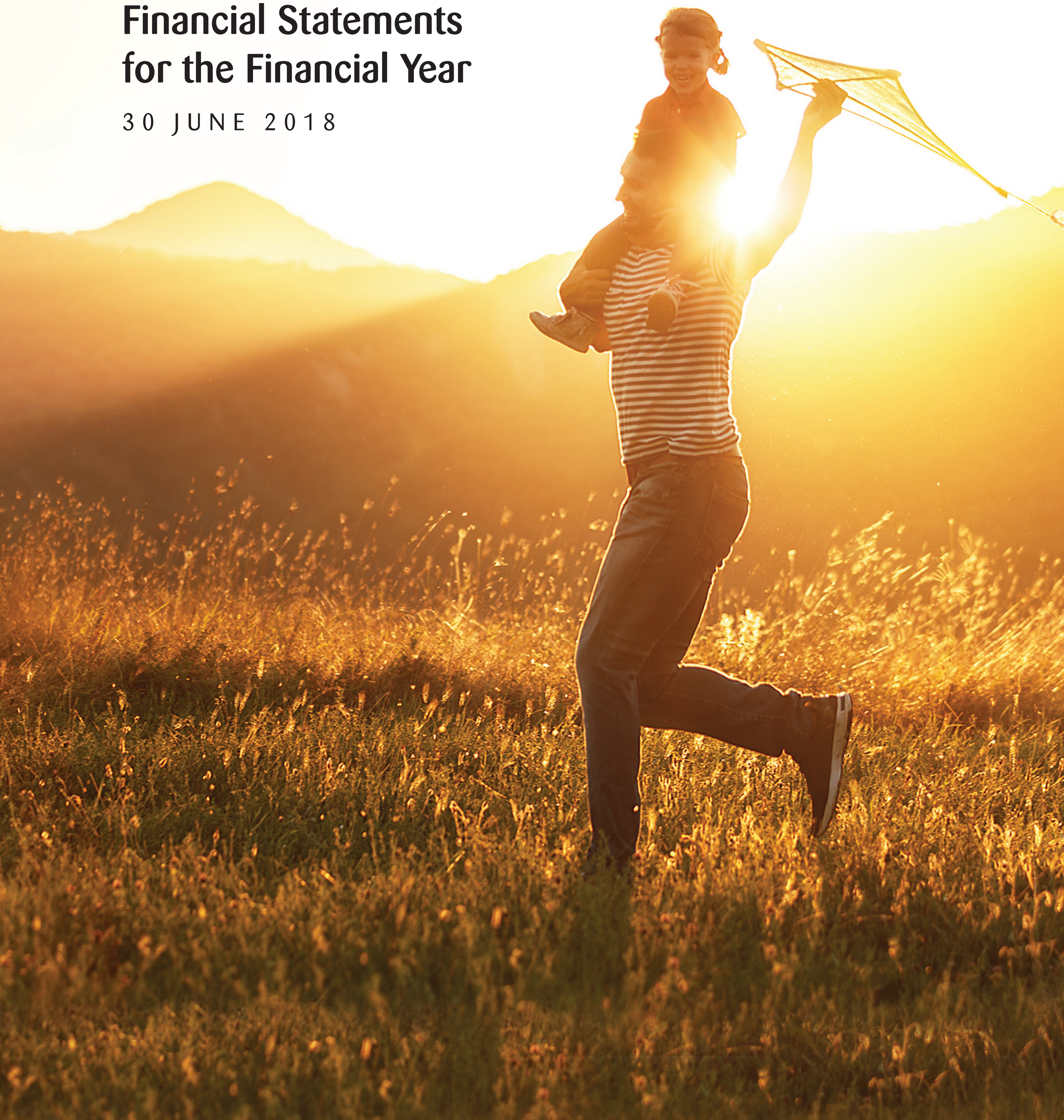
WAW credit union

Smart Banking

Annual Review and Financial Statements for the Financial Year

30 JUNE 2018



OUR VISION

To be the best value provider of smart banking services to the communities we serve.

OUR PURPOSE

To operate a responsive, values-driven, co-operative financial institution that provides financial and community benefits to customers and the region in a sustainable manner.

OUR VALUES

Trust • Co-operation • Moral Integrity • Financial Prudence • Caring for Customers • Social Responsibility

OUR 4BL APPROACH

Community Support • Financial Reliability • Environmental Responsibility • Customer Mutuality

Contents

As part of our environmental responsibility business policy, printed copies of this annual report will be supplied by request only. We encourage customers to access this document online at **www.wawcu.com.au**

Annual Review for 2017/2018

Chair's and Chief Executive Officer's Report

On behalf of the Board, Management and Staff, we are delighted to present our 2017-2018 Annual Review and Financial Statements.

There has been an incredible amount of work underway within the Credit Union over the last year as we look to deliver exciting new products and services, further develop important areas of our policy framework and continue to support our wider regional community. The Board and Management has also remained focused on ensuring that the organisation continues to thrive and remain strong in a very competitive market operating against a backdrop of a rapidly developing regulatory environment.

We are proud to say that these activities have not shifted focus away from the importance of values and the defining feature of our model compared to the major Banks, being our customer-ownership. As we enter our 63rd year of operation, we are delighted to see that various public enquiries have put a spotlight on the fact that the customer-owned model is just as relevant today as it was over 70 years ago given the challenges facing the for-profit, shareholder-owned models of major Banks and financial companies in Australia in meeting community expectations.

This is not to say that our sector, or indeed WAW, is beyond reproach. Nor should we take for granted that the ownership model itself will deliver positive outcomes in this respect. WAW is made up of a collection of individuals where many thousands of decisions are made every year that need to be measured against a set of agreed policies and values. Given the addition of new Board members and Management to the team in recent times, the organisation embarked on a comprehensive review of key policies and activities to strengthen our Governance and improve accountabilities. Changes included important amendments to the company's Constitution; a review of the way we approach the appointment and independent assessment of appropriately skilled individuals to the Board; development of the organisation's Risk Management Framework to enhance operational accountabilities; and reviewing the alignment between culture, performance, regulation and customer/community standards. While there is still work to do, it is important to share the initiatives undertaken during this most recent period to demonstrate our passion for the model and commitment to stakeholders.

We are also pleased to confirm that we were able to build on the strong financial foundations of the Credit Union in the 2018-19 financial year with improvements in important financial indicators such as Capital Adequacy and profitability. The Credit Union's Capital Adequacy Ratio finished at a record 14.57% for the period, while profit increased by 14.62% as a result of reductions to our cost base and improvements to interest margins which were underpinned by our growth and close management of the Balance Sheet.

Importantly, these improvements were not achieved at the expense of supporting customers and community. Customers received over $545,577 in transaction fee rebates and continued to have access to some of the best borrowing rates in the country. Important new products and services were launched, including access to the New Payments Platform where WAW was among the initial group of financial institutions in Australia to join this innovative new system of payments. WAW's customers were among the very first in the country to be able to electronically send and receive funds between financial institutions within just seconds of originating the transaction. At the time of the writing of this report, WAW was processing over 2,590 transactions per month.

In closing, we would like to acknowledge the service of Directors Richard Power, Brendan Munk and Tim Frazer who retired during the year. We would also like to sincerely thank our Customer-Owners, Staff, Management and Suppliers for their support during the year.

Carol Judd
Chair

Michael Mack
CEO/
Company Secretary

About WAW

FINANCIAL RELIABILITY

WAW continues to perform well in the current economic climate, with operating results showing a profit after tax of $1.62m compared to $1.41m in the previous year. Alongside a strong profit outcome, we are also pleased to note that our cornerstone prudential measurement, Capital Adequacy, increased from 14.33% as at 30 June 2017 to 14.57% as at 30 June 2018. These outcomes enhance WAW's resilience to economic cycles whilst also providing the ability to strategically invest into new technologies and maintain a high-quality and reliable Service Centre network.

WAW continues to adopt a balanced approach to interest rate management for both loans and deposit products. During the year, the business took several steps to guard customers against materially-altering interest rates for either mortgage or savings customers. This was achieved through proactive and prudent Treasury management practices alongside increased customer growth in key products. As a result, WAW's loan balances increased by $12.9m throughout the financial year, with a value of total loans to customers of $351.0m. WAW's equity value has now increased to over $30m which is a reflection of a sustainable business model.

CUSTOMER MUTUALITY

WAW has a firm commitment to the principles of mutuality – that is, being a customer-owned financial institution. Whilst WAW is regulated in the same way as the major banks, we have a different focus. Being customer-owned enables WAW to maintain a strong focus on returning value back to our customer-owners through our operational activities, products and services, and community support as opposed to a dividend payment. We are focussed on fraud prevention measures as these play a large part in safeguarding our customers against cyber-crime. As a result of our ongoing commitment, over 5,000 outbound calls were made to customers from our Fraud Interceptor Team to verify transaction details to minimise the potential for loss. This ever-present threat continues to be a challenge to the banking industry globally; however, we are pleased to report that our losses relating to fraud have reduced for the second consecutive year. We recognise the need to keep evolving within a dynamic landscape and through strategic investments into innovative systems; we are pleased to have become a 'Day 1' participant in the launch of the New Payments Platform (NPP) in February 2018 – a feat that many of the major banks were not able to achieve. The NPP is a real-time payment technology that sends funds between banks in a matter of moments and is now available to WAW customers. We will continue to invest in technology that improves customer experiences.

COMMUNITY SUPPORT

During this financial year, WAW's community support program has played a vital role in many local organisations. We have continued our longstanding financial support for many local sporting groups throughout our regions. We are pleased to report that WAW has provided financial support to Hume Football Netball League and Ovens & King Football Netball League for 10 years. WAW sees this as an investment into communities as sponsorship at the league level removes much of the financial and administrative burden away from individual clubs so that they are able to focus their efforts on maintaining sustainable clubs. We've also supported local Basketball, Cricket, Hockey, Soccer, Bowls and Golf clubs right across the region.

Our financial support extends beyond sporting groups. WAW provides financial and in-kind support to many of the arts, with our partnership of the Albury-Wodonga Theatre Company, the Kerferd Oration in Beechworth and the Trinity Arts Show. WAW has also continued much-needed support to the Winter Blanket appeal, donating baskets of grocery items as well as many blankets. WAW staff also contribute to this very worthy cause.

The Border Relay for Life continues to be an important event within our regional community. This year, WAW continues to sponsor the event where a team of WAW participate and contribute to the fundraising efforts for the prevention and cure of cancer. Held in October each year, WAW was pleased to have a large contingent of staff and their families walking the track and supporting each other in the fight to end cancer.

Two of our longstanding community initiatives continued in the 2017/18 financial year, one being the WAW Community Fund's Latipsoh Day Golf Day held at the Albury Commercial Golf Resort. The golf day raises funds for our regional hospitals and continues to be well supported by the community, with the total raised by Latipsoh Day since it began now in excess of $1.5m. Secondly, our Caring About Road Safety (CARS) program, now in its twelfth year, encourages primary school children to think about safety. In recent times, the program has evolved to include cyber safety elements so that children have the opportunity to learn about important skills they need as they grow with technology. This is an event that ensures WAW is promoting relevant and timely socially-important messages to children. The CARS program has a very wide reach, with many regional schools participating and creating some fantastic work. We are very pleased to have received entries from schools in Wangaratta, Chiltern, Walwa, Corryong and throughout the Albury Wodonga region.

ENVIRONMENTAL RESPONSIBILITY

In addition to WAW's longstanding commitment to reduction of the environmental impact of our activities on the regions in which we operate, we are constantly looking for new ways in which we can evolve. We are buoyed by the resurgence of renewable energy initiatives and, in particular, community energy groups. WAW is a proud partner of many solar energy projects throughout the region and we are supporting them by offering low-cost, straightforward loans to participants looking to invest in renewable energy initiatives.

We are grateful for the engagement of Totally Renewable Yackandandah (TRY) and Renewable Albury Wodonga (RAW) who have provided many opportunities for WAW to be present at community meetings throughout regional towns. WAW sponsored the Albury Wodonga Sustainability Festival during the financial year and will continue this sponsorship into 2018 as a sign of our commitment to sustainable practices within our communities.

Directors' Report

The Directors present their report together with the Financial Statements of WAW Credit Union Co-operative Limited (the 'Credit Union') for the year ended 30 June 2018 and the auditor's report thereon.

DIRECTORS

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

Carol A Judd BBus(Acct), FCPA, MAICD Director since 23 November 2016	Chair of the Board since 29 November 2017 Chair of Credit Risk Committee Chair of Audit Committee to 29 November 2017
David J Iverson DipLaw, MAMI Director since 28 November 2012	Chair of Strategy Committee since 29 November 2017 Chair of Audit Committee from 29 November 2017 to 21 December 2017 Chair of Risk Management Committee from 4 December 2017 to 21 December 2017
Mark P Dixen GradDipEdStudies, DipAg, DipCH, TC, Cert IV CLM, MAMI Director since 16 November 2010	Chair of Risk Management Committee since 21 December 2017 Chair of Human Resource Committee to 29 November 2017
Julie H Guest BBus(Acct), CAANZ Director since 29 November 2017	Chair of Audit Committee since 21 December 2017
Fiona A Shanks BBus(HRM), DipBusMan, CAHRI, MLGPro Director since 29 November 2017	Chair of Human Resource Committee since 29 November 2017
Robert V Anderson DipBus(Acct), CPA, GAICD Director since 27 April 2018	
Richard A Power FCPA, FTI, FAIM, FAMI, FAICD Retired 29 November 2017	Chair of the Board to 29 November 2017
Brendan A Munk MAMI Retired 29 November 2017	Chair of Risk Management Committee to 29 November 2017 Chair of Strategy Committee to 29 November 2017
Timothy S Frazer BEc (Macquarie Uni), FFINSIA, MAMI Retired 4 December 2017	Chair of Risk Management Committee from 29 November 2017 to 4 December 2017

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

COMPANY SECRETARY

Mr Michael A Mack, BBus(E-Comm), FAMI, was appointed as Chief Executive Officer and Company Secretary of the Credit Union on 23 September 2016, and continues to act in this capacity.

DIRECTORS' MEETINGS

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

Director	Board of Director Meetings		Executive & Remuneration		Audit		Risk Management		Strategy		Credit Risk		Human Resources		WAW Continuing Professional Development	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
C Judd	16	16	10	10	10	9	11	11	10	9	4	4	2	2	9	9
M Dixen	16	15	5	5	8	8	10	9	10	8	2	1	1	1	9	9
D Iverson	16	16	6	6	9	8	8	6	9	9	1	1	-	-	9	9
J Guest [Appointed 29/11/17]	10	10	-	-	5	5	-	-	-	-	2	2	1	1	4	4
F Shanks [Appointed 29/11/17]	10	10	-	-	-	-	6	5	-	-	2	2	1	1	4	4
R Anderson [Appointed 27/4/18]	3	2	-	-	2	1	2	1	-	-	-	-	-	-	2	1
R Power [Retired 29/11/17]	5	5	4	3	4	3	5	4	4	3	2	1	-	-	6	5
B Munk [Retired 29/11/17]	6	2	4	2	5	4	5	4	4	3	-	-	1	1	6	3
T Frazer [Retired 4/12/17]	8	6	-	-	5	4	4	4	3	3	1	1	-	-	6	6

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

B – Number of meetings attended

Directors' Report (cont'd)

CONTINUING PROFESSIONAL DEVELOPMENT (CPD)

The Board has in place a progressive annual training and development program to support Directors in maintaining a high level of knowledge and skills related to the regulatory and operating environment of the organisation, and to address the knowledge and skills required to fulfil the duties of a Director of an Authorised Deposit-taking Institution (ADI). Individual Directors must complete a minimum 60 hours of CPD per triennium. The following table reports the hours undertaken by each Director for the year ended 30 June 2018.

Director	CPD Hours to 30/6/18
C Judd	33.75
M Dixen	41.25
D Iverson	35.75
J Guest [appointed 29/11/17]	20.25
F Shanks [appointed 29/11/17]	14.75
R Anderson [appointed 27/4/18]	8.00
R Power [retired 29/11/17]	11.50
B Munk [retired 29/11/17]	5.50
T Frazer [retired 4/12/17]	13.50

All Directors have achieved in excess of the Credit Union's targeted 60 hours (or the applicable pro rata hours) for the triennium 1 July 2015 to 30 June 2018.

During the financial year, the Board carried out its annual Director appraisal process which includes detailed peer and self-assessment feedback as well as a review of collective Board performance and skill sets.

PRINCIPAL ACTIVITIES

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

TRADING RESULTS

The profit for the financial year before income tax was $2,211,722 (2017: $1,912,639). Income tax expense was $590,057 (2017: $497,792).

REVIEW OF OPERATIONS

Net loans and advances for the year have increased by $12,938,708 to $351,004,457.

Deposits increased during the year by $9,979,968 to $426,556,857.

Equity during the year has increased by $1,621,665 to $30,077,292.

DIVIDENDS

The Credit Union does not have 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

The Credit Union will continue to operate a responsive, values-driven, co-operative financial institution that provides financial and community benefits to customers and the region in a sustainable manner.

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 specifically subject to any significant environmental regulations under either Commonwealth or State legislation beyond those required of the business community in general. However, the Board believes that the Credit Union has adequate systems in place for the management of its environmental responsibilities as they apply to the Credit Union in general terms.

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.

Directors' Report (cont'd)

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.

PUBLIC PRUDENTIAL DISCLOSURE

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

- details on the composition of regulatory capital;
- a reconciliation between the composition of its regulatory capital and its audited financial statements;
- the full details of the terms and conditions of its regulatory capital instruments;
- the quantitative and qualitative information about its capital adequacy, credit and other risks if advanced measurement approaches are used; and
- both qualitative disclosure and quantitative remuneration disclosures for Senior Managers and material risk-takers.

These disclosures can be viewed on the Credit Union's website: www.wawcu.com.au>About WAW>Disclosures.

CORPORATE GOVERNANCE

The Credit Union is committed to achieving high standards of corporate governance. The Credit Union is directed and controlled by its Board of Directors through systems of oversight, delegation and policies so as to achieve its business objectives responsibly and in accordance with high standards of accountability and integrity.

The Board of Directors carries out an annual appraisal process that assesses the performance of individual Directors and the Board as a whole, as well as the function and performance of the Board's Committees. The annual appraisal process also assists the Board with individual and group development plans and reviewing the skill sets required by the Board to carry out its role with reference to the Credit Union's Strategic and Business Plans.

The Credit Union complies with the Australian Prudential Regulation Authority Prudential Standard

CPS 510 Governance and the Prudential Practice Guide PPG 511 Remuneration.

Internal audit:

In June 2018, the Credit Union re-appointed Bob Travers & Associates to the position of internal auditor for a further one year. The assessment and associated appointment was made in accordance with key Prudential Standards including CPS 231 - Outsourcing and APS 310 Audit and Related Matters.

External audit:

Following a tender process in 2018, Crowe Horwath Albury was re-appointed (in the role of external auditor) for a further three years.

Crowe Horwath Albury has appropriate Lead Audit Partner rotation policies to ensure compliance with key requirements contained within Prudential Standards CPS 510 Governance, CPS 520 Fit and Proper and APS 310 Audit and Related Matters.

AUDITOR INDEPENDENCE DECLARATION

The auditor independence declaration for the year ended 30 June 2018 has been received and can be found on page 5 of the financial report.

Dated at Wodonga this 25th day of September 2018.

Signed in accordance with a resolution of the Directors.

Carol A Judd - Director Chair, Board of Directors	Julie H Guest - Director Chair, Audit Committee

Crowe Horwath Albury
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Auditor Independence Declaration
under Section 307C of the *Corporations Act 2001* to the Directors of WAW Credit Union Co-operative Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 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.

This declaration is in respect of WAW Credit Union Co-operative Limited for the financial year ended 30 June 2018

Crowe Horwath

CROWE HORWATH ALBURY

BRADLEY D BOHUN
Partner

25 September 2018
Wodonga

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2018

	Note	2018 $	2017 $
Interest revenue	2	17,960,814	17,638,863
Interest expense	2	(7,563,408)	(7,760,532)
Net interest income		10,397,406	9,878,331
Non-interest revenue	3(a)	2,576,806	2,582,708
Other income	3(b)	-	-
Other expenses	4	(9,668,776)	(9,564,220)
Impairment charge	11	(2,810)	1,788
Fees and commission expense		(1,090,904)	(985,968)
Profit before tax		2,211,722	1,912,639
Income tax expense	5	(590,057)	(497,792)
Profit after tax		1,621,665	1,414,847
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Nil		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to customers		1,621,665	1,414,847

The Statement of Changes in Equity is to be read in conjunction
with the accompanying notes set out on pages 10 to 52.

Statement of Changes in Equity
For the year ended 30 June 2018

Year ended 30 June 2017	Retained Profits $	Lending Risk Reserve $	General Reserve $	Asset Revaluation Reserve $	Total $
Opening balance at 1 July 2016	1,124,737	486,258	23,858,053	1,571,732	27,040,780
Profit after tax	1,414,847	-	-	-	1,414,847
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	1,414,847	-	-	-	1,414,847
Transfer to/(from) lending risk reserve	(30,003)	30,003	-	-	-
Transfer to general reserve	(1,124,737)	-	1,124,737	-	-
Closing balance at 30 June 2017	1,384,844	516,261	24,982,790	1,571,732	28,455,627
Year ended 30 June 2018					
Opening balance at 1 July 2017	1,384,844	516,261	24,982,790	1,571,732	28,455,627
Profit after tax	1,621,665	-	-	-	1,621,665
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	1,621,665	-	-	-	1,621,665
Transfer to/(from) lending risk reserve	(19,958)	19,958	-	-	-
Transfer to general reserve	(1,414,847)	-	1,414,847	-	-
Closing balance at 30 June 2018	1,571,704	536,219	26,397,637	1,571,732	30,077,292

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes set out on pages 10 to 52.

Statement of Financial Position
As at 30 June 2018

	Note	2018 $	2017 $
ASSETS			
Cash and cash equivalents	7	92,982,957	99,132,316
Receivables due from other financial institutions	8	8,000,000	2,000,000
Other receivables	9	450,850	398,652
Customer loans and advances	10	351,004,457	338,065,749
Other financial assets	12	619,916	629,912
Property, plant and equipment	13	7,969,891	8,301,927
Intangible assets	14	285,317	284,227
Income tax receivable	6	-	152,922
Deferred tax assets	6	340,360	345,203
Prepayments		128,298	115,180
TOTAL ASSETS		461,782,046	449,426,088
LIABILITIES			
Customer deposits	15	426,556,857	416,576,889
Accounts payable and other liabilities	16	2,966,197	2,373,166
Income tax payable	6	178,685	-
Employee benefits	17	1,153,854	1,137,519
Deferred tax liabilities	6	849,161	882,887
TOTAL LIABILITIES		431,704,754	420,970,461
NET ASSETS		30,077,292	28,455,627
EQUITY			
Reserves	1(o)	28,505,588	27,070,783
Retained profits		1,571,704	1,384,844
TOTAL EQUITY		30,077,292	28,455,627

Statement of Cash Flows
For the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Interest received		17,902,727	17,653,642
Interest paid		(7,568,011)	(7,645,534)
Payments to employees and suppliers		(9,544,681)	(10,945,379)
Receipts from other services		2,582,695	2,748,004
Income tax paid		(287,333)	(602,712)
		3,085,397	1,208,021
Net (increase)/decrease in loans and advances		(12,941,518)	(20,387,159)
Net increase/(decrease) in deposits		9,979,968	27,127,777
Net cash from operating activities	18(a)	123,847	7,948,639
Cash flows from investing activities			
Acquisition of other financial assets		-	-
Acquisition of receivables from other financial institutions		(6,000,000)	5,000,000
Acquisition of property, plant and equipment		(116,945)	(132,279)
Acquisition of intangible assets		(164,061)	(126,378)
Proceeds from sale of plant and equipment		7,800	70,572
Net cash from investing activities		6,273,206	4,811,915
Cash flows from financing activities			
Net increase/(decrease) in borrowings		-	-
Net cash from / (used in) financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		(6,149,359)	12,760,554
Cash and cash equivalents at 1 July		99,132,316	86,371,762
Cash and cash equivalents at 30 June	7	92,982,957	99,132,316

The Statement of Changes in Equity is to be read in conjunction
with the accompanying notes set out on pages 10 to 52.

Notes to the Financial Statements
For the year ended 30 June 2018

1. Significant accounting policies

WAW Credit Union Co-operative Limited (the 'Credit Union') is a company domiciled in Australia. The Financial Statements were authorised for issuance by the Directors on 25 September 2018.

(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.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS").

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

(b) Basis of preparation

The financial statements are presented in Australian dollars.

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

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.

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

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

(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. Bank overdrafts that are repayable on demand and form an integral part of the Credit Union's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

1. Significant accounting policies (cont'd)

(d) Loans and advances

Loans and advances are stated at their amortised cost less impairment losses (see note 1(f)).

All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described below:

Non-accrual loans - are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful, and hence impairment losses are recognised.

Restructured loans - arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms, and the revised terms are not comparable to new facilities. Loans with revised terms are included in non-accrual loans when impairment losses are likely.

Assets acquired through the enforcement of security - are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

Past-due loans - are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected. If an impairment loss is likely, the loan is included in non-accrual loans.

Specific provision
Losses for impaired loans are recognised when there is objective evidence that the impairment of a loan has occurred. Impairment losses are calculated on individual loans in arrears. The amount provided for impaired loans is determined by Management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement.

Collective provision
APRA Prudential Standards require a minimum provision to be maintained, based on specific percentages of the loan balance which are contingent upon the length of time the repayments are in arrears.

(e) Full time equivalent employees

The Credit Union employed 63.9 (2017: 60.4) full-time equivalent staff at the end of the financial year.

(f) Impairment of assets

The carrying amounts of the Credit Union's assets, other than deferred tax assets are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

1. Significant accounting policies (cont'd)

(f) Impairment of assets (cont'd)

Calculation of recoverable amount
The recoverable amount of the Credit Union's investments in held to maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Reversals of impairment
An impairment loss in respect of a held to maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Property, plant and equipment & intangible assets

(i) Owned assets
Items of land and buildings have been valued at fair value under AASB 116 *Property, Plant* & Equipment and AASB 13 *Fair Value Measurement*. Refer to Notes 1(n), 13 and 28 in regards to further information on fair value measurement.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets
Leases in terms of which the Credit Union assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (refer note 1(f)). Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis.

(iii) Subsequent assets
The Credit Union recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred; if it is probable that the future economic benefits embodied within the item will flow to the Credit Union, and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income as an expense as incurred.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

1. Significant accounting policies (cont'd)

(g) Property, plant and equipment & intangible assets (cont'd)

(iv) 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
• Office furniture & equipment	5 years
• Leasehold and office improvements	10 years
• Motor vehicles	5 years
• Computer hardware	4 years

The residual value, if not insignificant, is reassessed annually.

Land is not depreciated.

(v) 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

(h) Employee entitlements

Long term service benefits

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

Short term benefits

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

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

1. Significant accounting policies (cont'd)

(i) Income recognition

Interest revenue
Loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month.

Fees and commissions
Account and loan fees and commissions are recognised as revenues on an accrual basis, and are reflected in the period to which they apply.

Dividend income
Dividend income is taken into revenue as received.

(j) Leases

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

Operating leases
Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term.

(k) Income tax

Income tax on the Statement of Profit or Loss and Other Comprehensive Income for the periods presented comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss and Other Comprehensive Income 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 Statement of Financial Position 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 Statement of Financial Position 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.

(l) 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.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

1. Significant accounting policies (cont'd)

(l) Goods and Services Tax (cont'd)

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 2017/15 from 1 July 2017. In addition, certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

(m) Provisions

A provision is recognised in the Statement of Financial Position when the Credit Union has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Accounting estimates and judgements

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

- Note 1(d) and Note 11 – Impairment of loans and advances;
- Note 13 - Fair value assumptions used for land and buildings; and
- Note 1(s) – New accounting standards and interpretations.

Determination of fair values
A number of the Credit Union's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Refer to Note 1(r) for further information regarding fair value measurement.

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

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Credit Union's land and buildings.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

1. Significant accounting policies (cont'd)

(o) Reserves

General reserve
Annually a transfer is performed between retained profits and the general reserve. The general reserve represents the accumulation of prior years' trading profits of the Credit Union after transfers to reserves. The general reserve as at 30 June 2018 is $26,397,637 (2017: $24,982,790).

Asset revaluation reserve
The asset revaluation reserve relates to the revaluation of land and buildings. The asset revaluation reserve as at 30 June 2018 is $1,571,732 (2017: $1,571,732).

Lending risk reserve
In addition to the specific provision and collective provision mentioned at Note 1(d), the Credit Union has recognised the need to maintain a reserve to ensure there is adequate protection for customers against the prospect that some borrowers will experience loan repayment difficulties in the future. The balance of the general provision is carried in equity as an allocation from retained profits.

The Credit Union has transferred the amount of $536,219 to a lending risk reserve account as at 30 June 2018 (2017: $516,261). This reserve is calculated at the rate of 0.30% of risk weighted credit assets for the previous month prior to year end (2017: 0.30%).

Shareholder share redemption reserve
The general reserve includes amounts allocated for the purpose of a shareholder share redemption balance per Compliance Note 2001.084. The balance at 30 June 2018 of $330,566 (2017: $329,570) represents the amount of redeemable preference shares redeemed by the Credit Union since 1 July 1999. The law requires that the redemption of the shares be made out of profits. Since the value of the shares has been paid to members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriated to the account. The 2018 allocation amounts to $996 (2017: $1,061).

(p) Deposits

Basis for determination
Deposits at call and term investments 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.

(q) Financial instruments

Recognition & initial measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Credit Union becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

1. Significant accounting policies (cont'd)

(q) Financial instruments (cont'd)

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire.

The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Classification & subsequent measurement

(i) *Financial assets at fair value through profit & loss*
Financial assets are classified at fair value through the profit and loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

(ii) *Loans & receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(iii) *Held-to-maturity investments*
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Credit Union's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) *Available-for-sale financial assets*
Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) *Financial liabilities*
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Derivative instruments
Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the Statement of Profit or Loss and Other Comprehensive Income unless they are designated as hedges.

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

1. Significant accounting policies (cont'd)

(q) Financial instruments (cont'd)

Impairment
At each reporting date, the Credit Union assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Refer to note 1(d) and note 1(f) for future details with regards to impairment accounting policy.

(r) 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. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant and material. External valuers are selected based on market knowledge, experience and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Fair value measurement hierarchy
The company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: 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 the Financial Statements
For the year ended 30 June 2018 (cont'd)

1. Significant accounting policies (cont'd)

(s) New accounting standards and interpretations not yet mandatory

The following standards have been identified as ones which may impact the Credit Union in the period of initial application. They are available for early adoption, but have not been applied by the Credit Union in these financial statements.

AASB Reference	Nature of Change	Application Date	Impact on Initial Application
AASB 9 *Financial Instruments*	AASB 9 replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement.* AASB 9 includes revised guidance on the classification and measurement of financial instruments, as well as the general hedge accounting requirements. Furthermore, AASB 9 introduces a new 'expected' credit loss model for calculating impairment on financial assets. This moves away from the current 'incurred' loss model required under AASB 139. Under the expected credit loss model, the Credit Union will be required to consider a broader range of information when assessing credit risk and measuring expected credit losses including past experience, historical losses for similar financial instruments and forward-looking macroeconomic information.	Annual reporting periods beginning on or after 1 January 2018 (i.e. Credit Union's financial statements for year ended 30 June 2019).	The Credit Union has conducted an initial analysis on the impact of this standard, with the following a summary of the impact assessment: **Recognition and measurement – financial assets:** - All financial assets, with the exception of equity investments, will remain held at amortised cost under AASB 9. - Equity investments currently measured at amortised cost will be required to be measured at fair value under AASB 9. The Credit Union holds 3 equity investments, which is disclosed in Note 12. The fair value of these investments is currently being determined by the Credit Union, but the difference to the current carrying amount is not expected to be material to the overall investment level or net asset level of the Credit Union. **Recognition and measurement – financial liabilities:** - There will be no impact on the Credit Union's accounting for liabilities, as the new requirements only affect the accounting for financial liabilities that are designed at fair value through profit or loss and the Credit Union does not have any such liabilities. **Expected credit loss model – loan impairment provision:** The move to an expected credit loss model for impairment will impact the Credit Union with earlier recognition of expected credit losses. The main impact for the Credit Union will be the impairment provision raised against its loan portfolio due from members – refer Notes 10 and 11. The Credit Union has performed a detailed historical loss analysis for its loans/advances portfolio and identified minimal losses over the past 10 years. The most frequent losses have come from personal loans to customers. The low value of loss experienced in the past is reflective of the high quality of the loan book and risk appetite of the Credit Union. The personal loan category (secured by goods mortgage and unsecured) only makes up approximately 0.68% of the total loan portfolio of the Credit Union as at 30 June 2018. Based on the above, the Credit Union expects the impairment provision for loans to remain at an immaterial level under the new AASB 9 requirements. Management has developed an implementation project to fully quantify the impact of this standard during the 2019 financial year, to be ready for the 30 June 2019 financial statements prepared under AASB 9.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

1. Significant accounting policies (cont'd)

(s) New accounting standards and interpretations not yet mandatory (cont'd)

AASB Reference	Nature of Change	Application Date	Impact on Initial Application
AASB 15 *Revenue From Contracts With Customers*	AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces most of the existing standards and interpretations relating to revenue recognition including AASB 118 *Revenue*. The standard shifts the focus from the transaction level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to, while measurement encompasses estimation by the Credit Union of the amount expected to be entitled for performing under the contract.	Annual reporting periods beginning on or after 1 January 2019 (i.e. Credit Union's financial statements for year ended 30 June 2020), as the Credit Union is considered a not-for-profit entity for accounting purposes (refer to Note 1(a).	Based upon a preliminary assessment, AASB 15 is not expected to have a material impact upon the transactions and balances recognised when it is first adopted, as most of the Credit Union's revenue arises from the provision of financial services which are governed by AASB 9 Financial Instruments. AASB 9 continues the effective interest rate method for financial instruments carried at amortised cost. This is the method currently required under AASB 139. There are limited revenue transactions of the Credit Union that are impacted by AASB 15. To date, the Credit Union has identified the following revenue streams that may be impacted by AASB 15: - Insurance commission income (which is disclosed in Note 3(a) of the financial statements). Management has developed an implementation project to quantify the impact of this standard during the 2019 financial year, to enable further disclosure of the impact in the 30 June 2019 financial statements.
AASB 16 *Leases*	AASB 16 requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low-value asset leases. It also provides new guidance on the application of the definition of lease and on sale and lease back accounting and requires new and different disclosures about leases.	Annual reporting periods beginning on or after 1 January 2019 (i.e. Credit Union's financial statements for year ended 30 June 2020).	Based on the Credit Union's preliminary assessments, the likely impact on the transactions and balances recognised will be: - an increase in property, plant and equipment and a corresponding increase in financial liabilities; - the assets will be depreciated over the life of the leases; and - lease payments will be split between interest and principal reduction, rather than being included in operating expenses. Currently the Credit Union leases a number of properties. The quantitative impact of this standard has not yet been determined by the Credit Union. Note 19 discloses the current value of operating lease commitments which provide some insight into the potential financial impact once the standard is applicable. Management has developed an implementation project to quantify the impact of this standard during the 2019 financial year, to enable further disclosure of the impact in the 30 June 2019 financial statements.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

2. Interest revenue and interest expense

	2018 $	2017 $
Interest Revenue		
Loans and advances - customers	15,760,203	15,410,016
Investment securities	2,200,611	2,228,847
	17,960,814	17,638,863
Interest Expense		
Deposits - customers	(7,559,854)	(7,751,186)
Short-term borrowings	(3,554)	(9,346)
	(7,563,408)	(7,760,532)

3. Other revenue & other income

a) Non-Interest Revenue

	2018 $	2017 $
Dividends	64,131	99,545
Fees and Commissions		
• Loan fee income	413,117	384,935
• Other fee income	1,344,805	1,360,725
• Commissions	559,252	551,480
Rental received	179,804	174,038
Bad debts recovered	2,066	1,852
Other revenue	13,631	10,133
Total non-interest revenue	2,576,806	2,582,708

b) Other Income

	2018 $	2017 $
Gain on disposal of property, plant & equipment	-	-
Total other income	-	-

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

4. Other expenses

	2018 $	2017 $
Amortisation		
• Leasehold improvements	55,614	59,597
• Intangible assets – Computer software	162,971	173,786
Depreciation		
• Office furniture, Plant and equipment, Computer hardware and Motor vehicles	232,443	228,289
• Buildings	152,155	152,155
General and administration	3,549,655	3,186,987
Personnel costs		
• Wages and salaries	3,990,038	4,003,719
• Other associated personnel expenses	265,911	346,480
• Contributions to defined contribution superannuation plans	584,392	631,491
• Annual leave	314,014	361,686
• Long service leave	83,166	149,708
Rental on operating leases	267,450	265,849
Loss on disposal of property, plant & equipment	971	4,473
Impairment – NewCo	9,996	-
Total other expenses	9,668,776	9,564,220

5. Income tax

	2018 $	2017 $
Profit before tax	2,211,722	1,912,639
Prima facie income tax expense calculated at 27.5% on net profit (2017: 30%)	608,223	573,792
Increase/(Decrease) in income tax due to:		
Non-deductible expenses	1,916	2,741
Imputation credits	(19,927)	(29,863)
Under/(over) provision for income tax in prior year	(155)	3
Other differences in tax treatment	-	-
Change in tax rate for recognition of DTA / DTL	-	(48,881)
Income tax expense	590,057	497,792
Current tax expense	619,094	561,013
Deferred tax expense	(28,882)	(63,224)
Prior year adjustment	(155)	3
Income tax expense	590,057	497,792

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

6. Taxation balances

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**	**$**	**$**
Debtors	2,386	2,321	-	-	2,386	2,321
Prepayments	-	-	2,154	3,255	(2,154)	(3,255)
Investments	-	-	1,683	4,432	(1,683)	(4,432)
Property, Plant & Equipment, & Intangibles[1]	-	-	845,324	875,200	(845,324)	(875,200)
Accrued Expenses	35,274	45,012	-	-	35,274	45,012
Employee Benefits	302,700	297,870	-	-	302,700	297,870
	340,360	345,203	849,161	882,887	(508,801)	(537,684)

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

Income tax payable / (receivable)
The current tax payable for the Credit Union of $178,685 (2017: $152,922 refundable) represents the amount of income taxes receivable or payable in respect of current and prior periods.

	2018	**2017**
	$	**$**
Income tax payable / (receivable)	178,685	(152,922)
Movement in taxation provision		
Balance at beginning of year	(152,922)	(111,226)
Current year's income tax expense on profit before tax	619,094	561,013
Income tax paid	(287,333)	(602,712)
Prior year adjustment	(154)	3
Balance at end of year	178,685	(152,922)

7. Cash and cash equivalents

	2018	2017
Cash on hand and at bank	3,541,704	4,233,724
Deposits at call	3,500,000	3,000,000
Security deposits	8,370,000	8,370,000
Negotiable certificate of deposits	65,571,253	71,528,592
Floating rate note securities	12,000,000	12,000,000
	92,982,957	99,132,316
Remaining maturity analysis		
Not longer than 3 months	80,982,957	87,132,316
Longer than 3 and not longer than 12 months	-	-
Longer than 12 months and not longer than 5 years[2]	12,000,000	12,000,000
	92,982,957	99,132,316

(2) The Credit Union holds floating rate note securities that have a formal maturity beyond 12 months. While the Credit Union intends to hold these securities until maturity, they are held via the Austraclear system with the Reserve Bank of Australia and can be readily converted to cash.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

7. Cash and cash equivalents (cont'd)

	2018 $	2017 $
Credit rating of cash & cash equivalents[1]		
Cuscal Limited – rated A	24,218,267	27,018,258
Banks – rated AA- and above	12,012,068	12,053,407
Banks – rated below AA-	54,430,065	57,392,107
N/A – cash on hand	2,322,557	2,668,544
	92,982,957	99,132,316

(1) Credit ratings are based on recognised S&P long-term ratings.

8. Receivables due from other financial institutions

	2018 $	2017 $
Term deposits	8,000,000	2,000,000
	8,000,000	2,000,000
Remaining maturity analysis		
Not longer than 3 months	8,000,000	2,000,000
Longer than 3 and not longer than 12 months	-	-
Longer than 12 months and not longer than 5 years	-	-
	8,000,000	2,000,000
Credit rating of receivables due from other financial institutions[1]		
Banks – rated AA- and above	6,000,000	-
Banks – rated below AA-	2,000,000	2,000,000
	8,000,000	2,000,000

9. Other receivables

	2018 $	2017 $
Interest receivable	360,842	302,755
Other	90,008	95,897
	450,850	398,652

10. Loans and advances

	2018 $	2017 $
Overdrafts – customers	5,471,875	5,924,665
Term loans – customers	345,541,257	332,149,524
Gross loans and advances – customers	351,013,132	338,074,189
Provision for impairment	(8,675)	(8,440)
Net loans and advances	351,004,457	338,065,749
Maturity analysis		
Overdrafts	5,471,875	5,924,665
Not longer than 3 months	3,759,652	3,556,529
Longer than 3 and not longer than 12 months	10,852,240	10,210,478
Longer than 1 and not longer than 5 years	55,874,446	52,454,889
Longer than 5 years	275,054,919	265,927,628
	351,013,132	338,074,189

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

10. Loans and advances (cont'd)

	2018 $	2017 $
Security held against loans		
Secured by mortgage over residential property	326,263,769	313,388,782
Secured by mortgage over commercial property	21,019,533	20,854,522
Total loans secured by real estate	347,283,302	334,243,304
Secured by funds	1,348,015	1,687,614
Partly secured by goods mortgage	2,101,931	1,878,132
Fully unsecured	279,884	265,139
	351,013,132	338,074,189

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 real estate mortgage security on a portfolio basis is as follows:

	2018 $	2017 $
Loan to Value Ratio of 80% or less	284,841,733	271,748,834
Loan to Value Ratio of more than 80% but mortgage insured	41,422,036	41,639,948
Loan to Value Ratio of more than 80% not mortgage insured	-	-
	326,263,769	313,388,782

Concentration of risk

Significant individual exposures
The loan portfolio of the Credit Union does not include any loans or advances which represents 10% or more of capital.

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 and Southern New South Wales.

	2018 $	2017 $
The geographical segment details are below:		
- Victoria	248,555,070	240,033,871
- New South Wales	91,799,326	88,162,077
- Other	10,658,736	9,878,241
	351,013,132	338,074,189

11. Impairment of loans and advances

	2018 $	2017 $
Total provision comprises of:		
Collective provisions	8,675	8,440
Additional specific provisions	-	-
Total provision	8,675	8,440
Movement in the provision for impairment – collective provision		
Balance at beginning of year	8,440	2,333
Expensed during the year	2,810	7,748
Bad debts written off from provision	(2,575)	(1,641)
Balance at end of year	8,675	8,440

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

11. Impairment of loans and advances (cont'd)

	2018 $	2017 $
Movement in the provision for impairment – specific provision		
Balance at beginning of year	-	39,621
Expensed / (written back) during the year	-	(9,536)
Bad debts written off from provision	-	(30,085)
Balance at end of year	-	-
Impairment charge comprises of:		
Collective provision	2,810	7,748
Specific provision	-	(9,536)
Bad debts recognised directly to profit or loss	-	-
Total bad debts expense	2,810	(1,788)
Ageing analysis of loans and advances past due		
Loans and advances past due and not impaired		
Up to 30 days	3,455,697	2,180,726
More than 30 days, but less than 90 days	557,491	492,609
More than 90 days, but less than 180 days	-	-
More than 180 days, but less than 270 days	-	68,355
More than 270 days, but less than 365 days	-	-
More than 365 days	-	-
Over limit credit facilities less than 14 days	5,289	5,136
	4,018,477	2,746,826
Loans and advances past due and impaired		
Up to 30 days	-	-
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	9,126	2,687
More than 270 days, but less than 365 days	-	-
More than 365 days	2,482	-
Over limit credit facilities more than 14 days	1,482	17,743
	13,090	20,430
Security analysis of loans and advances past due		
Loans and advances past due and not impaired		
Secured by mortgage over real estate	4,003,669	2,712,496
Secured by funds	-	-
Partly secured by goods mortgage	3,103	29,194
Fully unsecured	11,705	5,136
	4,018,477	2,746,826
Loans and advances past due and impaired		
Secured by mortgage over real estate	-	-
Secured by funds	-	-
Partly secured by goods mortgage	11,608	2,687
Fully unsecured	1,482	17,743
	13,090	20,430

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

11. Impairment of loans and advances (cont'd)

Loans restructured
During the year, some loans that were previously past due or impaired, have been restructured by the Credit Union.

	2018 $	2017 $
Loans restructured during the financial year	-	1,498
Balance at the end of the financial year	-	546

As at the end of 30 June 2018, the Credit Union did not have any restructured loans (2017: $546).

Sale of asset acquired through enforcement of security
During the 2017 year, the Credit Union sold a residential property which as an acquired asset via enforcement of security carried out in the 2015 year.

	2018 $	2017 $
Opening balance of enforcement security	-	158,483
Real estate acquired through enforcement of security	-	-
Expenses	-	7,435
Proceeds from sale of property & insurance claim	-	(175,454)
Balance of loan written off	-	(30,085)
Specific provision for impairment written back	-	39,621
Balance at the end of the financial year	-	-

12. Other financial assets

	2018 $	2017 $
Unlisted shares – Shares in Cuscal Limited – at cost (a)	586,454	586,454
Other investments – Shares in TransAction Solutions Pty Ltd – at cost (b)	23,458	23,458
Other investments – at cost, less impairment	10,004	20,000
	619,916	629,912

(a) Cuscal Limited

The shareholding in Cuscal Limited is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the shareholder Authorised Deposit-taking Institutions and does not have an independent business focus. These shares are held to enable the Credit Union to receive essential banking services – refer to Note 21. The shares are not able to be traded and are not redeemable.

The financial statements of Cuscal Limited record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of Cuscal Limited, any fair value determination of these shares is likely to be greater than their cost value, but due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily and they are therefore carried at cost value.

The Credit Union is not intending to dispose of these shares.

(b) TransAction Solutions Pty Ltd

The shareholding in TransAction Solutions Pty Ltd is measured at cost as its fair value could not be measured reliably.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

12. Other financial assets (cont'd)

(b) TransAction Solutions Pty Ltd (cont'd)

This company was created to supply information technology services to like-minded business operators and shareholder Authorised Deposit-taking Institutions.

The Credit Union is not intending to dispose of these shares.

	2018 $	2017 $
13. Property, plant and equipment		
Land		
At fair value	1,488,800	1,488,800
	1,488,800	1,488,800
Buildings on freehold land		
At fair value	6,116,267	6,116,267
Accumulated depreciation	(304,310)	(152,155)
	5,811,957	5,964,112
Office furniture, plant and equipment, computer hardware and motor vehicles		
At cost	2,169,476	2,243,983
Accumulated depreciation	(1,633,644)	(1,583,884)
	535,832	660,099
Leasehold improvements		
At cost	497,515	497,515
Accumulated amortisation	(364,213)	(308,599)
	133,302	188,916
Carrying amount of total property, plant and equipment	7,969,891	8,301,927

Valuations

The freehold land and/or buildings at Beechworth, Chiltern, Corryong, Myrtleford, Lavington, Tallangatta, Wangaratta and Wodonga were independently valued in June 2016 by the independent firm Taylor Byrne Valuers & Property Consultants Albury NSW, Certified Practising Valuers, on the basis of and in accordance with Australian Accounting Standards AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant & Equipment*. These valuations were adopted by the Credit Union as at 30 June 2016.

The Credit Union has a set policy for regular valuation of freehold land and buildings at least once every three financial years. In the opinion of Directors, there have been no significant changes to fair value since the previous independent valuations or purchase date. Refer to Note 1(g) and Note 28 for further information on fair value measurement.

The next independent valuation is scheduled to be completed by 30 June 2019.

Notes to the Financial Statements for the year ended 30 June 2018 (cont'd)

13. Property, plant and equipment (cont'd)

b) Reconciliations

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

	Land	Buildings	Plant and equipment	Leasehold improvements	Total
	$	$	$	$	$
Balance at 1 July 2016	1,488,800	6,116,267	811,484	248,513	8,665,064
Additions	-	-	132,279	-	132,279
Revaluations	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	-	-	(55,374)	-	(55,374)
Depreciation	-	(152,155)	(228,290)	-	(380,445)
Amortisation	-	-	-	(59,597)	(59,597)
Balance at 30 June 2017	1,488,800	5,964,112	660,099	188,916	8,301,927
Balance at 1 July 2017	1,488,800	5,964,112	660,099	188,916	8,301,927
Additions	-	-	116,945	-	116,945
Revaluations	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	-	-	(8,769)	-	(8,769)
Depreciation	-	(152,155)	(232,443)	-	(384,598)
Amortisation	-	-	-	(55,614)	(55,614)
Balance at 30 June 2018	1,488,800	5,811,957	535,832	133,302	7,969,891

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

14. Intangible assets

	2018 $	2017 $
At cost – computer software	1,348,082	1,184,021
Accumulated amortisation	(1,062,765)	(899,794)
	285,317	284,227

Reconciliations

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

Computer software & licences

	2018 $	2017 $
Balance at beginning of the year	284,227	351,304
Acquisitions	164,061	126,378
Disposals	-	(19,669)
Amortisation	(162,971)	(173,786)
Balance at end of the year	285,317	284,227

15. Customer deposits

	2018 $	2017 $
Deposits at call	208,750,337	191,344,092
Term deposits	217,806,520	225,232,797
	426,556,857	416,576,889
Remaining maturity analysis		
At call	208,750,337	191,344,092
Not longer than 3 months	31,581,221	35,017,831
Longer than 3 and not longer than 12 months	173,702,214	153,099,315
Longer than 1 and not longer than 5 years	12,523,085	37,115,651
	426,556,857	416,576,889

Concentration of deposits

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

The geographical segment details are below:

	2018 $	2017 $
- Victoria	298,740,657	286,831,728
- New South Wales	117,836,045	119,841,741
- Other	9,980,155	9,903,420
	426,556,857	416,576,889

Significant individual customer deposits
As at 30 June 2018, the Credit Union's deposit portfolio did not have any deposit which represented 5% or more of total liabilities (2017: $nil).

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

16. Accounts payable and other liabilities

	2018 $	2017 $
Accrued interest payable	1,937,573	1,942,176
Sundry creditors, accruals and customer clearing accounts	1,028,624	430,990
	2,966,197	2,373,166

17. Employee benefits

	2018 $	2017 $
Current		
Salaries and wages accrued	53,125	54,355
Liability for long service leave	571,958	547,907
Liability for annual leave	398,657	387,382
	1,023,740	989,644
Non-current		
Liability for long service leave	130,114	147,875
	1,153,854	1,137,519
Movements in long service leave provision		
Opening balance at beginning of year	695,782	688,386
Expensed during the year	83,166	149,708
Long service leave taken	(76,876)	(142,312)
Balance at end of year	702,072	695,782
Movements in annual leave provision		
Opening balance at beginning of year	387,382	422,176
Expensed during the year	314,014	361,686
Annual leave taken	(302,739)	(396,480)
Balance at end of year	398,657	387,382

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

	2018 $	2017 $
18. Reconciliation of cash flows from operating activities		
(a) Cash flow from operating activities		
Profit after income tax	1,621,665	1,414,847
Non cash flows in operating surplus/(deficit):		
Impairment of other financial assets	9,996	-
Loss on sale of non current assets	971	4,473
Depreciation on property, plant & equipment	384,597	380,445
Amortisation on leasehold improvements	55,613	59,597
Amortisation on intangible assets	162,971	173,786
Impairment charge / (reversal)	2,810	(1,789)
Provision for employee entitlements	17,565	(27,398)
Changes in assets and liabilities:		
(Increase)/Decrease in other receivables	(52,198)	180,075
(Increase)/Decrease in deferred tax asset	4,843	43,123
Increase/(Decrease) in other assets	(13,118)	10,385
Increase/(Decrease) in accounts payable & other liabilities	593,031	(899,491)
Increase/(Decrease) in salaries & wages accrued	(1,229)	18,012
Increase/(Decrease) in income tax payable	331,607	(41,696)
Increase/(Decrease) in deferred tax liability	(33,727)	(106,348)
Net cash from revenue activities	3,085,397	1,208,021
Add/(deduct) non revenue operations		
Increase in loan and advances	(12,941,518)	(20,387,159)
Increase in deposits and short term borrowings	9,979,968	27,127,777
	123,847	7,948,639

(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) customer deposits to and withdrawals from deposit accounts and short term borrowings;
(ii) borrowings and repayments on loans, advances and other receivables; and
(iii) movements in investment securities.

(c) Bank overdraft facility

The Credit Union has access to an overdraft facility provided by Cuscal Limited to the extent of $2,500,000 (2017: $2,500,000) and incurs an interest rate of 4.50% (2017: 4.50%).This overdraft facility is secured by a Cash Deposit. As at 30 June 2018, this facility was unused (2017: facility was unused).

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

19. Operating leases and commitments

	2018 $	2017 $
Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date but not provided for (payable not later than one year):		
Property, plant & equipment	-	-
Intangibles	4,690	88,484
	4,690	88,484

Expenditure commitments are stated inclusive of Goods and Services Tax.

	2018 $	2017 $
Operating leases payable (non-cancellable)		
Not later than one year	217,245	241,793
Later than 1 and not later than 5 years	363,024	570,280
Later than 5 years	-	-
Aggregate lease expenditure contracted for at balance date	580,269	812,073
Aggregate lease receivable (non-cancellable)		
Not later than one year	178,929	178,929
Later than 1 and not later than 5 years	765,093	14,832
Aggregate lease expenditure contracted for at balance date	944,022	193,761

The Credit Union receives rental income from tenants who lease a portion of the land and buildings owned at Beechworth and Northpoint Tower, Lavington.

Revenue commitments are stated inclusive of Goods and Services Tax.

20. Superannuation

During the year the Credit Union contributed on behalf of its employees to 40 superannuation funds under the Super Choice legislation.

Under the Superannuation Guarantee (Administration) Act 1995 the Credit Union is required to provide minimum levels of superannuation support for employees. This obligation is legally enforceable. In accordance with the Act, employees received 9.50% (2017: 9.50%) paid directly to the above schemes.

The funds are defined contribution funds where benefits are based on the amount of contributions made to the fund plus an allocated share of the earnings of the fund.

21. Outsourcing arrangements

The Credit Union has an outsourcing arrangement with Cuscal Limited (and with National Australia Bank through a strategic partnership with Cuscal Limited) for the provision of corporate banking services and facilities, settlement services with bankers for customer cheques and access to the direct entry system.

The Credit Union has an outsourcing arrangement with Cuscal Limited for the provision of network transactions for automatic teller facilities and the provision of debit cards and personal identification numbers.

The Credit Union has an outsourcing arrangement with Bob Travers & Associates for the provision of Internal Audit services.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

21. Outsourcing arrangements (cont'd)

The Credit Union has an outsourcing arrangement with TransAction Solutions Pty Ltd for the provision of computer data processing services and Cuscal Limited for computer software services, rights to Visa cards and the provision of central banking facilities.

The Credit Union has an economic dependency on Ultradata Australia for the provision of supply and maintenance of the core banking software utilised by the Credit Union.

22. Contingent liabilities and credit commitments

In the normal course of business the Credit Union enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of customers. The total credit related commitments and the financial guarantees do not necessarily represent future cash requirements. The Credit Union uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-Statement-of-Financial-Position risks as it does for on-Statement-of-Financial-Position loan assets.

Credit commitments and contingent liabilities existing as at 30 June 2018 are exclusive of Goods and Services Tax.

	2018 $	2017 $
Credit related commitments		
Approved but undrawn loans, credit limits & loan redraw facilities	57,649,537	56,611,691
Security analysis of credit-related commitments		
Secured by mortgage over real estate	56,623,071	55,650,294
Secured by funds	232,624	230,172
Partly secured by goods mortgage	446,943	477,844
Fully unsecured	346,899	253,381
	57,649,537	56,611,691
Financial guarantees		
Guarantees	900,495	763,262
Security analysis of financial guarantees		
Secured by mortgage over real estate	853,970	731,381
Secured by funds	28,256	21,381
Partly secured by goods mortgage	-	-
Fully unsecured	18,269	10,500
	900,495	763,262

Other contingent liabilities

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

As a member of CUFSS, the Credit Union:

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

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

23. Auditors' remuneration

	2018 $	2017 $
Amounts received or due and receivable by the External Auditor of WAW Credit Union (including GST) for:		
Audit of the financial statements of the Credit Union	67,243	66,110
Other regulatory assurance services	17,677	17,380
Other services - taxation	6,930	11,275
Other services	9,130	660
	100,980	95,425

The above amounts exclude out of pocket expenses recovered.

24. Concentration of assets and liabilities

The Credit Union has cash and cash equivalents exposures in excess of 10% of shareholders equity in regards to a number of investment institutions. At 30 June 2018, these holdings are in accordance with the requirements of APS 221 *Large Exposures*.

One of the entities is Cuscal Limited. This net investment at 30 June 2018 totals $24,804,722 (2017: $27,604,712), representing shares of $586,454 (2017: $586,454) and cash and investments of $24,218,268 (2017: $27,018,258).

Other cash investments in excess of 10% of shareholders equity were also placed in APRA regulated deposit taking institutions at balance date and are as follows:

Bank Australia	8,052,966	2,983,709
Commonwealth Bank of Australia (BankWest)	8,000,000	2,000,000
ME Bank	2,784,169	10,246,263
P & N Bank	7,754,463	9,947,149
National Australia Bank	4,012,068	4,053,407
MyState Bank	18,340,329	21,085,917
Defence Bank	3,975,912	3,680,041
Qbank	8,548,754	4,475,563
Qudos Bank	2,985,822	4,973,465
Westpac Bank	4,000,000	4,000,000

Concentration of loans and advances and customer deposits are detailed in Notes 10 and 15 respectively.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

25. 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

C A Judd	Chair of the Board of Directors
D J Iverson	Strategy Committee Chair
M P Dixen	Risk Management Committee Chair
J H Guest	Appointed 29 November 2017 – Audit Committee Chair
F A Shanks	Appointed 29 November 2017
R V Anderson	Appointed 27 April 2018
T S Frazer	Retired 4 December 2017
B A Munk	Retired 29 November 2017
R A Power	Retired 29 November 2017

Executives

M A Mack	Chief Executive Officer / Company Secretary
R P Kearney	Regulatory Services Manager
G A Hutchinson	Treasury Manager
J J Kotzur	Finance Manager
P J Gavin	Loans Manager

Transactions with key management personnel

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

Key management personnel compensation

The key management personnel compensation included in "personnel expenses" (see Note 4) are as follows:

	2018 $	2017 $
Short-term employee benefits	863,891	1,039,338
Other long term benefits	11,558	57,607
Post employment benefits	144,038	172,115
	1,019,487	1,269,060

The above excludes out of pocket reimbursements.

All remuneration to Directors was approved by shareholders at the previous Annual General Meeting of the Credit Union held on 29 November 2017.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

25. Key management personnel (cont'd)

Loans to key management personnel and other related parties

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

	2018 $	2017 $
Loans to key management personnel and other related parties	404,138	444,098

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 standard concessional loan rate facility is available to all staff including non director key management personnel. There were no concessional loan rate facilities funded during 2018 (2017: one) to non director key management personnel.

Loans (including redraws and overdrafts) totalling $54,484 (2017: $224,237) were made to key management personnel and other related parties during the year including redraws utilised. Overdraft facilities to key management personnel amounting to $6,009 (2017: $19,586) were outstanding as at 30 June 2018.

During the year, repayments of $125,577 (2017: $237,378) of the balance outstanding on key management personnel and other related parties loans were made.

For all loans to key management personnel and their related parties, interest is payable at prevailing market rates, currently 4.93% for SVR and 3.25% for staff concessional rates at balance date (2017: 4.93% and 3.25% respectively). The principal amounts are repayable on a monthly basis in line with contracted terms. Interest is payable monthly. All loans are secured by registered first mortgage over the borrower's residences.

Interest received on the loans to key management personnel and other related parties totalled $17,557 (2017: $22,309). 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 2018 (2017: Nil) nor were any other loans advanced during the period.

Deposits from key management personnel and other related parties

	2018 $	2017 $
Total value term and savings deposits from key management personnel and other related parties	712,569	1,736,779
Total interest paid on deposits to key management personnel and other related parties	29,156	38,401

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 customers for each type of deposit.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

25. Key management personnel (cont'd)

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 customers.

A number of key management persons 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.

A number of these entities transacted with the Credit Union in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

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 approved 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 of Directors to the Risk Management Committee 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 identifying, monitoring, managing, mitigating and reporting those risks. The Board has a developed Risk Appetite framework that provides the facilitation of the Risk Profile of the Credit Union.

Risk Management Committee: This is the key body in the control of risk within the Credit Union. It consists of representatives from the Board of Directors. The Risk Management Committee does not form a view of acceptability of risks but instead reviews risks and controls that are used to mitigate those risks.

Audit Committee: This is the key body to oversee and control the management and presentation of financial information of the Credit Union. It consists of representatives from the Board of Directors. The Audit Committee also facilitates the External and Internal Auditor arrangements.

Strategy Committee: This is the key body in the control of the strategic and operational planning within the Credit Union. It consists of representatives from the Board of Directors and Management.

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

Credit Risk Committee: This is the key body in the control of credit risks within the Credit Union. It monitors operations, policy and activity, including exposure limits as determined by the Board. It consists of representatives from the Board of Directors and Management.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

26. Risk management objectives and policies (cont'd)

Market risk: ALCO is charged with the responsibility for monitoring, managing and reporting the interest rate risk exposures, and ensuring that the cash flow management and financial management adhere to exposure limits as outlined in the policies for interest rate management.

Chief Risk Officer: This role has responsibility for overseeing the risk management framework and function within the Credit Union. The Chief Risk Officer reports directly to the Chief Executive Officer; attends the Board of Directors, Audit Committee and Risk Management Committee meetings; and has access to the Board of Directors.

Internal audit: Internal audit has responsibility for implementing the controls testing and assessment in line with the Audit & Risk Management Policy Manual.

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

- Capital Management;
- Audit and Related Arrangements;
- Market (Interest Rate) Risk;
- Liquidity Management;
- Credit Risk Management;
- Operational Risk Management including Data Risk Management;
- Human Resource Management;
- Outsourcing Arrangements;
- Anti Money Laundering and Counter Terrorism Finance;
- Fraud;
- Disaster Recovery (Business Continuity);
- Fit & Proper;
- Board of Directors and Governance;
- Business Continuity Management; and
- Risk Management.

(a) Market risk and hedging policy

The Credit Union has undertaken the following strategies to minimise its financial risks.

The objective of the Credit Union's market risk management is to monitor, manage, control, identify and report market risk exposures in order to optimise the balance between risk and return.

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

The management of market risk is the responsibility of ALCO which reports directly to the Board monthly.

i) Interest Rate Risk

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

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

26. Risk management objectives and policies (cont'd)

(a) Market risk and hedging policy (cont'd)

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

Interest rate risk in the banking book

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

The interest rate risk on the banking book is monitored and managed daily, reported to the ALCO weekly and reported to the Board by ALCO.

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 fluctuations in the market interest rate.

The level of mismatch on the banking book is set out in Note 27 below. Note 27 displays the period over which each asset or liability will reprice. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

Method of managing risk

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

Interest rate sensitivity

The Credit Union maintains a balanced 'on book' strategy by ensuring that the net interest gap between assets and liabilities is not excessive. The gap is measured quarterly to identify, manage the interest rate movements and the maturity profile to undertake actions through targeted fixed rate interest settings within assets and liabilities to remedy the imbalance to within acceptable levels.

Based on the calculations at 30 June 2018 and 30 June 2017, the net profit impact for a 2.00% increase in interest rates would be $1,560,637 increase in profit (2017: $1,098,838) at 2.00% interest rate movement). A decrease of 2.00% in interest rates would have an equal but opposite effect.

The Credit Union performs a sensitivity analysis to monitor and measure market risk exposures on quarterly basis using a variety of assumptions.

(b) Liquidity and funding risk

Liquidity and funding risk is the risk that the Credit Union may encounter difficulties raising funds to meet commitments associated with financial instruments, eg borrowing repayments or customers' withdrawal demands. It is the policy of the Board that the Credit Union maintains adequate liquidity and funding arrangements along with committed credit facilities to meet the cash flow needs of customers for withdrawal demands and borrowings as and when required.

The Credit Union is required to adopt prudent practices in managing its liquidity risks and to maintain an adequate level of liquidity to meet its obligations as they fall due across a wide range of operating circumstances.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

26. Risk management objectives and policies (cont'd)

(b) Liquidity and funding risk (cont'd)

The Credit Union is required to have a liquidity risk management system incorporating the establishment of a liquidity risk management framework, the management of liquidity risk, the annual funding strategy and a contingency funding plan.

The Credit Union manages its liquidity and funding risk by:

- Continuously monitoring actual and forecast short and long term daily cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Identifying and monitoring Australian domestic and global cash flow movements and market sentiment;
- Identifying and monitoring the macro economic trends along with the general banking cash flow trends;
- Maintaining an adequate funding structure and approach that reflects the size, business mix and operational complexity;
- Monitoring and managing the prudential liquidity ratio daily and forecast future liquidity requirements; and
- Maintaining a liquidity portfolio of high quality liquid assets sufficient in size that reflects the Credit Union's size, business mix and operational complexity that enables the Credit Union to withstand a severe liquidity stress event.

The Credit Union has a contractual arrangement with the Credit Union Financial Support System (CUFSS) which can access committed CUFSS-facilitated industry funds to provide emergency liquidity support for the Credit Union in times of need.

The Credit Union is required under the APRA prudential standards to maintain as a minimum 9% of total liabilities as liquid assets capable of being converted to cash within 48 hours. The Credit Union aims to maintain a required minimum liquidity level of at least 13% to meet adequate operational cash flow requirements. The liquidity ratio is monitored daily and measured against cash flow requirements now and into the future. Should the liquidity ratio breach the minimum level of 13%, ALCO is to take actions to ensure that the required liquidity funds are obtained from new deposits or credit facilities. (Note 18 outlines the borrowing facilities as at the balance date. These facilities are in addition to the support from CUFSS.)

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

The liquidity ratio as at the end of the financial year over the past six years was:

	2013	2014	2015	2016	2017	2018
Minimum Liquidity Holdings*	-	13.89%	15.16%	20.18%	20.36%	20.14%
High Quality Liquid Assets*	14.18%	-	-	-	-	-
Operational Liquid Assets	4.88%	5.32%	5.74%	1.63%	0.46%	1.74%
Total	19.06%	19.21%	20.90%	21.81%	20.82%	21.88%

*APRA released a new Liquidity prudential standard, effective 1st January 2014, which changed the disclosure from high quality liquid assets to minimum liquidity holdings.

(c) Credit risk

Credit risk is the risk that customers, 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.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

26. Risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

CREDIT RISK - LOANS & ADVANCES:

All loans and facilities are within Australia. The geographic distribution is monitored and analysed. Concentrations are described in Note 10.

The Credit Union assess applicants against the following credit risk policy requirements of capacity, commitment, collateral, character and intent to repay the loan or facility.

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;
- The ongoing reassessment and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Where appropriate debt recovery procedures; and
- Ongoing monitoring and where appropriate remedial action in the compliance with credit risk policies.

A regular review of compliance with the credit risk and associated policies and procedures is conducted as part of the internal audit program and the outcomes are reported to the Audit Committee, the Risk Management Committee and the Credit Risk Committee.

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. Once the past due exceeds 90 days the loan is regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

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.

The estimated recoverable amount of that impaired loan or facility is determined based on the net present value of future anticipated cash flows and the net loss is recognised in the financial statements. In estimating the financial position, management makes judgements about counterparty's financial situation and the net realisable value of any underlying collateral. Where deemed appropriate external experts may be required to verify such value.

A provision for incurred losses is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered. Specific loans and facilities are provided for depending on a number of factors including the net realisable value of the asset, environmental factors, changes in a counterparty's industry, technological developments, and identified structural weaknesses or deterioration in cash flows.

Details are set out in Note 11.

Bad Debts

For unsecured loans and facilities, amounts are written off when collection of the loan or facility is considered to be remote. All write offs are identified and actioned on a case by case basis.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

26. Risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

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

Collateral secured loans

The loan portfolio primarily is secured by residential property in Australia. Therefore, the Credit Union is exposed to risks in the reduction of the Loan to Value Ratio (LVR) cover should the property market be subject to a substantial negative change.

The risk of losses from the loans undertaken is reduced by the diverse nature, geographic spread and quality of the security taken.

The Credit Union maintains a policy to attract residential mortgages which carry an 80% loan to valuation ratio or less. Where a residential mortgage has a loan to valuation ratio of greater than 80%, then Mortgage Insurance is required. Note 10 outlines the nature and extent of the security held against the loans and facilities held as at balance date.

Concentration risk – loans

Concentration risk is a measurement of the Credit Union's exposure to an individual borrower, industry or geographical areas.

The Credit Union has in place a large exposure policy limit of 10% of 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 it considers the aggregate large exposures of 10% of capital or more is deemed to be higher than prudentially acceptable. As at 30 June 2018 the Credit Union had no large exposures of 10% of capital or more.

The aggregate value of large exposure loans are set out in note 10. The Credit Union holds no significant concentration risk amongst its members. Concentration exposures to individuals or groups of related parties are closely identified, monitored and managed; and an annual review will be prepared for any exposure over 5 per cent of capital.

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. This usually occurs when debtors fail to settle their obligations owing to the Credit Union.

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 note AGN 112. The credit quality assessment scale within this standard has been complied with.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

26. Risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

Given the high quality of these investments, the Credit Union does not expect any counterparty to fail to meet its obligations. The exposure values associated with each credit quality investment body are detailed in Notes 7 and 24.

The Credit Union has in place repurchase arrangements with the Reserve Bank of Australia for the conversion of a qualifying investment to cash should the need arise.

Under the liquidity support scheme with CUFSS, 3.0% of the assets must be available for the provision of emergency liquidity support.

(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 then credit, market and liquidity risks. Operational risks in the Credit Union relate mainly to those risks arising from a number of sources including legal compliance, business continuity, information technology, outsourced service failures, fraud, and employee errors.

CAPITAL MANAGEMENT:

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

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

The market risk component is not required as the Credit Union is not engaged in a trading book for financial instruments.

The Credit Union reports to APRA under Basel III capital requirements effective from 1 January 2013, and as amended effective 1 January 2016. The Credit Union uses the standardised approach for credit risk and operational risk. Prior to 1 January 2013, the Credit Union reported to APRA under the prudential requirements referred to as Basel II.

The Credit Union's capital contains Common Equity Tier 1 Capital, Tier 1 Capital and Tier 2 Capital in accordance with APRA requirements. For WAW Credit Union, Common Equity Tier 1 Capital contains current year earnings, property revaluation reserve and general reserves less adjustments for software technology purchases and equity exposures with associated financial institutions or companies. WAW Credit Union currently holds no other Tier 1 Capital Instruments. WAW Credit Union Tier 2 Capital contains General Reserve for Credit Losses.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

26. Risk management objectives and policies (cont'd)

(d) Operational risk (cont'd)

Capital Adequacy Ratio calculation

	2018 $	2017 $
Common Equity Tier 1 Capital		
Retained earnings	1,571,704	1,384,844
Capital profits reserve	26,397,637	24,982,790
Asset revaluation reserve – excluding deferred tax impact	2,181,046	2,181,046
	30,150,387	28,548,680
Less prescribed deductions	(905,233)	(914,138)
Net tier 1 capital	29,245,154	27,634,542
Tier 2 Capital		
General reserve for credit losses	536,219	516,261
	536,219	516,261
Less: prescribed deductions	-	-
Net tier 2 capital	536,219	516,261
Total capital	29,781,373	28,150,803
Risk profile		
Credit risk	178,367,365	171,448,307
Operational risk	25,998,369	25,028,361
Total risk weighted assets	204,365,734	196,476,668
Capital adequacy ratio	14.57%	14.33%

The Credit Union is required to maintain a minimum capital level of 8% (Common Equity Tier 1 Capital of 4.5% with Total Tier 1 Capital of 6% and Total Capital of 8%) or an APRA advised Prudential Capital Requirement (PCR), whichever is higher, as compared to the risk weighted assets at any given time.

The risk weightings attached to each asset class are based on the weights prescribed by APRA in its guidance AGN 112-1, as amended from time to time. The risk weighted assets processes are set by APRA as part of the Basel III prudential framework. It is recognised that 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.

The Capital Adequacy Ratio as at the end of financial year over the past 6 years is as follows:

2013[1]	2014[2]	2015[2]	2016[2]	2017[2]	2018[2]
14.37%	14.06%	13.91%	14.34%	14.33%	14.57%

Footnote:
1. Basel II Prudential Capital Framework applied.
2. Basel III Prudential Capital Framework applied.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

26. Risk management objectives and policies (cont'd)

(d) Operational risk (cont'd)

To manage the Credit Union's capital, the Credit Union reviews the ratio monthly and monitors major movements in the asset levels and capital values. Policies have been implemented to require reporting to the Board and the regulator if the capital ratio is likely to fall below a trigger level. Further a 5 year capital budget projection of the capital levels is maintained and updated on a biannual basis to allow for the measurement and analysis of strategic decisions and/or trends.

Operational risk capital charge

The Credit Union uses the Standardised approach which is considered to be most suitable for its business given the nature of its transaction activities. The operational risk capital charge is calculated by mapping the Credit Union's three year average net interest income and net non interest income to the Credit Union's various business lines.

Based on this approach, the Credit Union's operational risk capital charge requirement at 30 June 2018 is $25,998,369 (2017: $25,028,361).

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

Internal capital adequacy assessment process

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

Further, a 5 year capital budget projection of the capital levels is maintained and updated on a biannual basis to allow for strategic decisions and/or trends to be addressed.

Notes to the Financial Statements
For the year ended 30 June 2018 (cont'd)

27. Financial instruments

(a) Terms, conditions and accounting policies

The Credit Union's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Note	Accounting Policies	Terms and Conditions
Financial assets			
Customer loans and advances	10	Loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month. Loans and advances are recorded at their recoverable amount. For further details on the classification of loans refer to note 1.	All housing loans are secured by registered mortgages. Other loans are assessed on an individual basis. Details of maturity terms are set out in Note 10.
Cash and cash equivalents	7	Cash and cash equivalents are stated at the lower of cost and net realisable value. Interest revenue is recognised when earned.	Details of maturity terms are set out in Note 7.
Other financial assets	12	Other financial assets are carried at the lower of cost or recoverable amount. Restrictions apply to the repayment of deposits held by Cuscal Ltd and for other regulatory purposes.	N/A
Financial liabilities			
Customer deposits	15	Deposits are recorded at the principal amount. Interest is calculated on the daily balance outstanding or the minimum monthly balance.	Details of maturity terms are set out in note 15.
Accounts payable and other liabilities	16	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Credit Union.	Trade liabilities are normally settled on 30-day terms.

Notes to the financial statements for the year ended 30 June 2018 (cont'd)

27. Financial instruments (cont'd)

(b) Interest rate risk

The Credit Union's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities recognised at the balance date are as follows. The time bandings reflect the earlier of the next contractual repricing date or the maturity date of the asset or liability.

Financial instruments	Floating interest rate		Fixed interest rate repricing in: 1 year or less		Over 1 to 5 years		More than 5 years		Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 %	2017 %
Financial assets:														
Cash and cash equivalents	1,219	4,565	89,441	91,898	-	-	-	-	2,323	2,669	92,983	99,132	2.18	2.34
Receivables from other financial institutions	-	-	8,000	2,000	-	-	-	-	-	-	8,000	2,000	3.28	2.84
Other receivables	-	-	-	-	-	-	-	-	451	399	451	399	N/A	N/A
Customer loans and advances (gross)	259,164	235,507	50,933	26,928	40,253	74,884	663	755	-	-	351,013	338,074	4.57	4.85
Other financial assets	-	-	-	-	-	-	-	-	620	630	620	630	N/A	N/A
Total financial assets	260,383	240,072	148,374	120,826	40,253	74,884	663	755	3,394	3,698	453,067	440,235	N/A	N/A
Financial liabilities:														
Customer deposits	208,732	191,324	205,283	188,117	12,523	37,116	-	-	19	20	426,557	416,577	1.79	1.93
Accounts payable and other liabilities	-	-	-	-	-	-	-	-	2,966	2,373	2,966	2,373	N/A	N/A
Total financial liabilities	208,732	191,324	205,283	188,117	12,523	37,116	-	-	2,985	2,393	429,523	418,950	N/A	N/A

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

Notes to the Financial Statements for the year ended 30 June 2018 (cont'd)

27. Financial instruments (cont'd)

(c) 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 outstanding 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 per Statement of Financial Position	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Financial assets:														
Cash and cash equivalents	79,097	84,882	-	-	12,091	12,083	-	-	2,323	2,669	93,511	99,634	92,983	99,132
Receivables from other financial institutions	8,068	2,004	-	-	-	-	-	-	-	-	8,068	2,004	8,000	2,000
Other receivables (ex accrued interest)	-	-	-	-	-	-	-	-	90	96	90	96	90	96
Customer loans and advances	13,228	13,413	22,435	21,611	111,177	107,053	389,367	378,046	-	-	536,207	520,123	351,013	338,074
Other financial assets	-	-	-	-	-	-	-	-	620	630	620	630	620	630
Total financial assets	100,393	100,299	22,435	21,611	123,268	119,136	389,367	378,046	3,033	3,395	638,496	622,487	452,067	439,932
Financial liabilities:														
Customer deposits	241,835	227,689	176,240	156,008	12,524	37,120	-	-	19	19	430,618	420,836	426,557	416,577
Accounts payable and other liabilities (ex accrued interest)	-	-	-	-	-	-	-	-	1,029	431	1,029	431	1,029	431
Total financial liabilities	241,835	227,689	176,240	156,008	12,524	37,120	-	-	1,048	450	431,647	421,267	427,586	417,008

Notes to the financial statements
For the year ended 30 June 2018 (cont'd)

27. Financial instruments (cont'd)

(d) Financial instruments fair value

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:

Cash and liquid assets due from other financial institutions:
The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 12 months approximates their fair value as they are short term in nature or are receivable on demand. The floating rate note securities are considered short term in nature as the interest rate is repriced every 90 days.

Customer loans 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 values 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 discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Customer deposits:
The fair value of call and variable rate deposits and fixed rate deposits repricing within 60 months is the amount shown in the Statement of Financial Position. The maximum term for fixed term deposits accepted by the Credit Union is 5 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 is required.

Accounts payable and other liabilities:
The carrying amount approximates fair value as they are short term in nature.

Notes to the financial statements
For the year ended 30 June 2018 (cont'd)

27. Financial instruments (cont'd)

(e) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	2018 $	2017 $
Financial assets		
Loans and receivables – carried at amortised cost		
Cash and cash equivalents	92,982,957	99,132,316
Other receivables	450,850	398,652
Customer loans and advances (gross)	351,013,132	338,074,189
	444,446,939	437,605,157
Held-to-maturity investments – carried at amortised cost		
Receivables due from other financial institutions	8,000,000	2,000,000
	8,000,000	2,000,000
Available for sale investments – carried at cost		
Other financial assets	619,916	629,912
	619,916	629,912
Total financial assets	453,066,855	440,235,069
Financial liabilities		
Carried at amortised cost		
Accounts payable and other liabilities	2,966,197	2,373,166
Customer deposits	426,556,857	416,576,889
Total financial liabilities	429,523,054	418,950,055

28. Fair value measurement

Fair value hierarchy
The following table highlights the Credit Union's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets of 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;
Level 3: Unobservable inputs for the asset or liability.

2018 **Assets measured at fair value**	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings	-	7,300,757	-	7,300,757
Total assets	-	7,300,757	-	7,300,757

2017 **Assets measured at fair value**	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings	-	7,452,912	-	7,452,912
Total assets	-	7,452,912	-	7,452,912

Notes to the financial statements
For the year ended 30 June 2018 (cont'd)

28. Fair value measurement (cont'd)

The Credit Union has assessed that, at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Notes 13 and 27(d).

Valuation techniques for fair value measurements categorised with level 2
Land and buildings, including investment properties, have been valued based on similar assets, location and market conditions.

29. WAW Community Trust

The WAW Community Trust is a separate entity created by WAW Credit Union. The Trust was established solely for the purpose of providing money, property or benefits to or for eligible charitable entities in our community.

The Trustee of the Trust is WAW Community Fund Ltd.
The Directors of the Trustee are current or former key management personnel of the Credit Union, and as at 30 June 2018 were:
Michael Mack
Richard Power
Jennie Kotzur

The trustee or its Directors do not receive remuneration from the Trust or any other related party in relation to their appointment. WAW Credit Union Co-operative Limited is the administrator of the Trust and receives no remuneration for this role. WAW Community Trust prepares an annual financial report and has appointed an independent registered auditor.

The Trust has not been consolidated due to materiality considerations following an assessment of transactional activity and balances held.

30. Subsequent events

There are no issues or events that in the opinion of the Directors will significantly impact on the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union in subsequent financial years.

31. Corporate information

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

The Head Office of the business and the registered office is 11 Stanley Street, Wodonga, Victoria.

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

Directors' declaration

In the opinion of the Directors of WAW Credit Union Co-operative Limited (the Credit Union):-

1. the financial statements and notes, set out on pages 6 to 52, 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 2018 and of its performance for the year ended on that date; and

   (b) complying with the Accounting Standards and 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.

Dated at Wodonga this 25th day of September 2018.

Signed in accordance with a resolution of the Directors:

Carol A Judd - Director
Chair, Board of Directors

Julie H Guest - Director
Chair, Audit Committee

Crowe Horwath Albury
ABN 16 673 023 918
Member Crowe Horwath International

Audit and Assurance Services
491 Smollett Street
Albury NSW 2640 Australia
PO Box 500
Albury NSW 2640 Australia

Tel 02 6021 1111
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WAW Credit Union Co-Operative Ltd

Independent Auditor's Report to the Shareholders of WAW Credit Union Co-Operative Ltd

Opinion

We have audited the financial report of WAW Credit Union Co-Operative Ltd (the Credit Union), which comprises the statement of financial position as at 30 June 2018, 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 WAW Credit Union Co-Operative Ltd 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 2018 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information contained in the Credit Union's Annual Report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

CROWE HORWATH ALBURY

BRADLEY D BOHUN
Partner

25 September 2018
Wodonga

Customer Service Centre Locations

Albury
500 Dean Street
Phone: (02) 6051 3600 Fax: (02) 6051 3602

Beechworth
19 Camp Street
Phone: (03) 5728 8100 Fax: (03) 5728 2204

Chiltern
40 Conness Street
Phone: (03) 5726 1226 Fax: (03) 5726 1953

Corryong
34 Hanson Street
Phone: (02) 6076 1266 Fax: (02) 6076 2004

Lavington
366 Griffith Road
Phone: (02) 6051 4555 Fax: (02) 6051 4551

Moulamein
Shire offices
Phone: (03) 5887 5353 Fax: (03) 5887 5352

Myrtleford
27 Clyde Street
Phone: (03) 5752 1764 Fax: (03) 5751 1063

Tallangatta
55 Towong Street
Phone: (02) 6071 3036 Fax: (02) 6071 3041

Walla Walla
76 Commercial Street
Phone: (02) 6029 2392 Fax: (02) 6029 2432

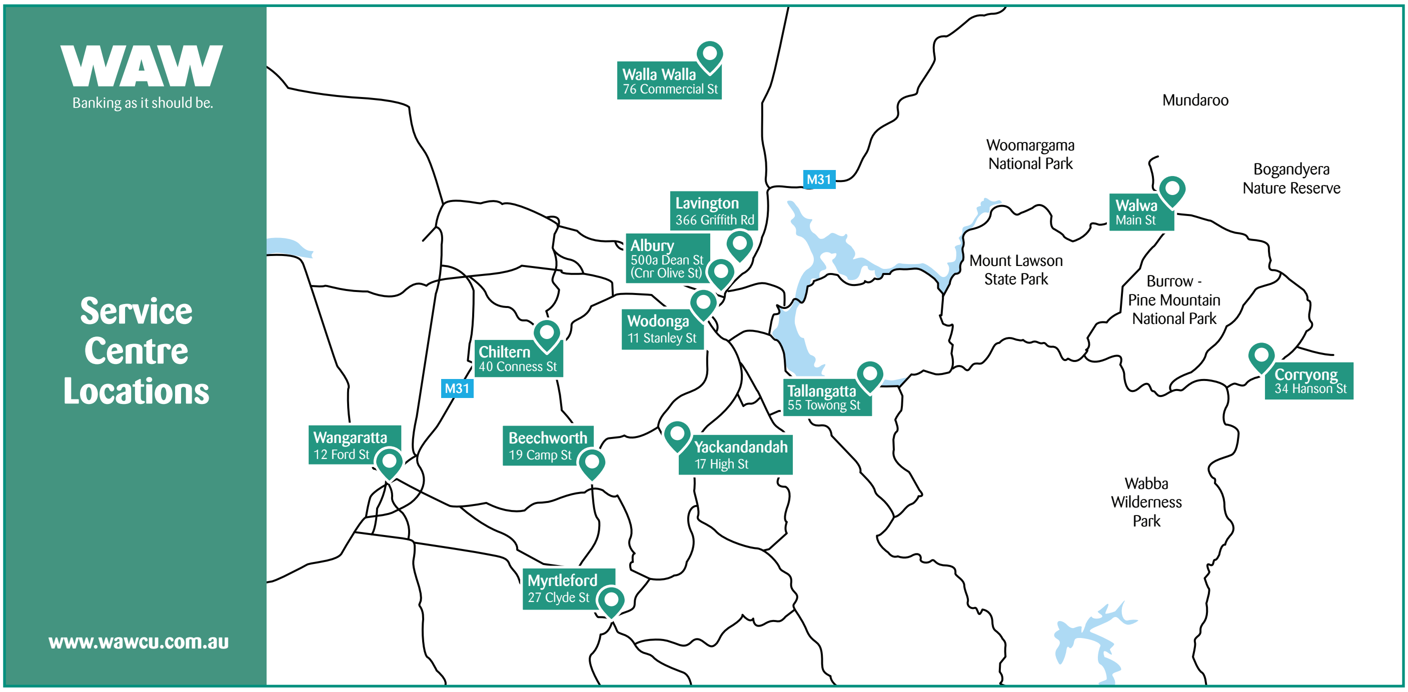
Walwa
Walwa Bush Nursing Centre
Main Street
Phone: (02) 6037 1499 Fax: (02) 6037 1494

Wangaratta
12 Ford Street
Phone: (03) 5723 4133 Fax: (03) 5723 4138

Wodonga
11 Stanley Street
Phone: (02) 6022 8444 Fax: (02) 6022 8401

Yackandandah
17 High Street
Phone: (02) 6027 1272 Fax: (02) 6027 1051

$ *= ATM available at this CSC*



Web (Netlink) www.wawcu.com.au
Telephone banking (Infolink) 1300 361 766
General enquiries (Directlink) 1300 368 555

WAW Credit Union Co-Operative Limited

ABN: 48 087 651 787
AFSL: 247298
Australian Credit Licence: 247298
Registered office: 11 Stanley Street, Wodonga, Victoria 3690
Telephone: 02 6022 8444 Directlink: 1300 368 555

Regional Customer Service Centres

Albury • Beechworth • Chiltern • Corryong • Lavington • Moulamein • Myrtleford • Tallangatta
Walla Walla • Walwa • Wangaratta • Wodonga • Yackandandah

Phone Based Services

Directlink 1300 368 555 – Loans, insurance, term deposits and information
Infolink 1300 361 766 – 24 hour telephone banking and BPAY

Internet and Email

Website: www.wawcu.com.au Information, Netlink and Mobile Netlink Internet Banking
Email: info@wawcu.com.au

Affiliations and Key Suppliers

COBA – Customer Owned Banking Association • World Council of Credit Unions
The Association of Asian Confederation of Credit Unions • TransAction Solutions Ltd
Credit Union Financial Support System Ltd • Visa Worldwide • Purcell Partners
Ultradata Australia • Institute for Strategy, Innovation & Leadership

Bankers

Cuscal Ltd • National Australia Bank

Corporate Insurers

QBE Insurance (Australia) Ltd

Auditors

External – Crowe Horwath, Albury
Internal – Bob Travers & Associates, Albury

External Dispute Resolution Provider

Financial Ombudsman Service

Legal Support

Daniels Bengtsson, Sydney • HL, Albury • Mark Swivel Legal, Sydney

Key Regulators

APRA – Australian Prudential Regulation Authority
ASIC – Australian Securities and Investments Commission
ATO – Australian Taxation Office
Austrac
Privacy Commissioner

WAW credit union
Smart Banking
www.wawcu.com.au

Australian Government $250,000 GUARANTEED DEPOSITS

WAW Credit Union is an authorised deposit-taking institution that receives the Commonwealth Government Financial Claims Scheme deposit guarantee.