,449	38,750	-	1,324	41	42	93,587	90,041	0.33%	0.90%
Trade and other payables	-	-	-	-	-	-	663	935	663	935	N/A	N/A
Total financial liabilities	60,097	49,925	33,449	38,750	-	1,324	704	977	94,250	90,976		

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

27. Financial instruments (continued)

(b) Maturity profile of financial assets and liabilities

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

Financial instruments	Within 3 months		From 3 to 12 months		From 1 to 5 years		More than 5 years		No maturity		Total cash flows		Total carrying amount as per the Statement of Financial Position	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Financial assets:														
Cash and cash equivalents	14,693	22,237	506	506	-	-	-	-	3,540	10,295	18,739	33,038	18,728	33,011
Other Receivables	-	-	-	-	-	-	-	-	22	17	22	17	33	48
Loans and advances (gross)	1,444	2,497	4,194	4,243	20,432	19,468	76,313	91,094	-	-	102,383	117,302	69,078	62,588
Financial assets	-	-	-	-	9,039	-	1,011	-	329	206	10,379	206	10,329	206
Total financial assets	16,137	24,734	4,700	4,749	29,471	19,468	77,324	91,094	3,891	10,518	131,523	150,563	98,168	95,853
Financial liabilities:														
Members deposits	14,954	18,525	18,691	20,696	-	1,375	-	-	60,138	49,966	93,783	90,562	93,587	90,041
Trade and other payables	-	-	-	-	-	-	-	-	570	697	570	697	663	935
Total financial liabilities	14,954	18,525	18,691	20,696	-	1,375	-	-	60,708	50,663	94,353	91,259	94,250	90,976

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

27. 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. 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 are 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 2021 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 26 (g).

Trade and other payables

The carrying amount approximates fair value as they are short term in nature as outlined in Note 27.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

27. Financial instruments (continued)

Other financial assets

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

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

(d) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	2021 $	2020 $
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	2,839,809	3,094,288
Receivables due from government authorities	21,888,176	-
Receivables due from other financial institutions	4,000,000	29,916,212
Other receivables	33,302	48,315
Member loans and advances (gross)	69,077,475	62,587,157
	97,838,762	95,645,972
Financial assets at fair value through other comprehensive income (FVOCI)		
Other financial assets	328,740	205,748
	328,740	205,748
Total financial assets	98,167,502	95,851,720
Financial liabilities		
Financial liabilities at amortised cost		
Accounts payable and other liabilities	662,743	934,662
Member deposits	93,586,982	90,040,837
Total financial liabilities	94,249,725	90,975,499

28. Fair value measurement

Fair value hierarchy

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

2021 **Assets measured at fair value**	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings	-	1,965,037	-	1,965,037
Other financial assets (at FVOCI)	-	-	328,740	328,740
Total	**-**	**1,965,037**	**328,740**	**2,293,777**

2020 **Assets measured at fair value**	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings	-	1,691,486	-	1,691,486
Other financial assets (at FVOCI)	-	-	205,748	205,748
Total	**-**	**1,691,486**	**205,748**	**1,897,234**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

28. Fair value measurement (continued)

The Credit Union has assessed that, at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Notes 12 and 27(d).

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	**2021 $**	**2020 $**
Balance at 1 July per AASB 139	N/A	N/A
Adjustment on initial application of AASB 9	N/A	N/A
Balance at 1 July per AASB 9	**205,748**	**192,260**
Revaluation through other comprehensive income	122,992	13,488
Impairment through profit or loss	-	-
Purchases	-	-
Sales	-	-
Closing balance - at 30 June	**328,740**	**205,748**

29. 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.

30. Subsequent events

Other than the ongoing impact of the COVID-19 pandemic, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the 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 12 to 66, 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 2021 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.

Signed in accordance with a resolution of the Directors:

J Gorman	M O'Dwyer
Chairperson	*Vice Chairperson*

Dated at Yarrawonga this 15th day of September 2021.

Crowe Albury
ABN 16 673 023 918

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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 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of 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 2021 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Credit Union in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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 2021 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

BRADLEY D BOHUN
Partner

15 September 2021
Albury