

Annual Report 2023

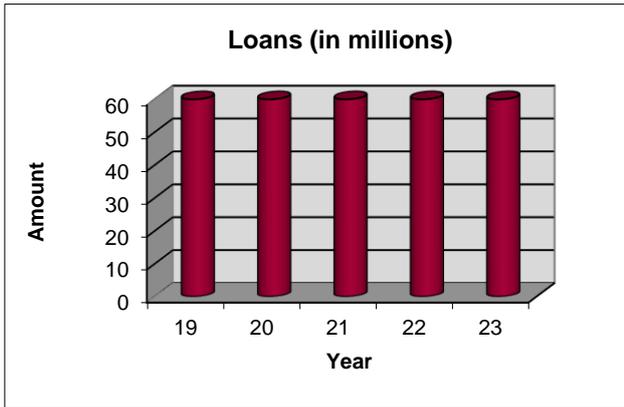
Central Murray Credit Union ABN 69 087 651 812



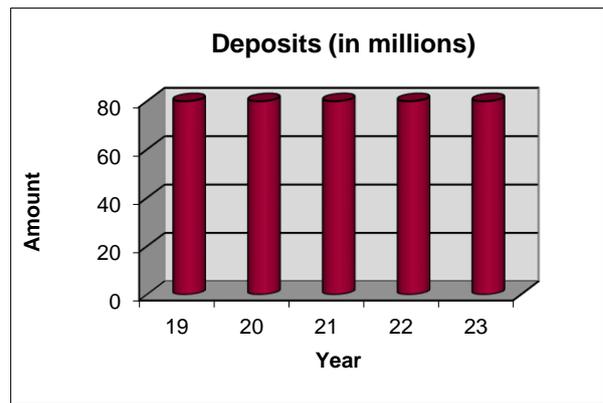
TABLE OF CONTENTS

Performance Review Comparison _____	1
Company Information _____	2
Chair's Report _____	3
Directors' Report	4
Auditor's Independence Declaration	7
Statement of Profit and Loss and Other Comprehensive Income	8
Statement of Changes in Equity	9
Statement of Financial Position	10
Statement of Cash Flows	11
Notes to Financial Statements	12
Directors' Declaration _____	50

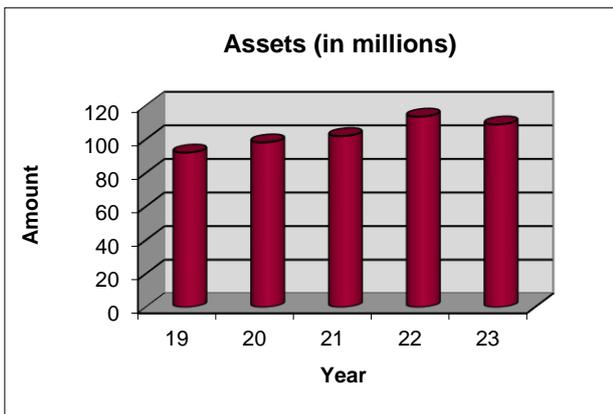
PERFORMANCE REVIEW COMPARISON



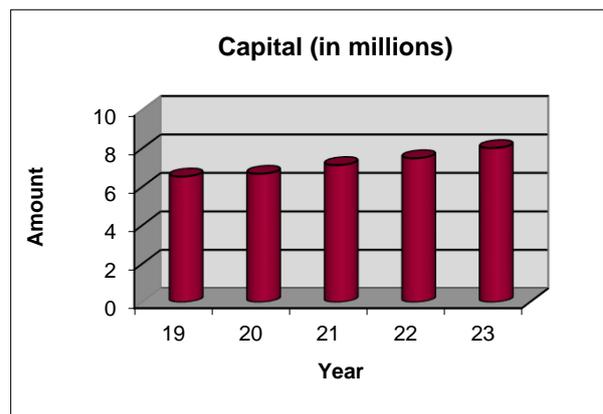
2016	\$52,080,020		
2017	\$58,857,579	growth	13.01%
2018	\$63,116,177	growth	7.24%
2019	\$67,745,196	growth	7.33%
2020	\$62,504,645	loss	-7.74%
2021	\$68,989,545	growth	10.38%
2022	\$70,356,509	growth	1.98%
2023	\$75,028,310	growth	6.64%



2016	\$66,224,383		
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%
2022	\$104,499,675	growth	11.66%
2023	\$98,878,761	loss	-5.38%



2016	\$73,525,908		
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%
2022	\$113,514,491	growth	11.35%
2023	\$108,858,399	loss	-4.10%



2016	\$5,686,408	growth	
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%
2022	\$7,484,964	growth	4.98%
2023	\$8,013,207	growth	7.06%

COMPANY INFORMATION

Directors

John Gorman LL.B,B.Juris

Michael O'Dwyer

Linda Douglas

Faith McCallum

Josh Vagg

Bernadette Skinner

Company Secretary

John Edward Pattison

Management

Chief Executive Officer: John Pattison

Finance Manager: Julie Barnes

Operations Manager: Sally Eales

Staff

Senior Loans Officer: Amanda Seccull

Operations Officer: Emma Horne

IT Officer: John Buonopane

Member Services Staff

Member Services Supervisor: Allison Lewis

Senior Member Services Officer: Shantal Spencer

Member Services Officers:

Melissa Pitches

Registered Office

58 Belmore Street Yarrowonga Vic 3730 Australia

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Fax: (03) 5744 1926

Website: www.cmcu.com.au

Email: info@cmcu.com.au

Solicitor

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

Bankers

Credit Union Services Corporation (Australia) Limited

Auditors

External - Crowe, 491 Smollett Street Albury NSW 2640

Internal – AFS & Associates Pty Ltd, 61 Bull Street, Bendigo Vic 3550

CHAIR'S REPORT



CMCU has had very good results for the financial year ended 30 June 2023. These results benefit our members, our community and balance sheet.

CMCU celebrated 50 years of service to the community through the year.

This result was made possible by the leadership of our CEO John Pattison and the professionalism of all our staff throughout the organisation.

The financial year saw demand for CMCU lending products continue to grow reaching \$75 million for the year. CMCU has continued to work with members who are facing financial difficulty and this bears out in our current arrears position.

With the increase in profits for the financial year CMCU has been able to work towards investing in our digital banking products that we expect to rollout to members before Christmas.

Risk management is an area in which CMCU devotes considerable resources to minimise any internal or external threats. The Risk Committee which is made up of the majority of the Board is responsible to monitor and assess the many risks faced by CMCU.

Cyber security represents the greatest risk we currently face. This risk does not discriminate, impacting business across the board. Our staff are very diligent in checking member's transactions looking for unusual entries and keeping up to date on the latest software and types of cyber risks that are out there. We do ask that members help in this

fight by continually checking their statements for any unusual transactions.

The Finance Industry is going through a period of unprecedented change and consolidation. In the Mutual Sector the number of credit unions have halved through amalgamation between 2010 to 2023 from 116 to 57. The way we undertake transactions has also changed with the introduction of digital banking and fast payments which has impacted the way CMCU does business. But the biggest threats are the costs of these new technologies and the ever-increasing regulatory burden imposed by numerous statutory bodies.

The Board considers that CMCU has a strong and promising future. Being a small financial institution, we believe this provides us the opportunity to take advantage of the changes that are occurring within the industry.

CMCU is a customer owned banking institution where all benefits remain within the community. During the financial year we have given over \$43,000 in sponsorships to a variety of schools, community groups and sporting clubs

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

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 CMCU operations on behalf of all our customers and owners.

In closing, I would like to thank all CMCU 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 2023 and the auditor's report thereon.

Information on Directors

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

John Gorman

- Independent Non-Executive
- Chair of the Board
- Director of CMCU from 1984 until current
- Solicitor

Michael O'Dwyer

- Independent Non-Executive
- Deputy Chair of the Board
- Chair of Innovation and Strategy group
- Member of Risk Committee
- Director of CMCU from 2002 until current
- Marketing Manager (Retired)

Linda Douglas

- Independent Non-Executive
- Member of Risk Committee
- Chair of Audit Committee
- Director of CMCU from 2003 until current
- Legal Assistant

Faith McCallum

- Independent Non-Executive
- Member of Risk Committee
- Member of Audit Committee
- Director of CMCU from 2010 until current
- Business Owner

Joshua Vagg

- Independent Non-Executive
- Chair of Risk Committee
- Member of Audit Committee
- Director of CMCU from 2017 until current
- Accountant

Bernadette Skinner

- Independent Non-Executive
 - Member of Innovation and Strategy group
 - Member of Audit Committee
 - Director of CMCU from 2020 until current
 - Business Manager
-

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	Period of Appointment
Number of meetings held	12	6	12	
Number of meetings attended:				
J Gorman	10	-	-	3 years (2020-2023)
M O'Dwyer	11	-	7	3 years (2020-2023)
L Douglas	10	6	12	3 years (2021-2024)
F McCallum	12	6	11	3 years (2022-2025)
J Vagg	12	6	12	3 years (2020-2023)
B Skinner	10	2	-	3 years (2021-2024)
M Forster-Knight	-	1	1	Resigned July 2022

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 \$737,339 (2022: \$440,748). Income tax expense was \$181,462 (2022: \$94,567).

Operating and financial review

Net loans and advances for the year have increased by \$4,671,801 to \$75,028,310.

Member deposits decreased during the year by \$5,620,914 to \$98,878,761.

Members' equity during the year has increased by \$528,243 to \$8,013,207.

Dividends

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

State of affairs

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

Events subsequent to balance date

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

Likely developments

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

Further information about likely developments in the operations of the Credit Union and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be

likely to result in unreasonable prejudice to the Credit Union.

Environmental regulation

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

Directors' benefits

During or since the end of the financial year, no Director of the Credit Union has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration paid or payable to the Directors as shown in the general purpose financial statements) by reason of a contract entered into by the Credit Union (or an entity that the Credit Union controlled, or a body corporate that was related to the Credit Union when the contract was made, or when the Director received, or became entitled to receive, the benefit) with:

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

Indemnification and insurance of Directors and Officers

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

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

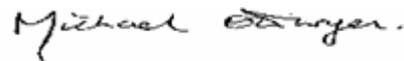
Auditor's independence declaration

The Lead auditor's independence declaration for the year ended 30 June 2023 has been received and can be found on page 7 of the financial report.

Signed in accordance with a resolution of the Directors.



J Gorman
Chairperson



M O'Dwyer
Vice Chairperson

Dated at Yarrawonga this 20 September 2023.

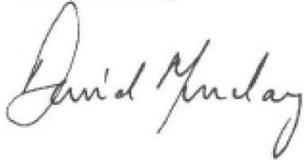
Auditor Independence Declaration Under S307C of the *Corporations Act 2001* to the Directors of Central Murray Credit Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2023 there have been no contraventions of:

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



Crowe Albury



David Munday
Partner

21 September 2023
Albury

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Statement of Profit and Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Interest revenue	2	4,453,134	2,619,883
Interest expense	2	(939,587)	(218,757)
Net interest income		3,513,547	2,401,126
Non-interest revenue	3	511,349	505,817
Other income	4	-	91,241
		4,024,896	2,998,184
Net impairment loss on financial assets		(18,475)	(13,538)
Other expenses	5	(3,269,082)	(2,543,898)
Profit from operations before income tax		737,339	440,748
Income tax expense	6	(181,462)	(94,567)
Profit after tax		555,877	346,181
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss			
Gain/(loss) on the revaluation of land and buildings, net of tax		-	-
Gain/(loss) on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		(27,634)	95,820
Total comprehensive income for the year		528,423	442,001

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes set out on pages 12 to 49.

Statement of Changes in Equity

For the year ended 30 June 2023

	Retained profits	Member share redemption reserve	Lending risk reserve	Asset revaluation reserve	General reserve	Financial asset reserve	Total
	\$	\$	\$	\$	\$	\$	\$
Year ended 30 June 2022							
Opening balance at 1 July 2021	5,324,929	54,193	199,000	772,725	550,000	243,137	7,484,964
Profit after tax	346,181	-	-	-	-	-	346,181
Other comprehensive income for the period	-	-	-	-	-	95,820	95,820
Transfer to member share redemption reserve	(6,851)	1,650	5,201	-	-	-	-
Transfer to lending risk reserve	-	-	-	(87,181)	-	-	(87,181)
Closing balance at 30 June 2022	5,664,259	55,843	199,000	772,725	550,000	243,137	7,484,964
Year ended 30 June 2023							
Opening balance at 1 July 2022	5,664,259	55,843	199,000	772,725	550,000	243,137	7,484,964
Profit after tax	555,877	-	-	-	-	-	555,877
Other comprehensive income for the period	-	-	-	-	-	(27,634)	(27,634)
Total recognised income and expense for the period	555,877	-	-	-	-	(27,634)	528,243
Transfer between reserves	(5,465)	5,465	-	-	-	-	-
Closing balance at 30 June 2023	6,214,671	6,130,862	199,000	772,725	550,000	215,503	8,013,207

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes set out on pages 12 to 49.

Statement of Financial Position

As at 30 June 2023

	Note	2023 \$	2022 \$
ASSETS			
Cash and cash equivalents	8	11,927,173	20,814,494
Other receivables	9	98,336	55,863
Loans and advances	10	75,028,310	70,356,509
Other financial assets	12	18,387,715	18,424,560
Property, plant and equipment	13	1,973,946	1,931,916
Intangible assets	14	263,748	383,609
Deferred tax assets	7	103,077	70,428
Other assets	15	1,076,094	1,477,112
TOTAL ASSETS		108,858,399	113,514,491
LIABILITIES			
Member deposits	16	98,878,761	104,499,675
Trade and other payables	17	1,169,348	866,450
Employee benefits	18	254,904	217,566
Income tax payable	7	194,783	67,261
Deferred tax liabilities	7	347,396	378,575
TOTAL LIABILITIES		100,845,192	106,029,527
NET ASSETS		8,013,207	7,484,964
EQUITY			
Reserves		1,798,536	1,820,705
Retained profits		6,214,671	5,664,259
TOTAL EQUITY		8,013,207	7,484,964

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

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

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

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

The Statement of Financial Position is to be read in conjunction with the accompanying notes set out on pages 12 to 49.

Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Interest received on loans and advances		4,405,806	2,600,386
Interest paid on member deposits		(602,739)	(262,824)
Dividends received		14,095	43,767
Interest paid – lease liability		-	-
Other non-interest income received		502,109	471,609
Income tax paid/(refund received)		56,833	(79,005)
Payments to employees and suppliers		(2,846,264)	(2,157,472)
		<u>1,529,840</u>	<u>616,461</u>
Net (increase) in loans and advances		(4,690,276)	(1,366,964)
Net increase in deposits		(5,620,914)	10,912,693
Net cash from (used in) operating activities	20	(8,781,350)	10,162,191
Cash flows from investing activities			
Acquisition of investment securities		-	(8,000,000)
Acquisition of property, plant and equipment		(105,971)	(5,180)
Proceeds from sale of property, plant and equipment		-	110,590
Acquisition of intangible assets		-	(181,092)
		<u>(105,971)</u>	<u>(8,075,682)</u>
Net cash from (used in) investing activities		(105,971)	(8,075,682)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		(8,887,321)	2,086,509
Cash and cash equivalents at 1 July		<u>20,814,494</u>	<u>18,727,985</u>
Cash and cash equivalents at 30 June	8	<u>11,927,173</u>	<u>20,814,494</u>

The Statement of Cash Flows is to be read in conjunction with the accompanying notes set out on pages 12 to 49.

Notes to Financial Statements

For the year ended 30 June 2023

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 20 September 2023.

(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).

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

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

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

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

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(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). 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.

(d) Investment Securities

Investment securities 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.

Notes to Financial Statements

For the year ended 30 June 2023

1. Significant accounting policies (continued)

(e) Loans and advances

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

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

Loan origination fees

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

Transaction costs

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

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

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

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

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

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

'Stage 3' does 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.

Notes to Financial Statements

For the year ended 30 June 2023

1. Significant accounting policies (continued)

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

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

The measurement of ECL reflects:

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

Critical accounting estimates and judgments in the ECL

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

Assumptions used for estimating impairment

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

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 2023

1. Significant accounting policies (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) Other financial assets

AASB 9 requires the Credit Union's equity investments in other financial assets to be held at fair value. The Credit Union has elected for these to be held at fair value through other comprehensive income (FVOCI). Subsequent movements in fair value are recognised in other comprehensive income and never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss, unless the dividend clearly represents return of capital.

(h) Property, plant and equipment & intangible assets

Land and buildings

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

Plant and equipment

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

Leasehold improvements

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

Depreciation/amortisation

Depreciation/amortisation is charged to the 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.

Notes to Financial Statements

For the year ended 30 June 2023

1. Significant accounting policies (continued)

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

(i) 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.

(j) Employee entitlements

Long term service benefits

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

Short term benefits

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

(k) 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.

(l) 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.

(m) 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.

Notes to Financial Statements

For the year ended 30 June 2023

1. Significant accounting policies (continued)

Fee income

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

Fee income relating to deposit or loan accounts is either:

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

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

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

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.

(n) 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.

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

As at 30 June 2023, the Credit Union does not have any leases that require application and recognition under AASB 16 *Leases*. The Credit Union has also not committed to any short-term or low value leases.

Notes to Financial Statements

For the year ended 30 June 2023

1. Significant accounting policies (continued)

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.

(o) 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.

(p) Goods and Services Tax

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

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

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

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.

(q) Off balance sheet funding

The Credit Union has facilitated the funding of Integris Securitisation Services Pty Ltd (Perpetual Trustees) securitised loans totalling \$Nil at 30 June 2023 (2022: \$367,136) 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.

Notes to Financial Statements

For the year ended 30 June 2023

1. Significant accounting policies (continued)

(r) Reserves

Member share redemption reserve

The Credit Union has complied with Section 254K of the *Corporations Act 2001* via the creation of a member share redemption reserve. At the conclusion of each financial year the Credit Union establishes the number of members that resigned during the financial year and transfers the equivalent monetary amount to a member share redemption reserve from retained profits as the law requires that the redemption of the shares be made out of profits. The balance represents the amount of redeemable preference shares redeemed by the Credit Union since 1 July 1999. The reserve has a balance of \$61,307 as at 30 June 2023 (2022: \$55,843).

Lending risk reserve

The Credit Union has a lending risk reserve of \$199,000 as at 30 June 2023 (2022: \$199,000). This reserve is calculated at a minimum rate of 0.5% of risk weighted assets.

Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of owner-occupied land and buildings. The asset revaluation reserve as at 30 June 2023 is \$772,725 (2022: \$772,725).

General reserve

The general reserve represents a carry forward from a prior year equity transaction relating to the Credit Union. The general reserve as at 30 June 2023 is \$550,000 (2022: \$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 2023 is \$215,503 (2022: \$243,137).

(s) Fair value measurement

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

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

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

Fair value measurement hierarchy

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

Notes to Financial Statements

For the year ended 30 June 2023

1. Significant accounting policies (continued)

(t) Accounting estimates and judgements

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

- Note 1(f) & 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).

(u) New or amended accounting standards adopted

The Credit Union has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. None of the adopted Accounting Standards and Interpretations had a material impact on the financial statements of the Group. Any new or amended Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

(v) 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

	2023	2022
	\$	\$
Interest revenue		
Investment securities	782,782	161,611
Loans and advances	3,670,352	2,458,272
	<u>4,453,134</u>	<u>2,619,883</u>
Interest expense		
Member deposits	939,587	218,757
	<u>939,587</u>	<u>218,757</u>

Notes to Financial Statements

For the year ended 30 June 2023

3. Non-interest revenue

	2023	2022
	\$	\$
Revenue from contracts with customers		
Fees and commissions		
• Loan fee income	76,616	88,768
• Other fee income	341,995	289,616
• Commissions - insurance	36,292	32,395
• Commissions - other	17,730	21,659
	<u>472,633</u>	<u>432,438</u>
Total revenue from contracts with customers		
Timing of revenue recognition		
Non-interest revenue recognised at a point of time	130,638	142,822
Non-interest revenue recognised over time	341,995	289,616
	<u>472,633</u>	<u>432,438</u>
Total		
Other sources of income		
Dividends	14,095	43,767
Other income	24,621	29,612
	<u>511,349</u>	<u>505,817</u>

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

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

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

Notes to Financial Statements

For the year ended 30 June 2023

3. Non-interest revenue (continued)

	Nature and timing of satisfaction of performance obligations	Revenue recognition under AASB 15
Commission income		
Insurance	Commission income is generated via the issuing of 3rd party insurance policies to members. A 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.

4. Other income

	2023 \$	2022 \$
Gain on disposal of property, plant and equipment	-	91,241

5. Other expenses

Amortisation		
• Leasehold improvements	-	-
• Intangible assets	119,861	98,054
Depreciation		
• Buildings	16,812	18,100
• Plant and equipment	47,129	62,544
Fees and commissions	9,163	13,179
General and administration	2,060,156	1,490,948
Personnel costs		
• Wages and salaries	844,222	749,875
• Other associated personnel expenses	24,607	6,954
• Contributions to defined superannuation plans	103,502	90,110
• Annual leave expense	15,497	5,034
• Long service leave expense	21,841	2,549
Rental on operating leases	6,292	6,551
Total other expenses	<u>3,269,082</u>	<u>2,543,898</u>

Notes to Financial Statements

For the year ended 30 June 2023

6. Income tax

	2023	2022
	\$	\$
Profit before tax	737,339	440,748
Prima facie income tax expense calculated at effective rate of 25% (2022: 25%) on net profit	184,335	110,187
Increase/(decrease) in income tax due to:		
• Imputation credits	(4,495)	(12,698)
• Other adjustments from prior year	-	6,467
• Non-assessable income	(2,787)	-
• Utilisation of previous unrecognised tax losses	-	(2,770)
• Under/(over) provided for in prior years	4,409	(6,619)
Income tax expense	<u>181,462</u>	<u>94,567</u>
Current tax expense	231,667	82,535
Deferred tax expense	(63,826)	18,651
Adjustment for DTL on FOVI	9,212	-
Adjustment to prior year tax	4,409	(6,619)
Income tax expense	<u>181,462</u>	<u>94,567</u>

7. Recognised deferred tax assets & liabilities

	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$
Loans & advances	14,415	9,694	-	-	14,415	9,694
Other financial assets	-	-	(64,406)	(73,618)	(64,406)	(73,618)
Prepayments	-	-	(17,262)	(21,499)	(17,262)	(21,499)
Property, plant & equipment ⁽¹⁾	-	-	(265,728)	(283,458)	(265,728)	(283,458)
Accrued expenses	24,936	6,343	-	-	24,936	6,343
Employee benefits	63,726	54,391	-	-	63,726	54,391
Tax value of loss carried forward	-	-	-	-	-	-
	<u>103,077</u>	<u>70,428</u>	<u>(347,396)</u>	<u>(378,575)</u>	<u>(244,319)</u>	<u>(308,147)</u>

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

Income tax payable:

The current tax payable for the Credit Union of \$194,783 (2022: payable \$67,261) represents the amount of income taxes payable in respect of current and prior periods.

Notes to Financial Statements

For the year ended 30 June 2023

7. Recognised deferred tax assets & liabilities (continued)

	2023	2022
	\$	\$
Income tax payable / (receivable)	194,783	67,261
Movement in Taxation Provision		
Balance at beginning of the year	67,261	(45,187)
Current year's income tax expense on profit before tax	184,355	33,443
Income tax paid – current year	(36,885)	(15,275)
Income tax refund/(paid) – prior year	(19,948)	94,280
Balance at the end of the year	194,783	67,261

8. Cash and cash equivalents

Cash on hand and at bank	1,728,443	2,307,989
Deposits at call	3,500,000	3,780,000
Term deposits and Negotiable Certificates of Deposits	6,698,730	14,726,505
	<u>11,927,173</u>	<u>20,814,494</u>
Maturity Analysis		
No maturity	5,228,443	6,087,989
Remaining maturity not longer than 3 months	6,698,730	14,226,505
Remaining maturity longer than 3 months and less than 6 months	-	500,000
	<u>11,927,173</u>	<u>20,814,494</u>
Credit rating of cash & cash equivalents		
Cuscal Limited – rated A-1	7,290,635	7,824,494
ADI's rated A-1+	-	500,000
ADI's rated A-1	-	-
ADI's rated A-2	3,487,026	5,327,056
ADI's rated A-3	495,045	2,497,365
Unrated	-	4,000,000
Cash on hand – N/A	654,467	665,579
	<u>11,927,173</u>	<u>20,814,494</u>

9. Other receivables

Accrued income	71,381	24,053
Other	26,955	31,810
	<u>98,336</u>	<u>55,863</u>

Notes to Financial Statements

For the year ended 30 June 2023

10. Loans and advances

	2023	2022
	\$	\$
Overdrafts	963,052	816,525
Term loans	74,122,917	69,578,759
Gross loans and advances	<u>75,085,969</u>	<u>70,395,284</u>
Provision for impairment	(57,659)	(38,775)
Net loans and advances	<u>75,028,310</u>	<u>70,356,509</u>

Maturity Analysis

Overdrafts	961,052	816,525
Not longer than 3 months	725,731	833,271
Longer than 3 and not longer than 12 months	961,936	2,235,171
Longer than 1 and not longer than 5 years	7,871,368	10,689,765
Longer than 5 years	64,563,882	55,820,552
	<u>75,085,969</u>	<u>70,395,284</u>

Security held against loans

Secured by mortgage over residential property	70,030,320	67,022,199
Secured by mortgage over commercial property	3,129,377	1,112,275
<i>Total loans secured by real estate</i>	<u>73,159,697</u>	<u>68,134,914</u>
Secured by funds	6,578	16,375
Partly Secured by goods mortgage	1,765,920	2,107,034
Wholly secured	153,774	136,961
	<u>75,085,969</u>	<u>70,395,284</u>

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	66,252,504	59,120,861
Loan to value ratio of more than 80% but mortgage insured	6,107,532	8,163,677
Loan to value ratio of more than 80% not mortgage insured	799,661	850,376
	<u>73,159,697</u>	<u>68,134,914</u>

Concentration of risk

Significant individual exposures

Individual credit facilities greater than 10% of capital in aggregate	<u>6,890,893</u>	<u>7,283,988</u>
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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	60,205,029	56,217,315
• New South Wales	13,711,749	13,323,323
• Other	1,169,191	854,646
	<u>75,085,969</u>	<u>70,395,284</u>

Notes to Financial Statements

For the year ended 30 June 2023

11. Impairment of loans and advances

	2023	2022
	\$	\$
Total provision comprises of		
Expected credit loss allowance	57,659	38,775
Total provision	57,659	38,775

The loss allowance for 2023 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.

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

Notes to Financial Statements

For the year ended 30 June 2023

11. Impairment of loans and advances (continued)

Credit risk exposure under expected credit loss - 2022	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loan category	2022 \$	2022 \$	2022 \$	2022 \$
<i>Mortgages loans – secured by residential property</i>				
Not in arrears and up to 30 days	66,089,192	170,349	-	66,259,541
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	-	-	255,311	255,311
<i>Mortgages loans – secured by commercial property</i>				
Not in arrears and up to 30 days	1,034,287	-	-	1,034,287
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	-	-	-	-
<i>Personal loans – secured & under secured</i>				
Not in arrears and up to 30 days	2,019,423	-	-	2,019,423
More than 30 days, but less than 90 days	-	-	-	-
More than 90 days, but less than 180 days	-	-	10,396	10,396
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	-	-
<i>Overdrafts</i>	816,326	-	-	816,326
Total carrying amount – gross	69,959,228	170,349	265,707	70,395,284
Less expected credit loss allowance	(28,627)	(934)	(9,214)	(38,775)
Total carrying amount – net	69,930,601	169,415	256,493	70,356,509
Security analysis -Stage 2 & Stage 3	-	-	-	-
Estimated collateral – after discount	-	-	-	-

Notes to Financial Statements

For the year ended 30 June 2023

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:

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

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Movement category	2022 \$	2022 \$	2022 \$	2022 \$
Balance at 1 July per 2021	9,414	-	78,516	87,930
Transfers between stages	-	-	-	-
Movement due to increase in loans & advances	19,213	934	(6,608)	13,539
Movement due to change in credit risk	-	-	-	-
Bad debts written off from provision	-	-	(62,694)	(62,694)
Changes in model/risk parameters	-	-	-	-
Balance at 30 June 2022	28,627	934	9,214	38,775

Sensitivity Analysis and Forward-Looking Information

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.

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 2023. 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.

Notes to Financial Statements

For the year ended 30 June 2023

11. Impairment of loans and advances (continued)

	2023	2022
	\$	\$
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	170,745	289,307
Balance at the end of the financial year	<u>170,745</u>	<u>289,307</u>

12. Financial Assets

Investment securities

Floating Rate Notes with other ADI's	8,000,000	8,000,000
Government Bonds	10,000,000	10,000,000
	<u>18,000,000</u>	<u>18,000,000</u>

Equity investment securities designated as fair value through other comprehensive income (FVOCI) – held at fair value

• Shares in Cuscal Limited (a)	349,496	382,543
• Shares in TransAction Solutions Pty Ltd	38,219	42,017
	<u>387,715</u>	<u>424,560</u>
	<u>18,387,715</u>	<u>18,424,560</u>

Maturity Analysis of Investment Securities

No maturity	-	-
Remaining maturity not longer than 12 months	2,500,000	-
Remaining maturity longer than 12 months	15,500,000	18,000,000
	<u>18,000,000</u>	<u>18,000,000</u>

Credit rating of Investment Securities

ADI's and Government Authorities rated A and above	18,000,000	18,000,000
Unrated ADI's and Government Authorities	-	-
	<u>18,000,000</u>	<u>10,000,000</u>

(a) Cuscal Limited

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

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

Notes to Financial Statements

For the year ended 30 June 2023

13. Property, plant and equipment

	2023	2022
	\$	\$
Land		
At fair value	1,200,000	1,200,000
	<u>1,200,000</u>	<u>1,200,000</u>
Buildings on freehold land		
At fair value	646,996	646,996
Accumulated depreciation	(36,937)	(20,125)
	<u>610,059</u>	<u>626,871</u>
Plant and equipment		
At cost	738,501	632,530
Accumulated depreciation	(574,614)	(527,485)
	<u>163,887</u>	<u>105,045</u>
	<u>1,973,946</u>	<u>1,913,916</u>
Total property, plant and equipment at written down value	1,973,946	1,913,916

(a) Reconciliations

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

	<i>Land</i>	<i>Buildings</i>	<i>Plant and equipment</i>	<i>Total</i>
	\$	\$	\$	\$
Balance at 1 July 2021	1,260,000	705,038	162,409	2,127,447
Additions	-	-	5,180	5,180
Revaluations	-	-	-	-
Disposals	(60,000)	(60,067)	-	(120,067)
Depreciation	-	(18,100)	(62,544)	(80,644)
Amortisation	-	-	-	-
Balance at 30 June 2022	<u>1,200,000</u>	<u>626,871</u>	<u>105,045</u>	<u>1,931,916</u>
Balance at 1 July 2022	1,200,000	626,871	105,045	1,931,916
Additions	-	-	105,971	105,971
Revaluations	-	-	-	-
Disposals	-	-	-	-
Depreciation	-	(16,812)	(47,129)	(63,941)
Amortisation	-	-	-	-
Balance at 30 June 2023	<u>1,200,000</u>	<u>610,059</u>	<u>163,887</u>	<u>1,973,946</u>

Notes to Financial Statements

For the year ended 30 June 2023

13. Property, plant and equipment (continued)

(b) Valuations

The basis of land and buildings is fair value, being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either in the principal market, or in the absence of a principal market, in the most advantageous market. The freehold land and buildings located at 58 Belmore Street and 60 Belmore Street, Yarrowonga were independently valued on 21st June 2021 by Roger M Porter, AAPI (Val) and applied by the Credit Union as at 30 June 2023.

The Directors have performed a review of the fair value and do not believe that there has been a material movement in fair value since the latest valuation in 2023 for these properties. The fair value was based on a capitalisation of income supported by direct comparison to comparable properties on a rate per square meter, which are materially consistent with those prevailing at the time of the last valuation. While the Director valuation does not indicate impairment of land and buildings, it does present estimation uncertainty regarding the valuation of the land and buildings by acknowledging that past cycles indicate a lag for property markets to react to economic events, and that the extent of any decline in value is presently uncertain. The fair value assessed may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that could not reasonably have been aware of as at the date of valuation). Refer to Note 1 (h), Note 1 (s) and Note 28 for further information on fair value measurement.

14. Intangible assets

	2023	2022
	\$	\$
<i>Computer and software licenses</i>		
At cost	1,268,846	1,268,846
Accumulated amortisation	(1,005,098)	(885,237)
	<u>263,748</u>	<u>383,609</u>

Reconciliations

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

Computer and software licenses

Balance at beginning of the year	383,609	300,571
Additions	-	181,092
Amortisation	(119,861)	(98,054)
Balance at end of the year	<u>263,748</u>	<u>383,609</u>

15. Other assets

Prepayments	129,101	227,279
Accrued Income	946,993	1,249,833
	<u>1,076,094</u>	<u>1,477,112</u>

Notes to Financial Statements

For the year ended 30 June 2023

16. Member deposits

	2023	2022
	\$	\$
Call deposits	56,530,447	68,382,674
Term deposits	42,348,314	36,117,001
	<u>98,878,761</u>	<u>104,499,675</u>
<i>Maturity analysis</i>		
At call	56,530,448	68,382,674
Not longer than 3 months	20,573,443	19,332,341
Longer than 3 and not longer than 12 months	21,044,707	15,322,022
Longer than 1 and not longer than 5 years	730,164	1,462,638
	<u>98,878,761</u>	<u>104,499,675</u>

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:

- Victoria	68,399,781	72,959,511
- New South Wales	28,389,126	29,085,352
- Other	2,089,854	2,454,812
	<u>98,878,761</u>	<u>104,499,675</u>

Significant individual member deposits

As at 30 June 2023 the Credit Union's deposit portfolio included \$7,084,461 deposit exposures which represented 5% or more of total liabilities (2022: \$6,965,012).

17. Trade and other payables

Accrued interest payable	385,576	48,728
Sundry creditors and accruals	783,772	817,722
	<u>1,169,348</u>	<u>866,450</u>

18. Employee benefits

Current

Liability for long service leave	111,530	96,724
Liability for annual leave	120,937	105,439

Non-current

Liability for long service leave	22,437	15,403
	<u>254,904</u>	<u>217,566</u>

Notes to Financial Statements

For the year ended 30 June 2023

19. Leases

Credit Union as a lessor

OPERATING LEASES

Nature of the leasing activities

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

Terms and conditions of leases

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

Income statement

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

	2023	2022
	\$	\$
Lease/rental income (excluding variable lease payments not dependent on an index or rate)	24,570	23,850
Lease/rental income relating to variable lease payments not dependent on an index or rate	6,292	5,686
Total lease/rental income	30,862	29,536
Direct operating expenses (including repairs & maintenance) arising that generated rental income during the period	-	1,266
Direct operating expenses (including repairs & maintenance) arising that did not generate rental income during the period	-	-
Total direct operating expenses	-	1,266
Maturity analysis of lease payments receivable showing the undiscounted lease payments to be received after reporting date for operating leases:		
< 1 year	25,799	24,570
1 - 2 years	26,573	25,307
2 - 3 years	27,370	26,066
> 3 years	-	-
Total undiscounted lease payments receivable	79,742	75,943

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 2023

20. Reconciliation of cash flows from operating activities

	2023	2022
	\$	\$
(a) Cash flow from operating activities		
Profit after income tax	555,877	346,180
Non cash flows in operating surplus/(deficit):		
Impairment charge	18,475	13,538
Depreciation	63,941	80,644
Amortisation	119,861	98,054
Gain on disposal of plant & equipment	-	(91,241)
Changes in assets and liabilities:		
(Increase)/Decrease in receivables	(42,473)	(22,561)
(Increase)/Decrease in other assets	401,017	(193,015)
(Increase)/Decrease in deferred tax asset	(32,649)	38,205
Increase/(Decrease) in payables and accruals	302,898	203,708
Increase/(Decrease) in income tax receivable	-	45,187
Increase/(Decrease) in income tax payable	127,522	67,261
Increase/(Decrease) in employee benefits	37,338	7,582
Increase/(Decrease) in deferred tax liability	(21,967)	22,919
Net cash from revenue activities	<u>1,529,840</u>	<u>616,461</u>
Add/(deduct) non revenue operations		
(Increase)/decrease in loans and advances	(4,690,276)	(1,366,964)
Increase/(decrease) in deposits	(5,620,914)	10,912,693
Cash flow from operating activities	<u>(8,781,350)</u>	<u>10,162,191</u>

(b) Cash flows presented on a net basis

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

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

(c) Bank overdraft facility

As at 30 June 2023, the Credit Union does not have a bank overdraft facility. This is consistent with 2022.

(d) Special finance line – standby facility

As at 30 June 2023, the Credit Union does not have a standby facility. This is consistent with 2022.

Notes to Financial Statements

For the year ended 30 June 2023

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

(e) CUSCAL – Settlement Security Deposit

In the 2023 financial year, CMCU lodged a Settlement Security Deposit (“SSD”) with CUSCAL. The SSD is a security deposit of \$2,740,000 (2022: \$2,740,000) held in a standard term deposit account with CUSCAL.

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

- (a) until CUSCAL have received all money the Credit Union owe them at any time or which CUSCAL determine the Credit Union will or may owe them in the future; and
- (b) until CUSCAL are satisfied that they will not be asked to refund any such money (or any part of it) to a trustee in bankruptcy, a liquidator or any other person; and
- (c) other than in accordance with the terms applying to each deposit.

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

The Credit Union has classified the SSD as cash and cash equivalents in the statement of financial position and Note 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

Secured by:	Credit related commitments		Financial guarantees	
	2023	2022	2023	2022
	\$	\$	\$	\$
Secured by mortgage over real estate	1,342,426	3,569,066	10,000	10,000
Secured by funds	80,000	92,867	-	-
Partly secured by goods mortgage	92,505	93,573	-	-
Fully unsecured	64,991	152,443	5,100	5,100
Guarantee	10,000	43,084	-	-
Total	1,589,922	3,951,033	15,100	15,100

Notes to Financial Statements

For the year ended 30 June 2023

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 Cuscal Limited for the provision of corporate banking services and facilities, settlement services with bankers for member cheques and access to the direct entry system.

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

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

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

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

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 (resigned July 2022)	
F McCallum	
J Vagg	

Executive

J Pattison	Chief Executive Officer
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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.

Notes to Financial Statements

For the year ended 30 June 2023

23. Key management personnel (continued)

Key Management personnel compensation

The Key Management Personnel compensation included in “personnel costs” (see Note 5) are as follows:

	2023	2022
	\$	\$
Short-term employee benefits	274,797	252,239
Other long term benefits	7,944	3,197
Post employment benefits	35,821	34,026
	<u>318,562</u>	<u>289,462</u>

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	2,286,795	2,131,461
Loans and advances to other related parties	-	-
	<u>2,286,795</u>	<u>2,131,461</u>

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 (2022: \$nil) were made available to Directors and Key Management Personnel during the year. The aggregate amount receivable at 30 June 2023 was \$nil (2022: \$29,778). Key Management Personnel, who are not Directors, receive a concessional rate of interest on their facilities. These benefits, where subject to fringe benefits tax, are included in the remuneration above. All other revolving credit facilities are at normal commercial terms and conditions.

There was \$nil concessional loan rate facilities funded during 2023 (2022: \$nil), excluding those disclosed separately as Key Management Personnel loans.

Loans totalling \$850,000 (2022: \$300,000) were made to Key Management Personnel and other related parties during the year. As at 30 June 2023 there was \$nil (2022: \$nil) of loans approved but not yet funded in relation to Key Management Personnel.

During the year, Ms L Douglas, Mr J Vagg, Mrs F McCallum, Mrs B Skinner and Mr J Pattison (2022: Ms L Douglas, Mr J Vagg, Mr M Forster-Knight, Mrs F McCallum, Mrs B Skinner and Mr J Pattison) repaid \$2,385,209 (2022: \$2,391,699) 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).

Notes to Financial Statements

For the year ended 30 June 2023

23. Key management personnel (continued)

Interest received on the loans to Key Management Personnel and other related parties totalled \$114,814 (2022: \$78,145). 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 2023 (2022: nil).

	2023	2022
	\$	\$
Total value term and savings deposits from key management personnel	78,867	192,013
Total value term and savings deposits from other related parties	-	-
Total interest paid on deposits to key management personnel	745	77
Total interest paid on deposits to other related parties	-	-

The Credit Union's policy for receiving deposits from Key Management Personnel is that all transactions are approved and deposits accepted on the same terms and conditions which applied to members for each type of deposit.

Other key management personnel transactions with the Credit Union

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

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

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 2023, these holdings are in accordance with the requirements of APS 221 *Large Exposures*.

One of the entities is Cuscal Limited, a Special Services Provider (SSP). The net investment totalling \$7,640,131 (2022: \$8,207,037) represents shares held in Cuscal Limited of \$349,495 (2022: \$382,543) and cash and investments with Cuscal Limited of \$7,290,635 (2022: \$7,824,494).

Other cash investments in excess of 10% of shareholders equity were also placed in APRA regulated deposit taking institutions at 30 June 2023.

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

25. Auditor's remuneration

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	48,345	38,720
- other regulatory assurance services	19,580	19,580
- other services – taxation and other assistance	8,546	8,569
	<u>76,471</u>	<u>66,869</u>

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 2023

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.

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.

Notes to Financial Statements

For the year ended 30 June 2023

26. Risk management objectives and policies (continued)

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 2023, the net profit impact for a 1% increase in interest rates would be \$660,068 increase in profit (2022: \$604,272). 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.

(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.

Notes to Financial Statements

For the year ended 30 June 2023

26. Risk management objectives and policies (continued)

APRA Prudential Standards place specific management and reporting requirements on ADIs in relation to liquidity risk. The Credit Union uses the MLH basis to calculate liquidity. Under this calculation the Credit Union is required to maintain at least 9% of total adjusted liabilities in specified eligible assets at all times. The Credit Union maintains a required minimum liquidity level of at least 16% (2022: 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:

	2023	2022
Minimum Liquidity Holdings	26.68%	27.57%
Operational Liquid Assets	-	5.04%
Total	26.68%	32.61%

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.

(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.

Notes to Financial Statements

For the year ended 30 June 2023

26. Risk management objectives and policies (continued)

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.

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.

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.

Notes to Financial Statements

For the year ended 30 June 2023

26. Risk management objectives and policies (continued)

(d) Operational risk

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

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

(e) Regulatory and Compliance risk

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

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

(f) Strategic risk

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

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

(g) Capital risk

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

The Credit Union's capital management objectives are to:

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

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

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

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

Notes to Financial Statements

For the year ended 30 June 2023

26. Risk management objectives and policies (continued)

	2023	2022
	\$	\$
Capital adequacy calculation		
Tier 1 capital		
Net tier 1 capital	5,881,993	6,477,795
Tier 2 Capital		
Net tier 2 capital	199,000	199,000
Total Capital	6,080,993	6,676,795
Risk profile		
Credit Risk	34,902,983	39,699,935
Operational Risk	3,490,298	5,100,624
Total risk weighted assets	38,393,281	44,800,559
Capital adequacy ratio	15.84%	14.90%

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 15.00%. Further a 3 year budget projection of the capital levels is prepared annually to address how strategic decisions or trends may impact on the capital level.

Internal capital adequacy assessment process

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

Notes to Financial Statements

For the year ended 30 June 2023

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		1 year or less		Over 1 to 5 years		Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 %	2022 %
Financial assets:												
Cash and cash equivalents	4,574	5,422	6,699	14,727	-	-	654	665	11,927	20,814	2.68%	0.55%
Other receivables	-	-	-	-	-	-	98	56	98	56	N/A	N/A
Loans and advances (gross)	74,480	69,197	-	581	606	617	-	-	75,086	70,395	6.22%	3.59%
Financial assets	6,000	6,000	-	-	12,000	12,000	388	425	18,388	18,425	2.61%	1.22%
Total financial assets	85,054	80,619	6,699	15,308	12,606	12,617	1,140	1,146	105,499	109,690		
Financial liabilities:												
Members deposits	56,494	68,342	41,618	34,654	730	1,463	37	41	98,879	104,500	1.89%	0.23%
Trade and other payables	-	-	-	-	-	-	1,169	866	1,169	866	N/A	N/A
Total financial liabilities	56,494	68,342	41,618	34,654	730	1,463	1,206	907	100,048	105,366		

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

Notes to Financial Statements

For the year ended 30 June 2023

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	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Financial assets:														
Cash and cash equivalents	6,741	14,246	-	501	-	-	-	-	5,228	6,088	11,969	20,835	11,927	20,814
Other Receivables	-	-	-	-	-	-	-	-	27	32	27	32	98	56
Loans and advances (gross)	1,931	1,525	5,442	4,260	38,828	21,123	97,438	79,404	-	-	143,639	106,312	75,086	70,395
Financial assets	509	-	2,012	-	14,596	13,007	1,014	5,007	388	425	18,519	18,439	18,388	18,425
Total financial assets	9,181	15,771	7,454	4,761	53,424	34,130	98,452	84,411	5,643	6,545	174,154	145,618	105,499	109,690
Financial liabilities:														
Members deposits	20,816	19,376	21,814	15,376	778	1,471	-	-	56,530	68,383	99,938	104,606	98,879	104,500
Trade and other payables	-	-	-	-	-	-	-	-	784	818	784	818	1,169	866
Total financial liabilities	20,816	19,376	21,814	15,376	778	1,471	-	-	57,314	69,201	100,722	105,424	100,048	105,366

Notes to Financial Statements

For the year ended 30 June 2023

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 than 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 2023 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.

Financial assets – investment securities

The fair value of investment securities that are not traded in an active market are determined using discounted cash flow analysis with terms to maturity, as closely as possible, the estimated future cash flows. The fair value of investment securities is \$17,498,150. The carrying amount of investments securities per note 12 is \$18,000,000.

Financial assets through other comprehensive income (FVOCI)

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

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

Notes to Financial Statements

For the year ended 30 June 2023

27. Financial instruments (continued)

(d) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	2023	2022
	\$	\$
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	1,728,443	2,307,989
Receivables due from other financial institutions	18,198,730	26,506,505
Receivables due from government authorities	10,000,000	10,000,000
- Other receivables	98,336	55,863
- Member loans and advances (gross)	75,085,969	70,395,284
	<u>105,111,478</u>	<u>109,265,641</u>
Financial assets at fair value through other comprehensive income (FVOCI)		
- Other financial assets	387,714	424,560
	<u>387,715</u>	<u>424,560</u>
Total financial assets	<u>105,499,192</u>	<u>111,332,611</u>
Financial liabilities		
Financial liabilities at amortised cost		
Accounts payable and other liabilities	1,169,348	866,450
Member deposits	98,878,761	104,499,675
Total financial liabilities	<u>100,048,109</u>	<u>105,366,125</u>

28. Fair value measurement

Fair value hierarchy

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

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

2022	Level 1	Level 2	Level 3	Total
Assets measured at fair value	\$	\$	\$	\$
Land and buildings	-	1,826,871	-	1,826,871
Other financial assets (at FVOCI)	-	-	424,560	424,560
Total	-	1,826,871	424,560	2,251,431

Notes to Financial Statements

For the year ended 30 June 2023

28. Fair value measurement (continued)

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

Movement category	Other financial assets (at FVOCI)	
	2023	2022
	\$	\$
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	424,560	328,740
Revaluation through other comprehensive income	(36,846)	95,820
Impairment through profit or loss	-	-
Purchases	-	-
Sales	-	-
Closing balance - at 30 June	387,714	424,560

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, Yarrowonga Vic 3730.

Head office of the business is located in Yarrowonga 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

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 8 to 49, 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 2023 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
Chairperson



M O'Dwyer
Vice Chairperson

Dated at Yarrawonga this 20 September 2023.

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 2023, 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 2023 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 2023 but does not include the financial report and our auditor's report thereon.

Some of the Crowe personnel involved in preparing this document may be members of a professional scheme approved under Professional Standards Legislation such that their occupational liability is limited under that Legislation. To the extent that applies, the following disclaimer applies to them. If you have any questions about the applicability of Professional Standards Legislation to Findex's/Crowe's personnel involved in preparing this report/advice/document/email, please speak to your Findex/Crowe adviser.

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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 Albury

Crowe Albury

David Munday

David Munday
Partner

21 September 2023
Albury