Annual Review and Financial Statements for the Financial Year

30 June 2019

Photographed in the town of Beechworth

WAW

Banking as it should be.

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 a copy of this document online at **www.wawcu.com.au**

Annual Review for 2018/2019

Chair's and Chief Executive Officer's Report

On behalf of the Board, Management and Staff, we are pleased to present the Annual Review and Financial Statements for 2018/19.

During a year of robust competition and with the financial services industry coming under intense public scrutiny, we are pleased to report that the Credit Union continued to perform well and that our focus remained on improving products and services, as well as supporting the wider regional community.

As we enter the 64th year of our entity's history, we continue to reflect closely on the outcomes of the Financial Services Royal Commission and, while acknowledging the many important and concerning findings, we were delighted to see that the customer-owned banking sector's brand remained very strong throughout the hearings. We were also pleased to see that a positive light was cast on the critical role that culture and values play in the long-term success of any financial institution. Many of these values advocated by the Commission and commentators have been core principles in the operating model of WAW and the wider mutual industry for many decades. It is critical, however, that we use the lessons from the Commission's findings to ensure that we do not take our position for granted and that we continue to invest time, energy and resources into our performance. The Board is very clear that society has higher expectations of the industry and we will continue to work closely with Management to actively monitor and support the vital roles that staff, suppliers and partners play in delivering our services to customers.

We are also delighted to confirm that a number of important investments into our technology platforms and services were undertaken during the year, with the WAW Banking App being one of the most important. The app provides customers with access to a number of features that are designed to make banking with our organisation easier and more convenient than ever before. Support for this investment has been reflected by the high levels of engagement with the product, with thousands of users accessing the app within the first few months of launch. In addition, WAW completed a significant purchase to upgrade its core banking system, which is designed to enhance customer service levels by providing staff with more information and flexibility in conducting transactions and handling enquiries.

This latest platform also allows the Credit Union to investigate further products and services by leveraging the Application Programming Interface, or API, capability of the software. Together, investments into new technology and associated systems totalled nearly half a million dollars in 2018-19 alone, with further projects planned for the coming financial year. Completion of these projects complemented an exciting new venture with Square, a Silicon Valley-based fintech, who partnered with just a handful of financial institutions in Australia to deliver their innovative payment solutions to small business.

These investments would not be possible without a strong financial foundation. In the midst of a very competitive operating environment, WAW was able to achieve record lending growth that saw the portfolio increase by over $38 million for the financial year. Critically, at the forefront of our approach was a continuation of our long-standing commitment to the highest standards of responsible lending and credit risk assessment that was reflected by our loan delinquency level remaining quite low (and at the lower-end of sector and wider industry statistics). Our new lending was supported by healthy levels of liquidity within the business, which was deployed during the year to fund our growth. Notwithstanding our liquidity position, important goals were met in maintaining deposit growth that resulted in the portfolio increasing by over $30 million in the same period. At the end of the Financial Year, the Credit Union maintained well over $80 million in liquid funds, or a Liquidity Ratio of 19.13%, to ensure future growth is well supported.

Other important financial indicators such as Capital Adequacy and profitability also performed well. The organisation's Capital Adequacy Ratio finished the period at 14.45%, while pre-tax profit totalled $1.82M which excludes any other comprehensive income or tax adjustments. While the profit result was positive considering the competitive environment and investments being made across the business, the Board and Management are monitoring operating expenses which continue to be impacted by increasing regulatory requirements and growth in our third-party supplier costs.

In closing, we recognise with appreciation the service of former Directors David Iverson who retired following the 2018 AGM and Mark Dixen who retired during the year. We also wish to sincerely thank our customers, staff and suppliers for their support and we look forward to working hard for you again in the coming year ahead.

Robert Anderson

Rob Anderson
Chair

Michael Mack
CEO/Company Secretary

Year In Review

JULY

WAW was once again a proud major sponsor of the annual Kerferd Oration, held in Beechworth. The Kerferd Oration commemorates the naming of Beechworth and honours George Briscoe Kerferd (1831 – 1889), an energetic community leader, Premier of Victoria and a Judge of the Supreme Court of Victoria.

This year's Oration was given by Northern Territory Senator Malarndirri McCarthy.

Senator Malarndirri McCarthy is a Yanyuwa woman from the Gulf country in the Northern Territory. She first entered the public sphere as a journalist with the ABC and more recently for SBS/NITV.

With a focus on bringing communities together and ensuring remote communities are engaged with and listened to, Senator McCarthy spoke about her vision for all Australians to be bold and brave and to develop a united vision for Australia.

AUGUST

WAW continued our longstanding support of the annual Winter Blanket Appeal, collecting and distributing blankets for those in need across our communities. It's easy to forget that winter can be an extremely tough time for many vulnerable men, women, children and families, who are living without winter essentials. By donating spare blankets to those in need, WAW aims to put homelessness on the agenda of our local communities and highlight the value of people coming together to support a good cause.

SEPTEMBER

WAW has been a long-term sponsor of both the Hume Football League and the Ovens and King Football and Netball League, and was pleased to continue that support into the 2018 season. As well as being regular home-and-away season attendees, WAW was on hand for both the netball and football Grand Finals across both leagues to shake hands with the players and hand out memorabilia to all the sports people who participated in their Grand Finals. A good time was had by all!

OCTOBER

In October, WAW together with the Victoria Police ran the annual Caring About Regional Safety (CARS) program, to encourage primary school children to think about safety. The children were asked to creatively express their ideas by developing a promotional poster or video skit promoting a safety message or slogan. 2018 was the 12th year of the CARS competition , its foundation being inspired by Senior Constable Ann Brimblecombe who was tragically killed in a motor vehicle accident in 2006. Senior Constable Brimblecombe was a pivotal figure in the community for her work with primary school children, and continues to inspire years later. In her honour, the Ann Brimblecombe Memorial Award was this year awarded to Grade 5 student Jack Carmody and his school, Victory Lutheran College, was awarded $2,000.

NOVEMBER

In November, WAW was a proud sponsor and participant in the launch of the new Yackandandah Community Health Aged Care Facility which included a full weekend community celebration. The celebration commenced with guest speaker Dr Jane Barratt, Secretary General of the International Federation on Ageing, who spoke on ageing well and looked at innovations from countries that were tackling the challenges that an ageing population presents. She shared innovative programs from both a community and government level and endorsed the Yackandandah Model of Care. We also saw celebrity gardener Costa Georgiadis in attendance, who provided entertainment and enthusiasm across the event.

DECEMBER

December saw a continuation of WAW's annual Christmas Toy Drive, where the wider WAW community comes together and donates new toys for disadvantaged children. This year the recipient of our donations was Betty's Place. Located in Albury, Betty's Place provides accommodation for women and their children who are escaping family and domestic violence and are homeless or at risk of homelessness.

JANUARY

On the Australia Day long weekend, WAW was proud to sponsor a celebration of 150 years since the settlement of Walla Walla. The town of 500 people was settled by a group of German Lutherans in 1869 who had travelled almost 1,000 km by foot from South Australia. Celebrations retraced the journey and origins of the founders, and over four big days the community and many from surrounding towns came together to enjoy a festival 'German style'.

MARCH

March is the month WAW gets their boots on and enjoys the Yackandandah Folk Festival. Proudly the "Greenest Music Festival in Australia", the Yack Folk Festival celebrates family, community and music, showcasing local talent as well as a few national and even international offerings. WAW has been a sponsor of the Festival for several years and has seen great progress in the running and engagement of the event. It is a true example of community working together and building confidence in the future of this region.

APRIL

In a move to build a more sustainable and environmentally-friendly organisation, WAW's Head Office in Wodonga had a solar system installed to offset our energy usage and reduce energy costs, resulting in savings that can be re-invested into customer services. We also installed an 'Ubi Device' - a smart energy management system that has the capability to link into the mini-grid systems being built by our good friends at Totally Renewable Yackandandah (TRY) and Indigo Power. This was a great step towards building WAW's green footprint and an investment in the community energy space, in a region that is leading the charge in delivering a renewable energy retail network.

As part of WAW's focus on providing cutting-edge technology and products for regional customers, we became one of only three Credit Unions in Australia to partner with Silicon-Valley based Fintech, Square. This is an exciting partnership, with Square supporting WAW to distribute terminals throughout the Service Centre network which means that regional towns now have access to real innovation without needing to travel to a larger centre. WAW and Square will continue to develop the partnership to ensure that business customers are able to continue to benefit from new ways of doing business regionally.

MAY

In May we were thrilled to launch a new WAW Mobile Banking App for our customers, enabling them to transact on the go. The app is built to include all the latest in mobile banking technology; it's simple for customers to use and enjoy their mobile banking experience. Some of the new functionality the app allows includes a quick balance for your home screen, mobile PIN change, card activation and cancellation and ordering of replacement cards. The app can be downloaded via the App Store or Google Play.

Alongside the new Mobile Banking App, WAW also completed a significant upgrade to its technology infrastructure. This strategic investment into our core banking software was a significant step in keeping pace with modernisation of banking products and services and maintaining the integrity of our technology delivery to all customers.

JUNE

In June we saw a reduction in the Official Cash Rate to historic lows, with interest rates in uncharted territory. WAW made the decision to pass on a variety of reductions across different loan and deposit products and, as a result, our benchmark Standard Variable Rate is well below that of the major and regional banks in Australia.

Directors' Report

The Directors present their report together with the Financial Statements of WAW Credit Union Co-operative Limited (the 'Credit Union') for year ended 30 June 2019 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:

Robert V Anderson DipBus(Acct), CPA, GAICD Director since 27 April 2018	Chair of the Board from 21 November 2018. Occupation: Independent Company Director. Experience: Risk Management, Information Technology, Corporate Governance, ADI Executive.
Carol A Judd BBus(Acct), FCPA, MAICD Director since 23 November 2016	Chair of the Board until 21 November 2018; Chair of Strategy Committee from 21 November 2018; Chair of Credit Risk Committee until disbanded on 5 December 2018. Occupation: Retired. Experience: Public Accounting, Community Affairs.
Julie H Guest BBus(Acct), CAANZ Director since 29 November 2017	Chair of Audit Committee. Occupation: Business Development Consultant. Experience: Public Accounting, Auditing, Local Government, ADI Director.
Fiona A Shanks BBus(HRM), DipBusMan, CAHRI, MLGPro, GAICD Director since 29 November 2017	Chair of Human Resources Committee until disbanded on 5 December 2018; Chair of Risk Management Committee from 30 October 2018; Board Representative on Director Nominations Committee from 21 November 2018. Occupation: People & Culture Manager. Experience: Human Resource Management, Local Government, Community Affairs.
Victoria A Schmidt B.Sci(Engineering), CPIM Director since 21 November 2018	Occupation: Management Consultant. Experience: Business Strategy, Information Technology, Project Management, Business Development, Risk Management.
David J Iverson DipLaw, MAMI Retired 21 November 2018	Chair of Strategy Committee until 21 November 2018; Board Representative on Director Nominations Committee until 21 November 2018. Occupation: Retired. Experience: Law, Local Government, Community Affairs.
Mark P Dixen GradDipEdStudies, DipAg, DipCH, TC, Cert IV CLM, MAMI Retired 30 April 2019	Chair of Risk Management Committee until 30 October 2018. Occupation: Retired. Experience: Education, Marketing, Community Affairs, Arts.

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

COMPANY SECRETARY

Mr Michael A Mack, BBus(E-Comm), FAMI, MAICD, 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 [Discont'd 5/12/18]		Human Resources [Discont'd 5/12/18]	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
R Anderson	14	14	8	8	8	7	9	9	3	3	3	1	-	-
C Judd	14	14	12	12	5	5	9	9	7	7	3	3	-	-
F Shanks	14	14	8	8	-	-	9	8	-	-	3	3	-	-
J Guest	14	13	-	-	8	8	4	2	-	-	3	3	-	-
V Schmidt [Appointed 21/11/18]	8	6	-	-	3	2	-	-	3	2	-	-	-	-
D Iverson [Retired 21/11/18]	6	5	4	3	5	5	-	-	4	4	-	-	-	-
M Dixen [Retired 30/4/19]	11	5	4	3	2	-	4	4	6	3	-	-	-	-

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. 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 2016 to 30 June 2019.

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 to support development of the annual CPD program.

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 $1,820,270 (2018: $2,211,722). Income tax expense was $155,085 (2018: $590,057).

REVIEW OF OPERATIONS

Net loans and advances for the year have increased by $38,240,133 to $389,244,590.

Deposits increased during the year by $30,359,160 to $456,916,017.

Equity during the year has increased by $2,742,543 to $32,819,835.

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.

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 certain 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.

Directors' Report (cont'd)

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:
The Credit Union appointed AFS & Associates to the position of internal auditor from 1 July 2019, for a period of three years. 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 2017, Crowe Albury (formerly Crowe Horwath Albury) was re-appointed in the role of external auditor for a further three years.

Crowe 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 2019 has been received and can be found on page 5 of the financial report.

Dated at Wodonga this 24th day of September 2019.

Signed in accordance with a resolution of the Directors.

Robert V Anderson - Director
Chair, Board of Directors

Julie H Guest - Director
Chair, Audit Committee

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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 2019 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 2019.

Crowe

CROWE ALBURY

BRADLEY D BOHUN
Partner

24 September 2019
Wodonga

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2019

	Note	2019 $	2018 $
Interest revenue	2	18,565,153	17,960,814
Interest expense	2	(7,627,923)	(7,563,408)
Net interest income		10,937,230	10,397,406
Non-interest revenue	3(a)	2,581,985	2,576,806
General and administration		(3,861,575)	(3,549,655)
Personnel costs	4	(5,590,731)	(5,237,521)
Depreciation and amortisation expense		(584,958)	(603,183)
Other expenses	4	(370,263)	(278,417)
Net impairment loss on financial assets		(56,802)	(2,810)
Fees and commission expense		(1,234,616)	(1,090,904)
Profit before tax		1,820,270	2,211,722
Income tax expense	5	(155,085)	(590,057)
Profit after tax		1,665,185	1,621,665
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Gain/(loss) on the revaluation of land and buildings, net of tax		501,313	-
Gain/(loss) on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		-	-
Other comprehensive income for the year, net of tax		501,313	-
Total comprehensive income for the year attributable to customers		2,166,498	1,621,665

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes set out on pages 10 to 51.

Statement of Changes in Equity
For the year ended 30 June 2019

Year ended 30 June 2018	Retained Profits $	Lending Risk Reserve $	General Reserve $	Asset Revaluation Reserve $	Financial Asset Reserve $	Total $
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
Year ended 30 June 2019						
Opening balance at 1 July 2018	1,571,704	536,219	26,397,637	1,571,732	-	30,077,292
Effect of adoption of new accounting standards (Note 1(t))	(4,294)	-	-	-	580,339	576,045
Opening balance at 1 July 2018 - Restated	1,567,410	536,219	26,397,637	1,571,732	580,339	30,653,337
Profit after tax	1,665,185	-	-	-	-	1,665,185
Other comprehensive income	-	-	-	501,313	-	501,313
Total comprehensive income for the period	1,665,185	-	-	501,313	-	2,166,498
Transfer to/(from) lending risk reserve	(25,108)	25,108	-	-	-	-
Transfer to general reserve	(1,567,410)	-	1,567,410	-	-	-
Closing balance at 30 June 2019	1,640,077	561,327	27,965,047	2,073,045	580,339	32,819,835

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes set out on pages 10 to 51.

Statement of Financial Position
As at 30 June 2019

	Note	2019 $	2018 $
ASSETS			
Cash and cash equivalents	7	83,982,740	92,982,957
Receivables due from other financial institutions	8	11,500,000	8,000,000
Other receivables	9	313,284	450,850
Customer loans and advances	10	389,244,590	351,004,457
Other financial assets	12	1,410,379	619,916
Property, plant and equipment	13	8,288,004	7,969,891
Intangible assets	14	516,406	285,317
Deferred tax assets	6	375,574	340,360
Prepayments		192,161	128,298
TOTAL ASSETS		495,823,138	461,782,046
LIABILITIES			
Customer deposits	15	456,916,017	426,556,857
Accounts payable and other liabilities	16	3,889,754	2,966,197
Income tax payable	6	43,297	178,685
Employee benefits	17	1,257,620	1,153,854
Deferred tax liabilities	6	896,615	849,161
TOTAL LIABILITIES		463,003,303	431,704,754
NET ASSETS		32,819,835	30,077,292
EQUITY			
Reserves	1(q)	31,179,758	28,505,588
Retained profits		1,640,077	1,571,704
TOTAL EQUITY		32,819,835	30,077,292

The Statement of Financial Position is to be read in conjunction with the accompanying notes set out on pages 10 to 51.

Statement of Cash Flows
For the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Interest received		18,678,361	17,902,727
Interest paid		(7,631,137)	(7,568,011)
Payments to employees and suppliers		(10,079,074)	(9,544,681)
Receipts from other services		2,606,343	2,582,695
Income tax paid		(686,886)	(287,333)
		2,887,607	3,085,397
Net (increase)/decrease in loans and advances		(38,302,864)	(12,941,518)
Net increase/(decrease) in deposits		30,359,160	9,979,968
Net cash from operating activities	18(a)	(5,056,097)	123,847
Cash flows from investing activities			
Acquisition of other financial assets		-	-
Acquisition of receivables from other financial institutions		(3,500,000)	(6,000,000)
Acquisition of property, plant and equipment		(62,133)	(116,945)
Acquisition of intangible assets		(381,987)	(164,061)
Proceeds from sale of plant and equipment		-	7,800
Net cash from investing activities		(3,944,120)	(6,273,206)
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		(9,000,217)	(6,149,359)
Cash and cash equivalents at 1 July		92,982,957	99,132,316
Cash and cash equivalents at 30 June	7	83,982,740	92,982,957

The Statement of Cash Flows is to be read in conjunction
with the accompanying notes set out on pages 10 to 51.

Notes to the Financial Statements
For the year ended 30 June 2019

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 24 September 2019.

(a) Statement of compliance

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

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

(b) Basis of preparation

The financial statements are presented in Australian dollars.

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

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

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

(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 Deposit and Floating Rate Note securities (FRNS). Negotiable Certificates of Deposit and Floating Rate Note securities are held via the Austraclear system with the Reserve Bank of Australia, to enable conversion to cash. Cash and cash equivalents are recognised at the gross value of the outstanding balance.

(d) Receivables due from other financial institutions

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

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

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

1. Significant accounting policies (cont'd)

(e) Customer loans and advances

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

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

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

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

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

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

Policy applicable after 1 July 2018
AASB 9's impairment requirements use forward-looking information to recognise expected credit losses – the "expected credit loss model" (ECL).

The Credit Union considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial asset. In applying this forward-looking approach, a distinction is made between:
- Financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans) ('Stage 1'); and
- Financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' covers financial assets that have objective evidence of impairment (loans in default) at the reporting date.

Measurement of ECL
The Credit Union applies a three-stage approach to measuring expected credit losses (ECLs) for financial assets that are not measured at fair value through profit or loss.
- 12-months ECL (Stage 1) - The portion of lifetime ECL associated with the probability of default events occurring within the next 12 months.
- Lifetime ECL – not impaired (Stage 2) - ECL associated with the probability of default events occurring throughout the life of an instrument.
- Lifetime ECL – impaired (Stage 3) - Lifetime ECL, but interest revenue is measured based on the carrying amount of the instrument net of the associated ECL.

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

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

1. Significant accounting policies (cont'd)

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

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

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

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

The measurement of ECL reflects:

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

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

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

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

- When a loan reaches 30 days past due;
- Loans with approved hardship or modified terms, with loan-to-valuation ratio of above 80%.

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

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

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

The EAD represents the expected exposure at default.

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

1. Significant accounting policies (cont'd)

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

Critical accounting estimates and judgments in the ECL (cont'd)
The 12-months ECL is equal to the sum over the next 12-month PD multiplied by LGD and EAD. Lifetime ECL is calculated using the sum of PD over the full remaining life multiplied by LGD and EAD.

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

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

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

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

Policy applicable before 1 July 2018
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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.

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

1. Significant accounting policies (cont'd)

(g) Other financial assets

Policy applicable after 1 July 2018
AASB 9 requires the Credit Union's equity investments in other financial assets to be held at fair value. The Credit Union has elected for these to be held at fair value through other comprehensive income (FVOCI). Subsequent movements in fair value are recognised in other comprehensive income and never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss, unless the dividend clearly represents return of capital.

Policy applicable before 1 July 2018
The equity investments in other financial assets are measured at cost less any impairment charges, as the equity instruments do not have a quoted price in an active market. Impairment charges are recognised in profit or loss.

(h) Property, plant and equipment & intangible assets

Land and buildings

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

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

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

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

- Buildings 40 years
- Office furniture & equipment 5 years
- Leasehold and office improvements 10 years
- Motor vehicles 5 years
- Computer hardware 4 years

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

Land is not depreciated.

Disposals
An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any Asset Revaluation Reserve surplus relating to the item disposed of is transferred directly to retained profits.

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

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

1. Significant accounting policies (cont'd)

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

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

- Computer software 3 years

(i) Impairment of non-financial assets

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

(j) Employee entitlements

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

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

(k) Customer deposits

Customer deposits are held at amortised cost.

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

(l) Accounts payable and other liabilities

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

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

1. Significant accounting policies (cont'd)

(m) Income recognition

Interest revenue
Interest income arising from financial assets held at amortised cost is recognised using the effective interest rate method.

Fees income
Loan, account and transaction fees that are not deemed to be an integral part of the effective interest rate are generally recognised on an accrual basis over the period during which the service is provided.

Commissions
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.

Income from property
Rental income from leases is recognised on a straight-line basis over the term of the. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

(n) Leases

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

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

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

Operating leases
Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(o) Income tax

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

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

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

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

1. Significant accounting policies (cont'd)

(o) Income tax (cont'd)

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

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

(p) Goods and Services Tax

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

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

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

As a financial institution, the Credit Union is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases is generally recovered on a proportionate basis, using the safe harbour apportionment rate of 18% adopted per Practical Compliance Guide 2018/15 from 1 July 2018. In addition, certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

(q) 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 includes amounts allocated for the purpose of a shareholder share redemption balance per Compliance Note 2001.084. As at 30 June 2019, $332,588 (2018: $330,566) of the general reserve 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.

Asset revaluation reserve
The asset revaluation reserve relates to the revaluation of land and buildings.

Financial asset reserve
The financial asset reserve relates to the revaluation of equity investments (other financial assets) classified as fair value through other comprehensive income.

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

1. Significant accounting policies (cont'd)

(q) Reserves (cont'd)

Lending risk reserve
In addition to the expected credit loss provision mentioned at Note 1(f), 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.

This reserve is calculated at the rate of 0.30% of risk weighted credit assets for the previous month prior to year end (2018: 0.30%).

(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.

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

(s) 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:

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

1. Significant accounting policies (cont'd)

(s) Accounting estimates and judgements (cont'd)

- Note 1(f) and Note 11 – Impairment of loans and advances with regards to the expected credit loss modelling and judgments, including:
  - Determining criteria for significant increase in credit risk: An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Credit Union takes into account qualitative and quantitative reasonable and supportable forward-looking information;
  - Choosing appropriate models and assumptions tor the measurement of expected credit loss; and
  - Establishing groups of similar financial assets for the purposes of measuring expected credit loss: When expected credit loss is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.
- Note 13 - Fair value assumptions used for land and buildings;
- Note 12 – Fair value assumptions used for other financial assets; and
- Note 1(t) and Note 1(u) – Judgements used in new accounting standards and interpretations, including assessment of lease term under new lease standard.

(t) New or amended accounting standards adopted

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

AASB 9 Financial Instruments
AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2018.

The adoption of AASB 9 has impacted the following areas:

Classification and measurement of financial assets
AASB 9 allows for three classification categories for financial assets – amortised cost, fair value through other comprehensive income and fair value through profit or loss. Classification is based on the business model in which a financial asset is managed and the related contractual cashflows. AASB 9 eliminates previous categories of held to maturity, loans and receivables and available for sale. Classification of financial liabilities is largely unchanged.

All financial assets and financial liabilities of the Credit Union have remained at amortised cost, with the exception of the equity instruments classified as other financial assets. These other financial assets have transitioned from being held at cost (as an 'available-for-sale asset) under AASB 139, to fair value through other comprehensive income. The impact of this change is included in the table below.

Impairment of the Credit Union's financial assets
The Group's financial assets carried at amortised cost are now subject to AASB 9's new three-stage expected credit loss model, from an incurred loss model. This means earlier recognition of expected credit losses. The impact of this change is included in the table below.

Summary of impact on transition
When adopting AASB 9, the Credit Union has applied transitional relief and opted not to restate prior periods. The impact of adoption on opening retained profits and financial asset reserve as at 1 July 2018 were as follows:

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

1. Significant accounting policies (cont'd)

(t) New or amended accounting standards adopted (cont'd)

	Note	Original 30 June 2018 balance (under AASB 139)	Change	New 1 July 2018 balance (under AASB 9)
Classification & measurement impact:				
Fair value measurement of other financial assets	12	609,912	800,467	1,410,379
Deferred tax liability impact	6	-	(220,128)	(220,128)
Total impact on financial asset reserve			**580,339**	
Impairment impact:				
Allowance for expected credit losses	11	(8,675)	(5,922)	(14,597)
Deferred tax asset impact	6	2,386	1,628	4,014
Total impact on retained earnings			**(4,294)**	

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

1. Significant accounting policies (cont'd)

(u) New accounting standards and interpretations not yet mandatory

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting period. The Credit Union's assessment of the impact of these new standards and interpretations is set out below. Changes that are not likely to impact the financial report of the Credit Union have not been reported.

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 Management's assessment to date, 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.* There are limited revenue transactions of the Credit Union that are impacted by AASB 15. 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 have assessed there is no significant differences expected in the timing of revenue recognition for insurance commission income under AASB 15, as trail commission and renewal commission are considered constrained variable considerations. Variable consideration is estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Credit Union will apply the modified retrospective method of transition, meaning that prior periods will not be restated. Based on the above, the transitional entry to opening retained earnings as at 1 July 2019 is expected to be immaterial (if any).
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).	Currently the Credit Union is the lessee in a number of property leases – refer to Note 1(n). Management has assessed that the first-time adoption of AASB 16 for the year ended 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements, in particular; - Right of Use (ROU) assets and lease liabilities on the balance sheet will increase by approximately $1.4 million respectively as at 1 July 2019 (based on the facts at the date of the assessment) - Lease payments will be split between interest and principal reduction, rather than being included in operating expenses. - There will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly that the carrying amount of lease liabilities - Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities. The Credit Union will apply the modified retrospective method of transition, meaning that prior periods will not be restated.

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

2. Interest revenue and interest expense

	2019 $	2018 $
Interest Revenue		
Loans and advances - customers	16,394,896	15,760,203
Investment securities	2,170,257	2,200,611
	18,565,153	17,960,814
Interest Expense		
Deposits - customers	(7,623,921)	(7,559,854)
Short-term borrowings	(4,002)	(3,554)
	(7,627,923)	(7,563,408)

3. Other revenue & other income

a) Non-Interest Revenue

	2019 $	2018 $
Dividends	40,165	64,131
Fees and Commissions		
• Loan fee income	481,440	413,117
• Other fee income	1,333,115	1,344,805
• Commissions	525,611	559,252
Rental received	177,414	179,804
Bad debts recovered	9,957	2,066
Other revenue	14,283	13,631
Total non-interest revenue	2,581,985	2,576,806

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

	2019 $	2018 $
4. Personnel cost & other expenses		
Personnel costs		
• Wages and salaries	4,723,692	4,387,218
• Other associated personnel expenses	264,883	265,911
• Contributions to defined contribution superannuation plans	602,156	584,392
	5,590,731	5,237,521
Other expenses		
Rental on operating leases	358,835	267,450
Loss on disposal of property, plant & equipment	1,424	971
Impairment of other financial assets	10,004	9,996
Total other expenses	370,263	278,417
5. Income tax		
Profit before tax	1,820,270	2,211,722
Prima facie income tax expense calculated at 27.5% on net profit (2018: 27.5%)	500,574	608,223
Increase/(Decrease) in income tax due to:		
Revaluation of PPE	(10,588)	-
Differences in tax treatment of PPE	(324,098)	-
Non-deductible expenses	1,313	1,916
Imputation credits	(12,479)	(19,927)
Under/(over) provision for income tax in prior year	363	(155)
Income tax expense	155,085	590,057
Current tax expense	551,135	619,094
Deferred tax expense	(396,413)	(28,882)
Prior year adjustment	363	(155)
Income tax expense	155,085	590,057

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

6. Taxation balances

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Debtors	17,120	2,386	-	-
Prepayments	-	-	2,304	2,154
Investments	-	-	212,609	1,683
Property, Plant & Equipment, & Intangibles[1]	-	-	681,702	845,324
Accrued Expenses	29,978	35,274	-	-
Employee Benefits	328,476	302,700	-	-
	375,574	340,360	896,615	849,161

(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 $43,297 (2018: $178,685 payable) represents the amount of income taxes receivable or payable in respect of current and prior periods.

	2019	**2018**
	$	**$**
Income tax payable / (receivable)	43,297	178,685
Movement in taxation provision		
Balance at beginning of year	178,685	(152,922)
Current year's income tax expense on profit before tax	551,135	619,094
Income tax paid	(686,886)	(287,333)
Prior year adjustment	363	(154)
Balance at end of year	43,297	178,685

7. Cash and cash equivalents

Cash on hand and at bank	5,007,850	3,541,704
Deposits at call	500,000	3,500,000
Security deposits	8,370,000	8,370,000
Negotiable certificate of deposits	58,104,890	65,571,253
Floating rate note securities	12,000,000	12,000,000
	83,982,740	92,982,957
Remaining maturity analysis		
Not longer than 3 months	71,982,740	80,982,957
Longer than 3 and not longer than 12 months	2,000,000	-
Longer than 12 months and not longer than 5 years[2]	10,000,000	12,000,000
	83,982,740	92,982,957

(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 2019 (cont'd)

7. Cash and cash equivalents (cont'd)

	2019 $	2018 $
Credit rating of cash & cash equivalents[1]		
Cuscal Limited – rated A	12,297,753	24,218,267
Banks – rated AA- and above	12,005,043	12,012,068
Banks – rated below AA-	57,108,517	54,430,065
N/A – cash on hand	2,571,427	2,322,557
	83,982,740	92,982,957

[1] Credit ratings are based on recognised S&P long-term ratings.

8. Receivables due from other financial institutions

	2019 $	2018 $
Term deposits	11,500,000	8,000,000
	11,500,000	8,000,000
Remaining maturity analysis		
Not longer than 3 months	7,500,000	8,000,000
Longer than 3 and not longer than 12 months	4,000,000	-
	11,500,000	8,000,000
Credit rating of receivables due from other financial institutions[1]		
Banks – rated AA- and above	11,000,000	6,000,000
Banks – rated below AA-	500,000	2,000,000
	11,500,000	8,000,000

9. Other receivables

	2019 $	2018 $
Interest receivable	247,634	360,842
Other	65,650	90,008
	313,284	450,850

10. Customer loans and advances

	2019 $	2018 $
Overdrafts – customers	6,591,248	5,471,875
Term loans – customers	382,715,596	345,541,257
Gross loans and advances – customers	389,306,844	351,013,132
Provision for impairment	(62,254)	(8,675)
Net loans and advances	389,244,590	351,004,457
Maturity analysis		
Overdrafts	6,591,248	5,471,875
Not longer than 3 months	4,059,520	3,759,652
Longer than 3 and not longer than 12 months	11,613,198	10,852,240
Longer than 1 and not longer than 5 years	60,709,209	55,874,446
Longer than 5 years	306,333,669	275,054,919
	389,306,844	351,013,132

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

10. Customer loans and advances (cont'd)

	2019 $	2018 $
Security held against loans		
Secured by mortgage over residential property	364,993,327	326,263,769
Secured by mortgage over commercial property	20,869,234	21,019,533
Total loans secured by real estate	385,862,561	347,283,302
Secured by funds	1,015,691	1,348,015
Partly secured by goods mortgage	2,042,858	2,101,931
Fully unsecured	385,733	279,884
	389,306,844	351,013,132

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:

	2019 $	2018 $
Loan to Value Ratio of 80% or less	314,784,396	284,841,733
Loan to Value Ratio of more than 80% but mortgage insured	49,888,733	41,422,036
Loan to Value Ratio of more than 80% not mortgage insured	320,198	-
	364,993,327	326,263,769

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.

	2019 $	2018 $
The geographical segment details are below:		
- Victoria	273,409,034	248,555,070
- New South Wales	104,600,878	91,799,326
- Other	11,296,931	10,658,736
	389,306,844	351,013,132

11. Impairment of loans and advances

	2019 $	2018 $
Total provision comprises of:		
Collective provisions	-	8,675
Expected credit loss allowance	62,254	-
Total provision	62,254	8,675

The loss allowance for 2019 is calculated and disclosed under the expected credit loss regime as per Note 1(f). The comparative amounts and disclosures for 2018 represents incurred impairment provisions under the previous measurement basis as per Note 1(f).

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

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

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

2019 – under AASB 9 requirements:

Credit risk exposure under expected credit loss - 2019	**Stage 1 12 month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loan category	**2019 $**	**2019 $**	**2019 $**	**2019 $**
Mortgages loans – secured by residential property (residential & commercial)				
Up to 30 days	384,488,459	-	-	384,488,459
More than 30 days, but less than 90 days	-	1,321,729	-	1,321,729
More than 90 days, but less than 180 days	-	-	52,374	52,374
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	-	-
Personal loans – secured & under secured (including overdrafts / overdrawns)				
Up to 30 days	2,420,255	-	2,754	2,423,009
More than 30 days, but less than 90 days	-	2,330	-	2,330
More than 90 days, but less than 180 days	-	-	-	-
More than 180 days, but less than 270 days	-	-	1,070	1,070
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	2,182	2,182
Secured by funds	1,015,691	-	-	1,015,691
Total carrying amount – gross	387,924,405	1,324,059	58,380	389,306,844
Less expected credit loss allowance	(12,214)	(48,120)	(1,920)	(62,254)
Total carrying amount – net	**387,912,191**	**1,275,939**	**56,460**	**389,244,590**
Security analysis -Stage 2 & Stage 3				
Estimated collateral – after discount	N/A	1,374,407	6,650	N/A

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

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

2018 – under AASB 139 requirements:

Ageing analysis of loans and advances past due	Past due and not impaired	Past due and impaired	Total
Loan category	**2018 $**	**2018 $**	**2018 $**
Up to 30 days	3,455,697	-	3,455,697
More than 30 days, but less than 90 days	557,491	-	557,491
More than 90 days, but less than 180 days	-	-	
More than 180 days, but less than 270 days	-	9,126	9,126
More than 270 days, but less than 365 days	-	-	-
More than 365 days	-	2,482	2,482
Overlimit credit facilities more than 14 days	5,289	1,482	6,771
Total carrying amount – net	**4,018,477**	**13,090**	**4,031,567**

Security analysis of loans and advances past due	Past due and not impaired	Past due and impaired	Total
Loan category	**2018 $**	**2018 $**	**2018 $**
Secured by mortgage over real estate	4,003,669	-	4,003,669
Secured by funds	-	-	-
Partly secured by goods mortgage	3,103	11,608	14,711
Full unsecured	11,705	1,482	13,187
Total carrying amount – net	**4,018,477**	**13,090**	**4,031,567**

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

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

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

2019 – under AASB 9 requirements:

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Movement category	**2019 $**	**2019 $**	**2019 $**	**2019 $**
Balance at 1 July per AASB 139	N/A	N/A	N/A	8,675
Adjustment on initial application of AASB 9	N/A	N/A	N/A	5,922
Balance at 1 July per AASB 9	**11,397**	**-**	**3,200**	**14,597**
Transfers between stages	-	-	-	-
Movement due to increase in loans & advances	4,891	-	-	4,891
Movement due to change in credit risk	-	48,120	(1,280)	46,841
Bad debts written off from provision	-	-	-	-
Changes in model/risk parameters	(4,074)	-	-	(4,074)
Balance at 30 June 2019	**12,214**	**48,120**	**1,920**	**62,254**

During the 2019 financial year, there was no significant change to the gross carrying amount of financial instruments subject to the expected credit loss provision.

2018 – under AASB 139 requirements:

	Collective provision	Specific provision	Total
Movement category	**2018 $**	**2018 $**	**2018 $**
Balance at 1 July 2017	8,440	-	8,440
Expenses / (written back) during the year	2,810	-	2,810
Bad debts written off from provision	(2,575)	-	(2,575)
Balance at 30 June 2018	**8,675**	**-**	**8,675**

Notes to the Financial Statements
For the year ended 30 June 2019 (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.

	2019 $	2018 $
Loans restructured during the financial year - all	314,508	-
Balance at the end of the financial year	314,508	-
Loans restructured during the financial year – moved from Stage 2 or Stage 3, to Stage 1	-	-
Balance at the end of the financial year	-	-

Sale of asset acquired through enforcement of security	2019 $	2018 $
Opening balance of enforcement security	-	-
Real estate acquired through enforcement of security	-	-
Expenses	-	-
Proceeds from sale of property & insurance claim	-	-
Balance of loan written off	-	-
Specific provision for impairment written back	-	-
Balance at the end of the financial year	-	-

12. Other financial assets

	2019 $	2018 $
Available-for-sale investments securities – held at cost under AASB 139		
- Shares in Cuscal Limited (a)	-	586,454
- Shares in TransAction Solutions Pty Ltd	-	23,458
- Other investments	-	10,004
Equity investment securities designated as fair value through other comprehensive income (FVOCI) – held at fair value		
- Shares in Cuscal Limited (a)	1,242,840	-
- Shares in TransAction Solutions Pty Ltd	167,539	-
- Other investments	-	-
	1,410,379	619,916

(a) Cuscal Limited

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

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

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

13. Property, plant and equipment

	2019 $	2018 $
Land		
At fair value	1,576,982	1,488,800
	1,576,982	1,488,800
Buildings on freehold land		
At fair value	6,263,539	6,116,267
Accumulated depreciation	-	(304,310)
	6,263,539	5,811,957
Office furniture, plant and equipment, computer hardware and motor vehicles		
At cost	2,197,922	2,169,476
Accumulated depreciation	(1,837,882)	(1,633,644)
	360,040	535,832
Leasehold improvements		
At cost	497,515	497,515
Accumulated amortisation	(410,072)	(364,213)
	87,443	133,302
Carrying amount of total property, plant and equipment	8,288,004	7,969,891

(a) Valuations

The freehold land and/or buildings at Beechworth, Chiltern, Corryong, Myrtleford, Lavington, Tallangatta, Wangaratta and Wodonga were independently valued in April 2019 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 2019.

The Credit Union has a set policy for regular valuation of freehold land and buildings at least once every three financial years. Refer to Note 1(r) and Note 25 for further information on fair value measurement.

The next independent valuation is scheduled to be completed by 30 June 2022.

Notes to the Financial Statements for the year ended 30 June 2019 (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 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
Balance at 1 July 2018	1,488,800	5,811,957	535,832	133,302	7,969,891
Additions	-	454	61,679	-	62,133
Revaluations	88,182	603,283	-	-	691,465
Transfers	-	-	-	-	-
Disposals	-	-	(1,424)	-	(1,424)
Depreciation	-	(152,155)	(236,046)	-	(388,201)
Amortisation	-	-	-	(45,860)	(45,860)
Balance at 30 June 2019	1,576,982	6,263,539	360,040	87,443	8,288,004

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

14. Intangible assets

	2019 $	2018 $
At cost – computer software	1,625,736	1,348,082
Accumulated amortisation	(1,109,330)	(1,062,765)
	516,406	285,317

Reconciliations

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

Computer software & licences

	2019 $	2018 $
Balance at beginning of the year	285,317	284,227
Acquisitions	381,987	164,061
Disposals	-	-
Amortisation	(150,898)	(162,971)
Balance at end of the year	516,406	285,317

15. Customer deposits

	2019 $	2018 $
Deposits at call	226,255,652	208,750,337
Term deposits	230,660,365	217,806,520
	456,916,017	426,556,857
Remaining maturity analysis		
At call	226,255,652	208,750,337
Not longer than 3 months	27,566,023	31,581,221
Longer than 3 and not longer than 12 months	175,483,558	173,702,214
Longer than 1 and not longer than 5 years	27,610,784	12,523,085
	456,916,017	426,556,857

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:

	2019 $	2018 $
- Victoria	320,409,300	298,740,657
- New South Wales	126,870,017	117,836,045
- Other	9,636,699	9,980,155
	456,916,017	426,556,857

Significant individual customer deposits
As at 30 June 2019, the Credit Union's deposit portfolio did not have any deposit which represented 5% or more of total liabilities (2018: $nil).

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

	2019 $	2018 $
16. Accounts payable and other liabilities		
Accrued interest payable	1,934,359	1,937,573
Sundry creditors, accruals and customer clearing accounts	1,955,395	1,028,624
	3,889,754	2,966,197
17. Employee benefits		
Current		
Salaries and wages accrued	63,162	53,125
Liability for long service leave	681,555	571,958
Liability for annual leave	429,458	398,657
	1,174,175	1,023,740
Non-current		
Liability for long service leave	83,445	130,114
	1,257,620	1,153,854
18. Reconciliation of cash flows from operating activities		
(a) Cash flow from operating activities		
Profit after income tax	1,665,185	1,621,665
Non-cash flows in operating surplus/(deficit):		
Impairment of other financial assets	10,004	9,996
Loss on sale of non-current assets	1,424	971
Depreciation on property, plant & equipment	378,448	384,597
Amortisation on leasehold improvements	55,613	55,613
Amortisation of intangible assets	150,898	162,971
Impairment charge / (reversal)	56,810	2,810
Provision for employee entitlements	93,729	17,565
Changes in assets and liabilities:		
(Increase)/Decrease in other receivables	137,566	(52,198)
(Increase)/Decrease in deferred tax asset	(33,587)	4,843
Increase/(Decrease) in other assets	(63,863)	(13,118)
Increase/(Decrease) in accounts payable & other liabilities	923,557	593,031
Increase/(Decrease) in salaries & wages accrued	10,037	(1,229)
Increase/(Decrease) in income tax payable	(135,388)	331,607
Increase/(Decrease) in deferred tax liability	(362,826)	(33,727)
Net cash from revenue activities	2,887,607	3,085,397
Add/(deduct) non-revenue operations		
Increase in loan and advances	(38,302,864)	(12,941,518)
Increase in deposits and short-term borrowings	30,359,160	9,979,968
	(5,056,097)	123,847

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

(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 (2018: $2,500,000) and incurs an interest rate of 4.25% (2018: 4.50%).This overdraft facility is secured by a Cash Deposit. As at 30 June 2019, this facility was unused (2018: facility was unused).

	2019 $	2018 $
19. Operating leases and commitments		
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
	-	4,690

Expenditure commitments are stated inclusive of Goods and Services Tax.

	2019 $	2018 $
Operating leases payable (non-cancellable)		
Not later than one year	237,303	217,245
Later than 1 and not later than 5 years	265,118	363,024
Aggregate lease expenditure contracted for at balance date	502,421	580,269
Aggregate lease receivable (non-cancellable)		
Not later than one year	204,080	178,929
Later than 1 and not later than 5 years	627,105	765,093
Aggregate lease expenditure contracted for at balance date	831,185	944,022

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.

Notes to the Financial Statements
for the year ended 30 June 2019 (cont'd)

20. Contingent liabilities and credit commitments

In the normal course of business, the Credit Union enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of customers. The total credit related commitments and the financial guarantees do not necessarily represent future cash requirements.

The Credit Union uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets.

Credit related commitments includes approved but undrawn loans, credit limits and loan redraw facilities.

Security analysis of credit related commitments	**Credit related commitments**		**Financial guarantees**	
Secured by:	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Secured by mortgage over real estate	62,175,040	56,623,071	701,453	853,970
Secured by funds	238,567	232,624	21,381	28,256
Partly secured by goods mortgage	626,558	446,943	-	-
Fully unsecured	826,227	346,899	10,500	18,269
Total	**63,866,392**	**57,649,537**	**733,334**	**900,495**

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.

21. Auditors' remuneration

	2019 $	**2018 $**
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	74,432	67,243
Other regulatory assurance services	18,211	17,677
Other services - taxation	8,228	6,930
Other services	16,500	9,130
	117,371	100,980

The above amounts exclude out of pocket expenses recovered.

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

22. 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

R V Anderson	Chair of the Board of Directors
C A Judd	Strategy Committee Chair
F A Shanks	Risk Management Committee Chair
J H Guest	Audit Committee Chair
V A Schmidt	Appointed 21 November 2018
D J Iverson	Retired 21 November 2018
M P Dixen	Retired 30 April 2019

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 costs" (see Note 4) are as follows:

	2019 $	2018 $
Short-term employee benefits	926,608	863,891
Other long-term benefits	24,826	11,558
Post-employment benefits	142,179	144,038
	1,093,613	1,019,487

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 21 November 2018.

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

22. 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:

	2019 $	2018 $
Loans to key management personnel and other related parties	374,541	404,138

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 2019 (2018: zero) to non-director key management personnel.

Loans (including redraws and overdrafts) totalling $65,350 (2018: $54,484) were made to key management personnel and other related parties during the year including redraws utilised. Overdraft facilities to key management personnel amounting to $18,350 (2018: $6,009) were outstanding as at 30 June 2019.

During the year, repayments of $117,324 (2018: $125,577) 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 4.78% for SVR and 3.25% for staff concessional rates at balance date (2018: 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 $14,203 (2018: $17,557). 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 2019 (2018: Nil) nor were any other loans advanced during the period.

Deposits from key management personnel and other related parties

	2019 $	2018 $
Total value term and savings deposits from key management personnel and other related parties	1,110,761	712,569
Total interest paid on deposits to key management personnel and other related parties	17,391	29,156

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 2019 (cont'd)

22. 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.

23. 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 (including interest rate exposure), and ensures that policies and procedures adopted by the Board are implemented.

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

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

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.

(a) Market risk

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.

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 23 below. Note 23 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 2019 and 30 June 2018, the net interest margin impact for a 2.00% increase in interest rates would be $976,474 increase (2018: $1,560,637 at 2.00% interest rate movement). A decrease of 2.00% in interest rates would have a much larger impact on the net profit due to not being able to reprice the whole deposit book.

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

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

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

(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, e.g. 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.

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;
- Having in place repurchase arrangements with the Reserve Bank of Australia for the conversion of a qualifying investment to cash should the need arise.
- 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.

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 was:

	2019	2018
Minimum Liquidity Holdings	16.74%	20.14%
Operational Liquid Assets	2.39%	1.74%
Total	**19.13%**	**21.88%**

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

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

(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.

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 and the Risk Management 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.

For loans where repayments are doubtful, external agencies are engaged to conduct recovery action. The exposure to losses arise predominately in personal loans and facilities not secured by registered mortgages over real estate.

Details are set out in Note 1(f) and Note 11 with regards to the expected credit loss provisioning used by the Credit Union.

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 2019 (cont'd)

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

(c) Credit risk (cont'd)

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 2019 the Credit Union had no large exposures of 10% of capital or more.

The aggregate value of large exposure loans is 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 – RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS & CASH/CASH EQUIVALENT

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.

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 Note 8.

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

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

(d) Operational risk

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

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.

(e) 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 uses the standardised approach for credit risk and operational risk, in accordance with APRA requirements.

Capital Adequacy Ratio calculation

	2019 $	2018 $
Common Equity Tier 1 Capital		
Net tier 1 capital	31,351,319	29,245,154
Tier 2 Capital		
Net tier 2 capital	561,327	536,219
Total capital	31,912,646	29,781,373
Risk profile		
Credit risk	193,613,071	178,367,365
Operational risk	27,255,174	25,998,369
Total risk weighted assets	220,868,245	204,365,734
Capital adequacy ratio	14.45%	14.57%

The Credit Union is required to maintain a minimum total capital level of 8% or an APRA advised Prudential Capital Requirement (PCR), whichever is higher, as compared to the risk weighted assets at any given time.

Notes to the Financial Statements
For the year ended 30 June 2019 (cont'd)

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

(e) Capital management (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.

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 2019 (cont'd)

24. Financial instruments

(a) Interest rate risk

The Credit Union's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 %	2018 %
Financial assets:														
Cash and cash equivalents	2,436	1,219	78,975	89,441	-	-	-	-	2,571	2,323	83,982	92,983	2.28	2.18
Receivables from other financial institutions	-	-	11,500	8,000	-	-	-	-	-	-	11,500	8,000	2.12	3.28
Other receivables	-	-	-	-	-	-	-	-	313	451	313	451		N/A
Customer loans and advances (gross)	305,946	259,164	28,952	50,933	54,223	40,253	186	663	-	-	389,307	351,013	4.43	4.57
Other financial assets	-	-	-	-	-	-	-	-	1,410	620	1,410	620	N/A	N/A
Total financial assets	308,382	260,383	119,427	148,374	54,223	40,253	186	663	4,294	3,394	486,512	453,067	N/A	N/A
Financial liabilities:														
Customer deposits	226,238	208,732	203,050	205,283	27,611	12,523	-	-	18	19	456,917	426,557	1.73	1.79
Accounts payable and other liabilities	-	-	-	-	-	-	-	-	3,890	2,966	3,890	2,966	N/A	N/A
Total financial liabilities	226,238	208,732	203,050	205,283	27,611	12,523	-	-	3,908	2,985	460,807	429,523	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 2019 (cont'd)

24. Financial instruments (cont'd)

(b) Maturity profile of financial assets and liabilities

Monetary assets and liabilities have differing maturity profiles depending on the contractual terms, and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial assets:														
Cash and cash equivalents	69,668	79,097	2,012	-	10,066	12,091	-	-	2,571	2,323	84,317	93,511	83,982	92,983
Receivables from other financial institutions	7,563	8,068	4,024	-	-	-	-	-	-	-	11,587	8,068	11,500	8,000
Other receivables (ex accrued interest)	-	-	-	-	-	-	-	-	66	90	66	90	66	90
Customer loans and advances	14,815	13,228	23,688	22,435	118,299	111,177	427,823	389,367	-	-	584,625	536,207	389,307	351,013
Other financial assets	-	-	-	-	-	-	-	-	1,410	620	1,410	620	1,410	620
Total financial assets	92,046	100,393	29,725	22,435	128,365	123,268	427,823	389,367	4,047	3,033	682,005	638,496	486,265	452,067
Financial liabilities:														
Customer deposits	255,204	241,835	178,109	176,240	27,615	12,524	-	-	18	19	460,946	430,618	456,917	426,557
Accounts payable and other liabilities (ex accrued interest)	-	-	-	-	-	-	-	-	1,955	1,029	1,955	1,029	1,955	1,029
Total financial liabilities	255,204	241,835	178,109	176,240	27,615	12,524	-	-	1,973	1,048	462,901	431,647	458,872	427,586

Notes to the financial statements
For the year ended 30 June 2019 (cont'd)

24. Financial instruments (cont'd)

(c) 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 only financial instrument that the Credit Union holds at fair value in the Statement of Financial Position is in relation to equity instruments held as other financial assets. Refer to Note 25 for further details on the valuation technique applied to other financial assets.

For all other financial instruments (not measured at fair value), 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 2019 (cont'd)

24. Financial instruments (cont'd)

(d) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

2019 – under AASB 9 requirements:

	2019 $
Financial assets	
Financial assets at amortised cost	
Cash and cash equivalents	83,982,740
Receivables due from other financial institutions	11,500,000
Other receivables	313,284
Customer loans and advances (gross)	389,306,844
	485,102,868
Financial assets at fair value through other comprehensive income (FVOCI)	
Other financial assets	1,410,379
	1,410,379
Total financial assets	486,513,247
Financial liabilities	
Financial liabilities at amortised cost	
Accounts payable and other liabilities	3,889,754
Customer deposits	456,916,017
Total financial liabilities	460,805,771

2018 – under AASB 139 requirements:

	2018 $
Financial assets	
Loans and receivables – carried at amortised cost	
Cash and cash equivalents	92,982,957
Other receivables	450,850
Customer loans and advances (gross)	351,013,132
	444,446,939
Held-to-maturity investments – carried at amortised cost	
Receivables due from other financial institutions	8,000,000
	8,000,000
Available for sale investments – carried at cost	
Other financial assets	619,916
	619,916
Total financial assets	453,066,855
Financial liabilities	
Carried at amortised cost	
Accounts payable and other liabilities	2,966,197
Customer deposits	426,556,857
Total financial liabilities	429,523,054

Notes to the financial statements
For the year ended 30 June 2019 (cont'd)

25. Fair value measurement

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

2019 **Assets measured at fair value**	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings	-	7,840,521	-	7,840,521
Other financial assets (at FVOCI)	-	-	1,410,379	1,410,379
Total	-	7,840,521	1,410,379	9,250,900

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

The Credit Union has assessed that, at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Notes 11 and 24(d).

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

Assets measured at fair value based categorised as Level 3

	Other financial assets (at FVOCI) Total	
Movement category	**2019** **$**	**2018** **$**
Balance at 1 July per AASB 139	619,916	-
Adjustment on initial application of AASB 9	800,467	-
Balance at 1 July per AASB 9	1,420,383	-
Revaluation through other comprehensive income	-	-
Impairment through profit or loss	(10,004)	-
Purchases	-	-
Sales	-	-
Closing balance - at 30 June	**1,410,379**	**-**

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

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

Notes to the financial statements
For the year ended 30 June 2019 (cont'd)

26. 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 2019 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.

27. 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.

28. 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 10 to 51, 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 2019 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 24th day of September 2019.

Signed in accordance with a resolution of the Directors:

Robert V Anderson - Director
Chair, Board of Directors

Julie H Guest - Director
Chair, Audit Committee

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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 2019, 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 2019 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 2019, 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 ALBURY

BRADLEY D BOHUN
Partner

24 September 2019
Wodonga

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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

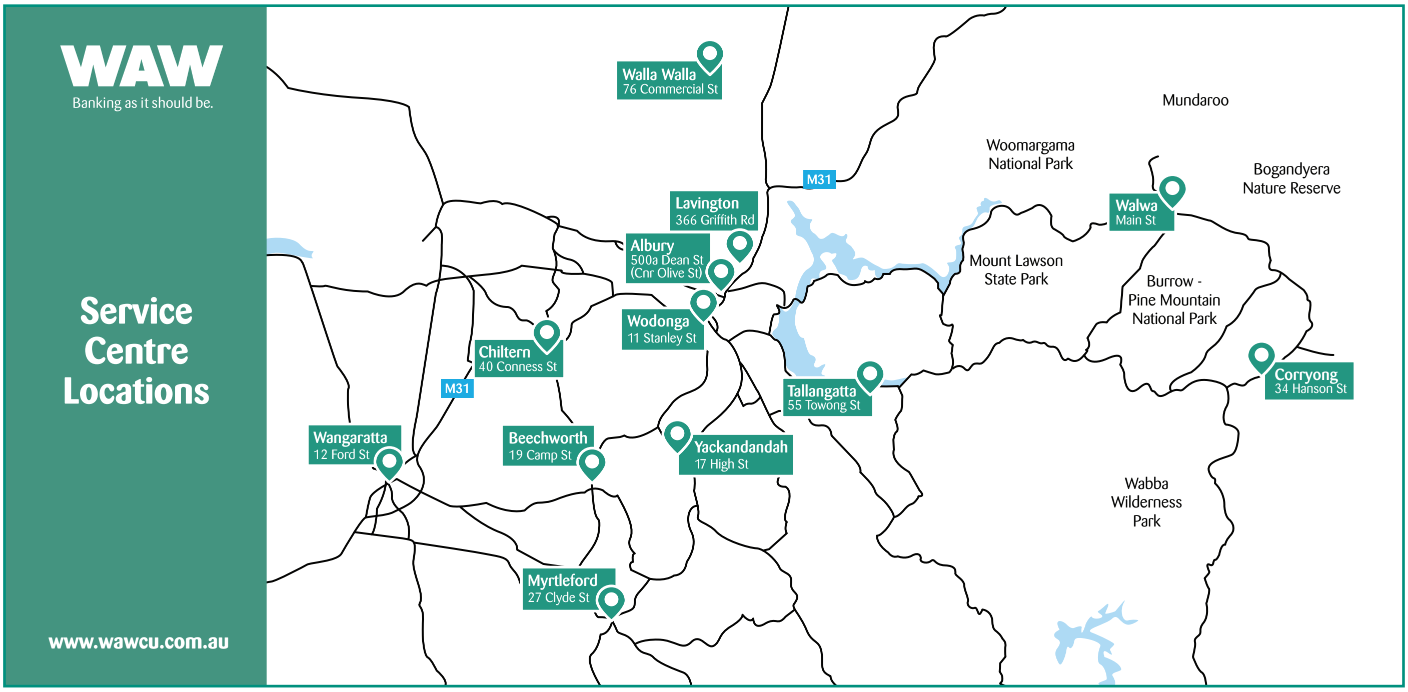
Walwa
Walwa Bush Nursing Centre
Main Street
Phone: (02) 6037 1499 Fax: (02) 6037 1494

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 (Internet banking) www.wawcu.com.au

Telephone banking 1300 361 766

General enquiries (Call centre) 1300 368 555

WAW Credit Union Co-Operative Limited

ABN: 48 087 651 787
AFSL: 247298
Australian Credit Licence: 247298

Contact

Head office: 11 Stanley Street, Wodonga VIC 3690
General enquiries: 1300 368 555
Email: info@wawcu.com.au
Internet banking: www.wawcu.com.au
Phone banking: 1300 361 766

Customer Service Centres

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

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 • Chubb

Auditors

External – Crowe Albury
Internal – AFS & Associates Pty Ltd

External Dispute Resolution Provider

Australian Financial Complaints Authority

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

Banking as it should be.

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