Banking as it should be.

FINANCIAL STATEMENTS
for the year ended 30 June 2020

WAW Credit Union Co-operative Limited
ABN 48 087 651 787
Customer-Owned Banking

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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 2020 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:

Fiona A Shanks B.Bus(HRM), Dip.BusMan, CAHRI, GAICD Director since 29 November 2017	Interim Chair of the Board and the Executive & Remuneration Committee from 25 August 2020. Chair of Risk Management Committee until 25 August 2020. Board Representative on Director Nominations Committee until 25 August 2020. Occupation: Executive Director, Workforce Education & Research. Experience: Organisational Development, Culture and Staff Engagement, Human Resource Management, Local Government, Healthcare, Community.
Robert V Anderson DipBus(Acct), CPA, GAICD Director since 27 April 2018	Chair of the Board and the Executive & Remuneration Committee until 25 August 2020. Leave of Absence from 25 August 2020. Occupation: Independent Company Director. Experience: Risk Management, Information Technology, Corporate Governance, ADI Executive.
Gavan A Nolan B.Ec(ANU), CAANZ Director since 20 November 2019	Chair of Risk Management Committee from 25 August 2020. Board Representative on Director Nominations Committee from 25 August 2020. Occupation: Retired. Experience: Business Review & Turnaround, Financial Reconstruction, Risk Management, Stakeholder Consultation and Collaboration.
Julie H Guest BBus(Acct), CAANZ Director since 29 November 2017	Chair of Audit Committee. Occupation: Accountant. Experience: Public Accounting, Auditing, Local Government, ADI Director.
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.
Carol A Judd BBus(Acct), FCPA, MAICD Retired 20 November 2019	Chair of Strategy Committee [now disbanded]. Occupation: Retired. Experience: Public Accounting, Community Affairs.

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

Company Secretary

Mr Michael A Mack, BBus(E-Comm), FAMI, GAICD, 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' report (cont'd)

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 [Discont'd 25/2/20]		Pandemic Update Conference Calls	
	A	B	A	B	A	B	A	B	A	B	A	B
R Anderson	14	14	12	12	6	5	11	11	1	1	9	9
F Shanks	14	13	12	12	-	-	11	9	-	-	9	5
J Guest	14	14	4	4	6	6	11	11	1	1	9	7
V Schmidt	14	12	-	-	6	5	-	-	1	1	9	3
G Nolan [App 20/11/19]	10	10	-	-	4	4	6	6	-	-	9	8
C Judd [Ret 20/11/19]	4	3	4	3	2	1	5	3	1	1	-	-

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

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 2017 to 30 June 2020.

During the financial year, the Board participated in a performance appraisal process using an external facilitator, which included peer and self-assessment feedback as well as a review of collective Board performance. Results from this initiative support individual Director and Board development and planning for 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 $1,631,493 (2019: $1,820,270). Income tax expense was $418,888 (2019: $155,085).

Review of operations

Net loans and advances for the year have increased by $38,208,106 to $427,452,696.
Deposits increased during the year by $61,316,985 to $518,233,000.
Equity during the year has increased by $1,290,093 to $34,109,928.

There were no significant changes in the operations of the Credit Union, other than the impact of the Coronavirus (COVID-19) pandemic. The rapid rise of COVID-19 has seen an unprecedented global response by Governments, regulators and industry sectors. This has included an increased level of restrictions on corporate Australia's ability to operate, significant volatility and instability in financial markets, and the release of a number of Government stimulus packages to support individuals and businesses as the Australian and global economies face significant slowdowns and uncertainties.

The Credit Union received a number of COVID-19-related hardship applications from customers regarding their loan facilities during the 2020 financial year, which has been taken into account in the expected credit loss provision as at 30 June 2020.

Directors' report (cont'd)

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

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.

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;

Directors' report (cont'd)

Public Prudential Disclosure (cont'd)

- 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/Support/Disclosure-Documents/Annual-Reports.

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:
Following a tender process in 2019, 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. In April 2020, the appointment was extended for a further year.

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 2020 has been received and can be found on page 7 of the financial report.

Dated at Wodonga this 22nd day of September 2020.

Signed in accordance with a resolution of the Directors.

Fiona A Shanks - Director	Julie H Guest - Director
Interim Chair, Board of Directors	*Chair, Audit Committee*

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

PO Box 500
Albury NSW 2640 Australia

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

Auditor Independence Declaration
under 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 2020 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 2020.

Crowe

CROWE ALBURY

BRADLEY D BOHUN
Partner

22 September 2020
Wodonga

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2020

	Note	2020 $	2019 ** $
Interest revenue	2	17,622,567	18,565,153
Interest expense	2	(6,549,113)	(7,627,923)
Net interest income		11,073,454	10,937,230
Non-interest revenue	3(a)	2,578,679	2,581,985
General and administration		(3,717,175)	(3,861,575)
Personnel costs	4	(5,995,787)	(5,590,731)
Depreciation and amortisation expense		(868,698)	(584,958)
Other expenses	4	(135,447)	(370,263)
Net impairment loss on financial assets		(26,742)	(56,802)
Fees and commission expense		(1,276,791)	(1,234,616)
Profit before tax		1,631,493	1,820,270
Income tax expense	5	(418,888)	(155,085)
Profit after tax		1,212,605	1,665,185
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		77,488	-
Other comprehensive income for the year, net of tax		77,488	501,313
Total comprehensive income for the year attributable to customers		1,290,093	2,166,498

*** The Credit Union has not restated comparatives when initially applying AASB 16 Leases. The comparative information has been prepared under AASB 117 Leases.*

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes set out on pages 12 to 58.

Statement of Changes in Equity
For the year ended 30 June 2020

Year ended 30 June 2019 **	Retained Profits $	Lending Risk Reserve $	General Reserve $	Asset Revaluation Reserve $	Financial Asset Reserve $	Total $
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
Year ended 30 June 2020						
Opening balance at 1 July 2019	1,640,077	561,327	27,965,047	2,073,045	580,339	32,819,835
Profit after tax	1,212,605	-	-	-	-	1,212,605
Other comprehensive income	-	-	-	-	77,488	77,488
Total comprehensive income for the period	1,212,605	-	-	-	77,488	1,290,093
Transfer to/(from) lending risk reserve	(69,292)	69,292	-	-	-	-
Transfer to general reserve	(1,640,077)	-	1,640,077	-	-	-
Closing balance at 30 June 2020	1,143,313	630,619	29,605,124	2,073,045	657,827	34,109,928

*** The Credit Union has not restated comparatives when initially applying AASB 16 Leases. The comparative information has been prepared under AASB 117 Leases.*

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes set out on pages 12 to 58.

Statement of Financial Position
As at 30 June 2020

	Note	2020 $	2019 ** $
ASSETS			
Cash and cash equivalents	7	112,147,623	83,982,740
Receivables due from other financial institutions	8	5,018,378	11,500,000
Other receivables	9	832,258	313,284
Customer loans and advances	10	427,452,696	389,244,590
Other financial assets	12	1,517,260	1,410,379
Property, plant and equipment	13	8,007,507	8,288,004
Right-of-use assets	19	813,676	-
Intangible assets	14	391,103	516,406
Deferred tax assets	6	394,933	375,574
Income tax receivable	6	217,499	-
Prepayments		137,694	192,161
TOTAL ASSETS		556,930,627	495,823,138
LIABILITIES			
Customer deposits	15	518,233,000	456,916,017
Accounts payable and other liabilities	16	1,538,108	3,889,754
Income tax payable	6	-	43,297
Lease liabilities	19	807,277	-
Employee benefits	17	1,323,965	1,257,620
Deferred tax liabilities	6	918,349	896,615
TOTAL LIABILITIES		522,820,699	463,003,303
NET ASSETS		34,109,928	32,819,835
EQUITY			
Reserves	1(q)	32,966,615	31,179,758
Retained profits		1,143,313	1,640,077
TOTAL EQUITY		34,109,928	32,819,835

*** The Credit Union has not restated comparatives when initially applying AASB 16 Leases. The comparative information has been prepared under AASB 117 Leases.*

The Statement of Financial Position is to be read in conjunction with the accompanying notes set out on pages 12 to 58.

WAW
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Statement of Cash Flows
For the year ended 30 June 2020

	Note	2020 $	2019 ** $
Cash flows from operating activities			
Interest received		17,126,891	18,678,361
Interest paid		(7,404,832)	(7,631,137)
Payments to employees and suppliers		(12,538,315)	(10,079,074)
Receipts from other services		2,549,631	2,606,343
Income tax paid		(706,701)	(686,886)
		(973,326)	2,887,607
Net (increase)/decrease in loans and advances		(38,234,848)	(38,302,864)
Net increase/(decrease) in deposits		61,316,983	30,359,160
Net cash from operating activities	18(a)	22,108,809	(5,056,097)
Cash flows from investing activities			
Net (increase) / decrease in receivables from other financial institutions		6,481,622	(3,500,000)
Acquisition of property, plant and equipment		(125,966)	(62,133)
Acquisition of intangible assets		(138,520)	(381,987)
Proceeds from sale of plant and equipment		8,000	-
Net cash from investing activities		6,225,136	(3,944,120)
Cash flows from financing activities			
Repayment of the lease liabilities		(169,062)	-
Net cash from / (used in) financing activities		(169,062)	-
Net increase / (decrease) in cash and cash equivalents		28,164,883	(9,000,217)
Cash and cash equivalents at 1 July		83,982,740	92,982,957
Cash and cash equivalents at 30 June	7	112,147,623	83,982,740

*** The Credit Union has not restated comparatives when initially applying AASB 16 Leases. The comparative information has been prepared under AASB 117 Leases.*

The Statement of Cash Flows is to be read in conjunction with the accompanying notes set out on pages 12 to 58.

Notes to the Financial Statements
For the year ended 30 June 2020

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 22 September 2020.

(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).

Going concern
The impact of the Coronavirus (COVID-19) pandemic and its impact on the Credit Union's operations has been subject to close consideration in preparing these financial statements. There has been a significant amount of scenario testing and forecasting undertaken to provide comfort that there is no material uncertainty in terms of the Credit Union as a 'going concern'. The scenario testing undertaken indicates that key metrics such as Capital Adequacy and Liquidity are able to be maintained at levels above both statutory requirements and internal benchmarks for the forecasting period.

(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.

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

1. Significant accounting policies (cont'd)

(d) Receivables due from other financial institutions (cont'd)

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

(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

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 2020 (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, including all loans on the COVID-19 hardship register.

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 2020 (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.

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

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

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

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

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

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

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

The results of the sensitivity analysis performed, taking into consideration a probability-weighted average of each different scenario eventuating, showed that the effect was not material compared to the Credit Union's base case allowance for expected credit losses. The Credit Union has elected to use the base case to measure its expected credit loss allowance at 30 June 2020.

Given the economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future period, expected credit losses reported by the Credit Union should be considered as a best estimate within a range of possibilities. The rapidly evolving consequences of COVID-19 and Government, business and consumer responses could result in adjustments to the allowance within the next financial year.

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

1. Significant accounting policies (cont'd)

(g) Other financial assets

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

(h) Property, plant and equipment & intangible assets

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

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

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

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

- Buildings 40 years
- 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 Credit Union. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any Asset Revaluation Reserve surplus relating to the item disposed of is transferred directly to retained profits.

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

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

- Computer software 3 years

(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.

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

1. Significant accounting policies (cont'd)

(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.

(m) Revenue recognition

Policy applicable after 1 July 2019

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

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

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

Fee income relating to deposit or loan accounts is either:

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

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

1. Significant accounting policies (cont'd)

(m) Revenue recognition (cont'd)

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

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

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

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

Dividend income
Dividend income is recognised when the right to receive income is established.

Income from property
Rental income from leases is recognised on a straight-line basis over the term of the lease.

Government assistance
Grant income is recognised in profit or loss when the Credit Union satisfies the performance obligations stated within the funding agreements. If there are sufficiently specific performance obligations attached to the grant which must be satisfied before the Credit Union is eligible to retain the contribution, the grant will be recognised in the Statement of Financial Position as a liability until those obligations are satisfied. If there are no sufficiently specific performance obligations attached to the grant, the grant is recognised as income when received or receivable (based on conditions of the grant being met).

The Credit Union presents Government assistance grants received in the profit or loss, within 'other income'.

Policy applicable before 1 July 2019

Prior to the adoption of AASB 15, fee and commission income were recognised when the fees and income could be reliably measured, and the receipt became highly probable.

Revenue recognition for interest revenue and income from property are not under AASB 15, and as such were not impacted by the AASB 15 adoption.

(n) Leases

Policy applicable after 1 July 2019

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

The Credit Union assessed a lease within a contract if:

- an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time of the asset becoming available to the Credit Union.
- the right to obtain substantially all the economic benefits from the use of the identified asset during the period of use, considering the rights within the scope of the contract.

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

Right-of-Use Asset Measurement
The Credit Union recognises a Right-of-Use Asset (ROUA) on the statement of financial position at the commencement of the lease contact. The ROUA is measured at cost, which is made up of the initial measurement of the lease liability, any additional direct costs at the lease commencement and an estimate of any costs to dismantle and remove or make good the asset at the end of the lease term.

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

1. Significant accounting policies (cont'd)

(n) Leases (cont'd)

Lease Liability Measurement
The Credit Union measures the present value of the lease payments unpaid at the time of the lease commencement, discounted using the interest rate implicit in the lease or the Credit Union's incremental borrowing rate. Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured whether there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI). Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

Depreciation of ROUA
The Credit Union depreciates the ROUA on a straight-line basis from the lease commencement date to the earlier of the end of useful life of the ROUA or the end of the lease term.

Lease Liability Reduction
The liability will be reduced when rental payments are made and increased for the interest expense incurred for the period.

Short-Term and Low-Value Leases
Short term leases (term less than 12 months) or low-value lease (underlying asset value below $5,000) will be accounted for by expensing the rent payments in the profit and loss statement on a straight line basis over the term of the lease.

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

The lease income for an operating lease is recognised on a straight-line basis over the lease

Policy applicable before 1 July 2019

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.

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

1. Significant accounting policies (cont'd)

(o) Income tax (cont'd)

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

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

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

(p) Goods and Services Tax

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

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

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

As a financial institution, the Credit Union is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases is generally recovered on a proportionate basis, using the safe harbour apportionment rate of 18% adopted per Practical Compliance Guide 2018/15 from 1 July 2019. In addition, certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

(q) 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 2020, $333,551 (2019: $332,588) 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 2020 (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 (2019: 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:

- 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.

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

1. Significant accounting policies (cont'd)

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

- Note 3(a) – Recognition and measurement of revenue from contracts with customers;
- Note 13 - Fair value assumptions used for land and buildings;
- Note 12 – Fair value assumptions used for other financial assets;
- Note 19 – Estimation of the lease term and determination of the appropriate rate to discount the lease payments; and
- Note 1(t) and Note 1(u) – Judgements used in new accounting standards and interpretations.

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Credit Union based on known information. The consideration extends to the nature of the products and services offered, customers, staffing and geographic regions in which the Credit Union operates. The key estimates and judgements associated with COVID-19 are detailed in Note 13 regarding fair value of land and buildings, and Note 1(f) regarding expected credit loss on loans to customers.

(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 16 Leases

General impact of initial application
AASB 16 *Leases* replaced AASB 117 *Leases* from 1 July 2019.

AASB 16 introduces new or amended requirement with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use account and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets.

In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

Details of these new requirements are described in Note 1(n), including the recognition exemptions to lease accounting as a lessee for low-value assets and short-term leases.

The impact of the adoption of AASB 16 on the Credit Union's financial statements is described below.

Financial impact on initial application
When adopting AASB 16, the Credit Union has applied the modified retrospective (cumulative catch -up) method from 1 July 2019, and therefore the comparative information has not been restated and continues to be reported under AASB 117 *Leases* and related Interpretations.

The impact of adoption as at 1 July 2019 on assets and liabilities is detailed below:

	Note	Original 30 June 2019 balance (under AASB 117)	Change	New 1 July 2019 balance (under AASB 16)
Right-of-use assets	19	-	1,429,317	1,429,317
Lease liabilities	19	-	(1,391,317)	(1,391,317)
Make good liability	19	-	(38,000)	(38,000)
Net impact		**-**	**-**	**-**

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

1. Significant accounting policies (cont'd)

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

As at 1 July 2019, the Credit Union's right-of-use assets relate to leased properties used by the Credit Union as customer service centres.

The Credit Union has presented right-of-use assets and the lease liabilities on the face of the statement of financial position. To support the additional disclosure requirements introduced by AASB 16, the financial statements have a new dedicated leasing note (refer to Note 19).

The application of AASB 16 has also had an impact on the statement of cash flows, as detailed below:

- Short-term lease payments and payments for leases of low-value assets are included as part of operating activities, under payments to suppliers and employees;
- Cash paid for the interest portion of lease liability is included as part of operating activities; and
- Cash payments for the principal portion for lease liabilities is included as part of financing activities.

Under AASB 117, all lease payments on operating leases were presented as part of cash flows from operating activities.

The adoption of AASB 16 did not have an impact on net cash flows.

The following transition methods and practical expedients within AASB 16 were applied in adopting the standard:

- The Credit Union measured the lease liability at the present value of remaining lease payments, discounted using the Credit Union's incremental borrowing rate at the date of initial application (1 July 2019). The incremental borrowing applied at 1 July 2019 was 5.73%;
- The Credit Union recognised the right-of-use asset at an amount equal to the lease liability;
- The Credit Union applied a single discount rate to the portfolio of property leases, as they were assessed as having reasonably similar characteristics;
- The Credit Union elected not to apply the requirements of AASB 16 to leases for which the assessed lease term is within 12 months of the date of initial application. These are accounted for the same way as short-term leases; and
- The Credit Union used hindsight in determining the lease term, when the contracts contained extension options.

In selecting which practical expedients to apply, the Credit Union has focused on reducing the complexity of implementation.

Reconciliation to previously reported operating lease commitments note

	$
Operating lease commitments note from 2019 financial statements (gross)	502,421
Less: discounting impact using 1 July 2019 incremental borrowing rate of 5.73%	(27,228)
Operating lease commitments note from 2019 financial statements (discounted)	**475,193**
Add: impact from inclusion of extension options that the Credit Union is 'reasonably certain' to exercise	916,124
Lease liabilities as at 1 July 2019 (under AASB 16)	**1,391,317**

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

1. Significant accounting policies (cont'd)

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

Lease liabilities as at 1 July 2019 under AASB 16 is higher than the discounted lease commitments note under AASB 117, due to AASB 16 requiring the Credit Union to include lease extension terms where the Credit Union is 'reasonably certain' to exercise the option. The AASB 117 disclosure is only based on the non-cancellable period.

There are 'reasonably certain' extension options for all the property leases, which has extended the assessed lease terms under AASB 16. The extended term means an increased lease liability. Details of the extension options are detailed at Note 19.

AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations.

The new Standard has been applied as at 1 July 2019 (as a not-for-profit entity) using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2019 and comparatives are not restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 July 2019.

AASB 15 requires the identification of discrete performance obligations within a customer contract and an associated transaction price that is allocated to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the goods or services is transferred to the customer.

The adoption of AASB 15 did not materially impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities of the Credit Union, and as such there was no 1 July 2019 adjustment relating to this standard.

(u) New or amended accounting standards not yet mandatory

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

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

2. Interest revenue and interest expense

	2020 $	2019 $
Interest Revenue		
Loans and advances - customers	16,373,509	16,394,896
Investment securities	1,249,058	2,170,257
	17,622,567	18,565,153
Interest Expense		
Deposits - customers	(6,494,369)	(7,623,921)
Short-term borrowings	(4,702)	(4,002)
Lease liabilities	(50,042)	-
	(6,549,113)	(7,627,923)

3. Other revenue & other income

a) Non-Interest Revenue

	2020 $	2019 $
Revenue from contracts with customers		
Loan fees	499,407	481,440
Transaction and other fees	1,245,082	1,333,115
Commissions – insurance related	459,675	512,934
Commissions – other	6,066	12,677
	2,210,230	2,340,166
Other sources of income		
Rent	188,271	177,414
Dividends	83,296	40,165
Bad debts recovered	1,913	9,957
Gain on sale of assets	5,750	-
Government assistance (cash boost)	75,000	-
Other income	14,219	14,283
	368,449	241,819
Total non interest revenue	2,578,679	2,581,985

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

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

3. Other revenue & other income (cont'd)

a) Non-Interest Revenue (cont'd)

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

	Nature and timing of satisfaction of performance obligations	**Revenue recognition under AASB 15**
Fee income		
Loan fees	Loan fees and charges includes fees for ongoing loan account management, as well as late repayment fees and other penalty charges. These fees and charges are charged to the customer's account as incurred.	Loan fees and charges are recognised at the point in time when the transaction takes place.
Electronic transaction fees / Visa card fees / Other fees	The Credit Union provides financial services to members. Fees for ongoing account management are charged to the customer's account on a monthly basis. Transaction-based fees are charged to the customer's account when the transaction takes place.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.
Commission income		
Insurance	Commission income is generated via the issuing of third party insurance policies to members. A financial contribution is also available to help cover the direct costs of projects and/or campaigns.	Commission income is recognised when the insurance policy is issued. Commission income for renewals is recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of a significant reversal in a subsequent period. The receipt of renewal commission income is outside the control of the Credit Union, and is a key judgement area. Any marketing contributions are recognised in the year the campaign occurs.
Other	Other commission includes sale of foreign currency viaTravelex.	Revenue is recognised at the point in time when it is received as that is when the service has occurred.

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

4. Personnel cost & other expenses

	2020 $	2019 $
Depreciation and amortisation expense		
Depreciation and amortisation of property, plant and equipment:		
Plant and equipment	219,189	236,045
Buildings	155,825	152,155
Leasehold	29,199	45,860
Depreciation of right-of-use assets	200,662	-
Amortisation of intangible assets	263,823	150,898
	868,698	584,958
Personnel costs		
Wages and salaries	5,042,226	4,723,692
Other associated personnel expenses	316,218	264,883
Contributions to defined contribution superannuation plans	637,343	602,156
	5,995,787	5,590,731
Other expenses		
Occupancy costs – Refer Note 19	135,447	358,835
Loss on disposal of property, plant & equipment	-	1,424
Impairment of other financial assets	-	10,004
Total other expenses	135,447	370,263

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

5. Income tax

	2020 $	2019 $
Profit before tax	1,631,493	1,820,270
Prima facie income tax expense calculated at 27.5% on net profit (2019: 27.5%)	448,661	500,574
Increase/(Decrease) in income tax due to:		
Tax treatment of PPE adjustment	-	(324,098)
Non assessable income (cash boost)	(20,625)	-
Non-deductible expenses	2,187	1,313
Imputation credits	(25,210)	(12,479)
Under/(over) provision for income tax in prior year	758	363
Other differences in tax treatment	13,117	(10,588)
Income tax expense	418,888	155,085
Current tax expense	445,148	551,135
Deferred tax expense	(27,018)	(396,413)
Prior year adjustment	758	363
Income tax expense	418,888	155,085

6. Taxation balances

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2020 $	2019 $	2020 $	2019 $
Customer Loans & Advances	23,058	17,120		-
Prepayments	-	-	2,336	2,304
Other Financial Assets	-	-	248,452	212,609
Property, Plant & Equipment, & Intangibles[(1)]	-	-	667,561	681,702
Accrued Expenses	26,897	29,978	-	-
Employee Benefits	334,064	328,476	-	-
Leases[(2)]	10,914	-	-	-
	394,933	375,574	918,349	896,615

[(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.

[(2)] The deferred tax outcome of the ROUA and lease liability have been offset, given that they relate to the same underlying lease transaction.

Income tax payable / (receivable)
The current tax refund due for the Credit Union of $217,499 (2019: $43,297 payable) represents the amount of income taxes receivable or payable in respect of current and prior periods.

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

6. Taxation balances (cont'd)

	2020 $	2019 $
Income tax payable / (receivable)	(217,499)	43,297
Movement in taxation provision		
Balance at beginning of year	43,297	178,685
Current year's income tax expense on profit before tax	445,148	551,135
Income tax paid	(706,702)	(686,886)
Prior year adjustment	758	363
Balance at end of year	(217,499)	43,297

7. Cash and cash equivalents

	2020 $	2019 $
Cash on hand and at bank	2,750,636	2,571,427
Cash at bank	(898,683)	2,436,423
Deposits at call	-	500,000
Security deposits	14,370,000	8,370,000
Negotiable certificate of deposits	65,925,670	58,104,890
Floating rate note securities	18,000,000	12,000,000
Semi Government bonds	12,000,000	-
	112,147,623	83,982,740
Remaining maturity analysis		
Not longer than 3 months	71,277,623	71,982,740
Longer than 3 and not longer than 12 months	17,500,000	2,000,000
Longer than 12 months and not longer than 5 years[2]	23,370,000	10,000,000
	112,147,623	83,982,740

(3) 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.

	2020 $	2019 $
Credit rating of cash & cash equivalents[1]		
Cuscal Limited – rated A	13,469,948	12,297,753
Banks – rated AA- and above	30,001,369	12,005,043
Banks – rated below AA-	65,925,670	57,108,517
N/A – cash on hand	2,750,636	2,571,427
	112,147,623	83,982,740

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

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

	2020 $	2019 $
8. Receivables due from other financial institutions		
Term deposits	5,018,378	11,500,000
	5,018,378	11,500,000
Remaining maturity analysis		
Not longer than 3 months	5,018,378	7,500,000
Longer than 3 and not longer than 12 months	-	4,000,000
	5,018,378	11,500,000
Credit rating of receivables due from other financial institutions[1]		
Banks – rated AA- and above	-	11,000,000
Banks – rated below AA-	5,018,378	500,000
	5,018,378	11,500,000
9. Other receivables		
Interest receivable	743,310	247,634
Other	88,948	65,650
	832,258	313,284
10. Customer loans and advances		
Overdrafts – customers	6,603,907	6,591,248
Term loans – customers	420,932,636	382,715,596
Gross loans and advances – customers	427,536,543	389,306,844
Provision for impairment	(83,847)	(62,254)
Net loans and advances	427,452,696	389,244,590
Maturity analysis		
Overdrafts	6,603,907	6,591,248
Not longer than 3 months	4,495,476	4,059,520
Longer than 3 and not longer than 12 months	12,824,080	11,613,198
Longer than 1 and not longer than 5 years	67,168,980	60,709,209
Longer than 5 years	336,444,100	306,333,669
	427,536,543	389,306,844

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

10. Customer loans and advances (cont'd)

	2020 $	2019 $
Security held against loans		
Secured by mortgage over residential property	401,529,971	364,993,327
Secured by mortgage over commercial property	22,627,300	20,869,234
Total loans secured by real estate	424,157,271	385,862,561
Secured by funds	754,301	1,015,691
Partly secured by goods mortgage	2,345,666	2,042,858
Fully unsecured	279,305	385,733
	427,536,543	389,306,844

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:

	2020 $	2019 $
Loan to Value Ratio of 80% or less	337,809,339	314,784,396
Loan to Value Ratio of more than 80% but mortgage insured	63,044,673	49,888,733
Loan to Value Ratio of more than 80% not mortgage insured	675,959	320,198
	401,529,971	364,993,327

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.

The geographical segment details are below:	2020 $	2019 $
- Victoria	300,537,196	273,409,035
- New South Wales	116,009,794	104,600,878
- Other	10,989,553	11,296,931
	427,536,543	389,306,844

11. Impairment of loans and advances

	2020 $	2019 $
Total provision comprises of:		
Expected credit loss allowance	83,847	62,254
Total provision	83,847	62,254

Notes to the Financial Statements
For the year ended 30 June 2020 (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.

Credit risk exposure under expected credit loss - 2020	**Stage 1 12 month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loan category	**2020 $**	**2020 $**	**2020 $**	**2020 $**
Mortgages loans – secured by residential property (residential & commercial)				
Up to 30 days	411,631,946	10,810,835	-	422,442,781
More than 30 days, but less than 90 days	-	1,475,149	-	1,475,149
More than 90 days, but less than 180 days	-	-	185,602	185,602
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	55,322	55,322
Personal loans – secured & under secured (including overdrafts / overdrawns)				
Up to 30 days	2,610,016	-	-	2,610,016
More than 30 days, but less than 90 days	-	673	944	1,617
More than 90 days, but less than 180 days	-	-	280	280
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	11,476	11,476
More than 365 days	-	-	-	-
Secured by funds	754,300	-	-	754,300
Total carrying amount – gross	414,996,262	12,286,657	253,624	427,536,543
Less expected credit loss allowance	(25,143)	(46,008)	(12,696)	(83,847)
Total carrying amount – net	**414,971,119**	**12,240,649**	**240,928**	**427,452,696**
Security analysis -Stage 2 & Stage 3				
Estimated collateral – after discount	N/A	17,948,328	112,000	N/A

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

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

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 2020 (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:

2020:

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Movement category	**2020 $**	**2020 $**	**2020 $**	**2020 $**
Balance at 1 July 2019	**12,214**	**48,120**	**1,920**	**62,254**
Movement due to increase in loans & advances	7,273	(3,072)	10,776	14,977
Movement due to change in credit risk	-	(72)	-	(72)
Bad debts written off from provision	-	-	-	-
Changes in model/risk parameters	5,656	1,032	-	6,688
Balance at 30 June 2020	**25,143**	**46,008**	**12,696**	**83,847**

During the 2020 financial year, there was no significant change to the gross carrying amount of financial instruments subject to the expected credit loss provision.

2019:

	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**
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**

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

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

	2020 $	2019 $
Loans restructured		
During the year, some loans that were previously past due or impaired, have been restructured by the Credit Union.		
Loans restructured during the financial year - all	366,652	314,508
Balance at the end of the financial year	88,558	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		
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

	2020 $	2019 $
Equity investment securities designated as fair value through other comprehensive income (FVOCI) – held at fair value		
- Shares in Cuscal Limited (a)	1,338,041	1,242,840
- Shares in TransAction Solutions Pty Ltd	179,219	167,539
	1,517,260	1,410,379

(a) Cuscal Limited

Cuscal is one of the largest, independent providers of payments services and solutions in Australia. Cuscal represents a large percentage of Australia's Mutual Banking industry with many customer owned financial institutions holding shares in their company. 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 2020 (cont'd)

	2020 $	2019 $
13. Property, plant and equipment		
Land		
At fair value	1,576,982	1,576,982
	1,576,982	1,576,982
Buildings on freehold land		
At fair value	6,263,539	6,263,539
Accumulated depreciation	(155,825)	-
	6,107,714	6,263,539
Office furniture, plant and equipment, computer hardware and motor vehicles		
At cost	2,247,342	2,197,922
Accumulated depreciation	(1,982,775)	(1,837,882)
	264,567	360,040
Leasehold improvements		
At cost	497,515	497,515
Accumulated amortisation	(439,271)	(410,072)
	58,244	87,443
Carrying amount of total property, plant and equipment	8,007,507	8,288,004

(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.

Valuations conducted in a prior period are formally reviewed at least annually to ensure that they continue to represent an accurate assessment. As at 30 June 2020 the Credit Union received a desktop assessment from the 2019 valuer that the 2020 property valuations are not materially different from the formal 2019 valuations. While the 2020 assessment does not indicate impairment of land and buildings, it does present 'estimation uncertainty' regarding the valuation of the land and buildings by acknowledging that past cycles indicate a lag for property markets to react to economic events, and that the extent of any decline in value is presently uncertain, and may depend on the length of the COVID-19 pandemic. The fair value assessed may change significantly and unexpectedly over a relatively short period of time.

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

Notes to the Financial Statements for the year ended 30 June 2020 (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 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
Balance at 1 July 2019	1,576,982	6,263,539	360,040	87,443	8,288,004
Additions	-	-	125,966	-	125,966
Revaluations	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	-	-	(2,249)	-	(2,249)
Depreciation	-	(155,825)	(219,190)	-	(375,015)
Amortisation	-	-	-	(29,199)	(29,199)
Balance at 30 June 2020	1,576,982	6,107,714	264,567	58,244	8,007,507

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

14. Intangible assets

	2020 $	2019 $
At cost – computer software	1,712,520	1,625,736
Accumulated amortisation	(1,321,417)	(1,109,330)
	391,103	516,406

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

Computer software & licences

	2020 $	2019 $
Balance at beginning of the year	516,406	285,317
Acquisitions	138,520	381,987
Disposals	-	-
Amortisation	(263,823)	(150,898)
Balance at end of the year	391,103	516,406

15. Customer deposits

	2020 $	2019 $
Deposits at call	267,364,338	226,255,652
Term deposits	250,868,662	230,660,365
	518,233,000	456,916,017

Remaining maturity analysis

	2020 $	2019 $
At call	267,364,338	226,255,652
Not longer than 3 months	39,881,569	27,566,023
Longer than 3 and not longer than 12 months	207,044,626	175,483,558
Longer than 1 and not longer than 5 years	3,942,467	27,610,784
	518,233,000	456,916,017

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:

	2020 $	2019 $
- Victoria	366,483,674	320,409,300
- New South Wales	140,553,294	126,870,018
- Other	11,196,032	9,636,699
	518,233,000	456,916,017

Significant individual customer deposits
As at 30 June 2020, the Credit Union's deposit portfolio did not have any deposit which represented 5% or more of total liabilities (2019: 5%).

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

16. Accounts payable and other liabilities

	2020 $	2019 $
Accrued interest payable	1,078,640	1,934,359
Sundry creditors, accruals and customer clearing accounts	459,468	1,955,395
	1,538,108	3,889,754

17. Employee benefits

	2020 $	2019 $
Current		
Salaries and wages accrued	109,186	63,162
Liability for long service leave	657,582	681,555
Liability for annual leave	488,040	429,458
	1,254,808	1,174,175
Non-current		
Liability for long service leave	69,157	83,445
	1,323,965	1,257,620

18. Reconciliation of cash flows from operating activities

(a) Cash flow from operating activities

	2020 $	2019 $
Profit after income tax	1,212,605	1,665,185
Non-cash flows in operating surplus/(deficit):		
Impairment of other financial assets	-	10,004
(Gain) / Loss on sale of non-current assets	(5,751)	1,424
Depreciation on property, plant & equipment	375,015	378,448
Amortisation on leasehold improvements	29,199	55,613
Amortisation of intangible assets	263,823	150,898
Depreciation of ROUA	200,662	-
Impairment charge / (reversal)	26,742	56,810
Provision for employee entitlements	20,321	93,729
Changes in assets and liabilities:		
(Increase)/Decrease in other receivables	(518,974)	137,566
(Increase)/Decrease in deferred tax asset	(19,359)	(33,587)
Increase/(Decrease) in other assets	54,467	(63,863)
Increase/(Decrease) in accounts payable & other liabilities	(2,389,646)	923,557
Increase/(Decrease) in salaries & wages accrued	46,024	10,037
Increase/(Decrease) in income tax payable	(260,796)	(135,388)
Increase/(Decrease) in deferred tax liability	(7,658)	(362,826)
Net cash from revenue activities	(973,326)	2,887,607
Add/(deduct) non-revenue operations		
Increase in loan and advances	(38,234,848)	(38,302,864)
Increase in deposits and short-term borrowings	61,316,983	30,359,160
	22,108,809	(5,056,097)

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

18. Reconciliation of cash flows from operating activities (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 $7,500,000 (2019: $2,500,000) and incurs an interest rate of 3.25% (2019: 4.25%).This overdraft facility is secured by a Cash Deposit. As at 30 June 2020, the facility was unused (2019: facility was unused).

19. Leases

The Credit Union has applied AASB 16 *Leases* using the modified retrospective (cumulative catch -up) method from 1 July 2019, and therefore the comparative information has not been restated and continues to be reported under AASB 117 *Leases* and related Interpretations.

(a) Credit Union as a lessee

Nature of the leasing activities
The Credit Union leases properties at Albury, Wodonga (three sites), Walwa, Walla Walla and Yackandandah which are used as member service centres. The Credit Union also leases three ATM sites.

Terms and conditions of leases
A summary of the terms and conditions of the leases is detailed below:

Total Leases	Leases Expected to end next 12 months (1)	Leases Expected to end in 1-5 years(1)	Leases Expected to end in 5+ years(1)	Short Term/Low Value Leases	Fixed Lease Payment increase(2)	Indexed Lease Payment Increase(3)
10	4	2	1	3	4	6

(1) Lease ending date includes all extension options likely to be exercised
(2) Fixed Lease Payment increases have been included in ROUA and Lease Liability at commencement of lease
(3) Indexed Lease Payments are linked to CPI or other market indicators and increases to rent payments have not been included in initial calculation of ROUA and Lease Liability, these will be revalued on lease anniversary date

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

Extension options
A number of the building leases contain extension options which allow the Credit Union to extend the lease term by beyond the non-cancellable period. The Credit Union includes options in the leases to provide flexibility and certainty to the Credit Union operations and reduce costs of moving premises, and the extension options are at the Credit Union's discretion.

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

There is approximately $2.45m of potential future lease payments not included in the lease liabilities, as the Credit Union has assessed that the exercise of each option is not reasonably certain as a balance date.

WAW
Banking as it should be.

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

19. Leases (cont'd)

(a) Credit Union as a lessee (cont'd)

	2020 $
Right-of-use assets	
At cost	1,014,338
Accumulated depreciation	(200,662)
	813,676
Reconciliation of the carrying amount of each class of right-of-use assets	
Land & Buildings – balance at 1 July 2019	1,429,318
Depreciation charge	(200,662)
Reductions in right-of-use assets due to changes in lease liability	(414,980)
	813,676
Lease liabilities	
Current	
Not later than 1 year	154,815
Non-current	
Later than 1 year	652,462
	807,277
Maturity analysis of lease liabilities based on contractual undiscounted cash flows	
Not later than 1 year	178,914
Later than 1 year and not later than 5 years	625,700
Later than 5 years	141,565
	946,179

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

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

19. Leases

(a) Credit Union as a lessee (cont'd)

Income statement

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

	2020 $
Interest expense on lease liabilities	50,042
Rental expenses relating to variable lease payments (not included in the measurement of lease liabilities)	105,418
Rental expense relating to short-term leases	27,777
Rental expenses relating to low-value assets	2,252
Income from sub-leasing right-of-use-assets	-
Statement of cash flows	
Total cash outflow for leases (including interest)	354,549

Exemptions applied

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

As at 30 June 2020, the Credit Union is committed to $3,540 for short-term leases.

The Credit Union was provided with lease payment reductions for two properties in April, May and June 2020 by the property landlords due to COVID-19 concessions. Management have applied the practical expedient under AASB 2020-*4 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions*, meaning the reduction in rent for the period was reported in the profit and loss statement as a reduction in occupancy expenses for the period. There was no remeasurement of the right-of-use asset or lease liability related to these lease payment reductions. Total reduction in lease payments for the year was $6,879.

Key assumptions used in calculations

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

- **Assessment of lease term** – as discussed above, this considers consideration of extension options on a lease by lease basis.
- **Determination of the appropriate rate to discount the lease payments –** The Credit Union has used its incremental borrowing rate, as the rate implicit in the leases is not known. The Credit Union's assessed incremental borrowing rate as at 1 July 2019 on adoption was 5.73%. This was determined based on consideration of reference rates for commercial lending, lease term and a lease specific adjustment considering the 'secured borrowing' element of the leases.

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

19. Leases

(b) Credit Union as a lessor

OPERATING LEASES

Nature of the leasing activities
The Credit Union receives rental income from various tenants who lease a portion of the land and buildings owned at Beechworth and Northpoint Tower, Lavington. These leases have been classified as operating leases for financial reporting purposes and the assets are included as property, plant and equipment in the Statement of Financial Position (refer Note 13).

Terms and conditions of leases
These operating lease contracts contain extension options at the right of the lessee. All contracts contain market review clauses in the event that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. The Credit Union manages the risk associated with the underlying property via appropriate insurance coverage and use of real estate agents where appropriate.

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

	2020 $	2019 $
Lease / rental income (excluding variable lease payments not dependent on an index or rate)	185,199	174,308
Lease / rental income relating to variable lease payments not dependent on an index or rate	3,071	3,106
Total lease / rental income	188,270	177,414
Maturity analysis of lease payments receivable showing the undiscounted lease payments to be received after reporting date for operating leases		
Not longer than 12 months	209,342	204,080
Longer than 12 and not longer than 2 years	215,620	210,206
Longer than 2 and not longer than 3 years	200,468	216,512
Longer than 3 and not longer than 4 years	-	200,387
Total undiscounted lease payments receivable	625,430	831,185

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

Notes to the Financial Statements
For the year ended 30 June 2020 (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 include approved but undrawn loans, credit limits and loan redraw facilities.

Security analysis of credit related commitments	**Credit related commitments**		**Financial guarantees**	
Secured by:	**2020 $**	**2019 $**	**2020 $**	**2019 $**
Secured by mortgage over real estate	68,671,060	62,175,040	840,740	701,453
Secured by funds	246,822	238,567	42,142	21,381
Partly secured by goods mortgage	865,010	626,558	-	-
Fully unsecured	714,595	826,227	7,000	10,500
Total	**70,497,487**	**63,866,392**	**889,882**	**733,334**

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

	2020 $	**2019 $**
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	76,698	74,432
Other regulatory assurance services	20,339	18,211
Other services - taxation	7,975	8,228
Other services	2,750	16,500
	107,762	117,371

The above amounts exclude out of pocket expenses recovered.

Notes to the Financial Statements
For the year ended 30 June 2020 (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	Board and Executive & Remuneration Committee Chair – Leave of Absence from 25 August 2020
F A Shanks	Risk Management Committee Chair to 25 August 2020 Interim Board and Executive & Remuneration Committee Chair from 25 August 2020
J H Guest	Audit Committee Chair
V A Schmidt	Director
G A Nolan	Director appointed 20 November 2019 Risk Management Committee Chair from 25 August 2020
C A Judd	Former Chair of the Board (retired 20 November 2019)

Executives

M A Mack	Chief Executive Officer / Company Secretary
R P Kearney	Regulatory Services Manager
G A Hutchinson	Treasury Manager – retired 10 June 2020
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:

	2020 $	**2019 $**
Short-term employee benefits	912,981	926,608
Other long-term benefits	7,968	24,826
Post-employment benefits	147,178	142,179
	1,068,127	1,093,613

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 20 November 2019.

Notes to the Financial Statements
For the year ended 30 June 2020 (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:

	2020 $	2019 $
Loans to key management personnel and other related parties	358,086	374,541

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 was one concessional loan rate facility funded during 2020 (2019: zero) to non-director key management personnel.

Loans (including redraws and overdrafts) totalling $80,722 (2019: $65,350) were made to key management personnel and other related parties during the year including redraws utilised. Overdraft facilities to key management personnel amounting to $2,333 (2019: $2,163 credit) were outstanding as at 30 June 2020.

During the year, repayments of $105,929 (2019: $117,324) 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 4.19% for SVR and 3.25% for staff concessional rates at balance date (2019: 4.78% 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 $13,096 (2019: $14,203). 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 2020 (2019: Nil) nor were any other loans advanced during the period.

Deposits from key management personnel and other related parties

	2020 $	2019 $
Total value term and savings deposits from key management personnel and other related parties	814,364	1,110,761
Total interest paid on deposits to key management personnel and other related parties	13,415	17,391

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.

WAW
Banking as it should be.

Notes to the Financial Statements
For the year ended 30 June 2020 (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 organisation's 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 strategic risk, market risk, credit risk, liquidity 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 developed a Risk Appetite Statement and associated framework that operates in accordance with 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 and works directly with the Chief Risk Officer and the Chief Executive Officer. 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 and works directly with the Finance Manager and the Chief Executive Officer. The Audit Committee also facilitates the External and Internal Auditor arrangements.

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 risk exposure), and ensures that policies and procedures adopted by the Board are implemented.

Chief Risk Officer: The Chief Risk Officer assists the Board, Risk Management Committee and senior management to develop and maintain risk management frameworks, whilst promoting a sustainable risk and compliance culture. The Chief Risk Officer provides effective challenge to management and the Board to support sound risk-based decision-making that is in accordance with the Credit Union's Risk Management Framework. The Chief Risk Officer reports directly to the Chief Executive Officer; attends the Board, Audit and Risk Management Committee meetings; and has direct access to the Board of Directors.

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

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

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

(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 2020 and 30 June 2019, the net interest margin impact for a 2.00% increase in interest rates would be $1,102,779 increase (2019: $976,474 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.

(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 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.

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

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

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

- Maintaining an adequate funding structure and approach that reflects the size, business mix and operational complexity of the organisation;
- Monitoring and managing liquidity ratios on a daily basis and forecasting future liquidity requirements; and
- Maintaining a portfolio of high quality liquid assets that reflects the Credit Union's size, business mix and operational complexity that enables the Credit Union to withstand a severe liquidity stress event.
- Maintaining membership of The Credit Union Financial Support Scheme.

The Credit Union is required to maintain a minimum 9% of total liabilities as liquid assets capable of being converted to cash within 48 hours in accordance with APRA prudential standards. The Credit Union has established policy to maintain liquidity levels well above the regulatory minimum with an internal trigger level set at 13%.

The maturity profile of the Credit Union's liquidity portfolio based on the contractual terms is set out in the notes to the financial statements.

Liquidity ratios as at the end of the financial year were as follows:

	2020	2019
Minimum Liquidity Holdings (MLH)	20.09%	16.74%
Operational Liquidity (non MLH holdings)	0.91%	2.39%
Total Liquidity Holdings	**21.00%**	**19.13%**

(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 held within Australia. The geographic distribution is monitored and analysed. Concentrations are described in Note 10.

The Credit Union assesses applicants against the following general credit risk policy principles: capacity, commitment, collateral, character and intent to repay the loan or facility. Responsible lending underpins the Credit Union's policy and procedures.

The Credit Union has established policies related to:

- Credit assessment and approval of loans and facilities covering acceptable risk and security requirements;
- Acceptable exposure limits for individual borrowers, non-mortgage secured loans, commercial lending and concentrations to geographic and industry groups;
- The ongoing review of individual and collective credit exposures;
- Provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures.

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

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

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

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 may be engaged to conduct recovery action. 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.

Collateral secured loans

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

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

The Credit Union maintains a focus on well secured residential mortgages lending with an 80% loan to valuation ratio or less. Where a residential mortgage has a loan to valuation ratio of greater than 80%, then Lender's Mortgage Insurance is required. Note 10 outlines the nature and extent of the security held against loans and other credit facilities as at the 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 2020 the Credit Union had no large exposures of 10% of capital or more (2019: Nil).

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 liquidity investments is mitigated by the nature and quality of the counterparties as reflected by independent risk ratings of the counterparties 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.

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

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

***CREDIT RISK – RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS & CASH/CASH EQUIVALENT* (cont'd)**

Given the high quality of these investments, the Credit Union does not expect any counterparty to fail to meet its obligations. The exposure values associated with each credit quality investment body are detailed in Notes 7 and Note 8.

(d) Operational risk

Operational risk is the risk of loss to the Credit Union resulting from inadequate or failed internal processes, people and systems or from external events as distinct from 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 in accordance with prudential standards, which is considered to be most suitable for its business given the nature of its operations and associated 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 Credit Union's minimum capital levels are prescribed by APRA. Under the APRA prudential standards capital levels are assessed in three components:

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

The market risk component is not required as the Credit Union does not operate 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

	2020 $	2019 $
Common Equity Tier 1 Capital		
Net tier 1 capital	32,619,932	31,351,319
Tier 2 Capital		
Net tier 2 capital	701,769	575,702
Total capital	33,321,701	31,927,021
Risk profile		
Credit risk	211,542,846	193,613,071
Operational risk	29,082,565	27,255,174
Total risk weighted assets	240,625,411	220,868,245
Capital adequacy ratio	13.85%	14.46%

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

Notes to the Financial Statements
For the year ended 30 June 2020 (cont'd)

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

(e) Capital management (cont'd)

To manage the Credit Union's capital, the Board and management closely monitor the capital adequacy ratio on a monthly basis along with movements in asset levels and earnings. Policies have been implemented that requires reporting to the Board and APRA if the capital adequacy ratio is likely to fall below a trigger level. Further a 5-year 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 and their impact on capital levels.

Internal capital adequacy assessment process

The Credit Union manages capital levels for both current and future activities through the Board Risk Management Committee. The activities and assessments by the Risk Management 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, forecasts or factors related to unforeseen circumstances are assessed by the Risk Management Committee and the Board as and when required.

Notes to the financial statements for the year ended 30 June 2020 (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 repricing periods 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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 %	2019 %
Financial assets:														
Cash and cash equivalents	(899)	2,436	98,296	78,975	12,000	-	-	-	2,751	2,571	112,148	83,982	1.17%	2.28%
Receivables from other financial institutions	-	-	5,018	11,500	-	-	-	-	-	-	5,018	11,500	1.59%	2.12%
Other receivables	-	-	-	-	-	-	-	-	832	313	832	313	N/A	N/A
Customer loans and advances (gross)	327,146	305,946	25,169	28,952	75,222	54,223	-	186	-	-	427,537	389,307	4.01%	4.43%
Other financial assets	-	-	-	-	-	-	-	-	1,517	1,410	1,517	1,410	N/A	N/A
Total financial assets	326,247	308,382	128,483	119,427	87,222	54,223	-	186	5,100	4,294	547,052	486,512	N/A	N/A
Financial liabilities:														
Customer deposits	267,348	226,238	246,926	203,050	3,942	27,611	-	-	17	18	518,233	456,917	1.33%	1.73%
Accounts payable and other liabilities	-	-	-	-	-	-	-	-	1,538	3,890	1,538	3,890	N/A	N/A
Total financial liabilities	267,348	226,238	246,926	203,050	3,942	27,611	-	-	1,555	3,908	519,771	460,807	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 2020 (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	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**
Financial assets:														
Cash and cash equivalents	85,645	69,668	12,306	2,012	12,305	10,066	-	-	2,751	2,571	113,007	84,317	112,148	83,982
Receivables from other financial institutions	5,023	7,563	-	4,024	-	-	-	-	-	-	5,023	11,587	5,018	11,500
Other receivables (ex accrued interest)	-	-	-	-	-	-	-	-	89	66	89	66	89	66
Customer loans and advances	14,983	14,815	24,092	23,688	121,059	118,299	446,460	427,823	-	-	606,594	584,625	427,537	389,307
Other financial assets	-	-	-	-	-	-	-	-	1,517	1,410	1,517	1,410	1,517	1,410
Total financial assets	105,651	92,046	36,398	29,725	133,364	128,365	446,460	427,823	4,357	4,047	726,230	682,005	546,309	486,265
Financial liabilities:														
Customer deposits	308,013	255,204	208,666	178,109	3,942	27,615	-	-	17	18	520,638	460,946	518,233	456,917
Accounts payable and other liabilities (ex accrued interest)	-	-	-	-	-	-	-	-	459	1,955	459	1,955	459	1,955
Total financial liabilities	308,013	255,204	208,666	178,109	3,942	27,615	-	-	476	1,973	521,097	462,901	518,692	458,872

Notes to the financial statements
For the year ended 30 June 2020 (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 on call 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 3 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 2020 (cont'd)

24. Financial instruments (cont'd)

(d) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	2020 $	2019 $
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	112,147,623	83,982,740
Receivables due from other financial institutions	5,018,378	11,500,000
Other receivables	832,258	313,284
Customer loans and advances (gross)	427,536,543	389,306,844
	545,534,802	485,102,868
Financial assets at fair value through other comprehensive income (FVOCI)		
Other financial assets	1,517,260	1,410,379
	1,517,260	1,410,379
Total financial assets	547,052,062	486,513,247
Financial liabilities		
Financial liabilities at amortised cost		
Accounts payable and other liabilities	1,538,108	3,889,754
Customer deposits	518,233,000	456,916,017
Total financial liabilities	519,771,108	460,805,771

25. Fair value measurement

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

2020 **Assets measured at fair value**	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings	-	7,684,696	-	7,684,696
Other financial assets (at FVOCI)	-	-	1,517,260	1,517,260
Total	-	7,684,696	1,517,260	9,201,956

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

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

Notes to the financial statements
For the year ended 30 June 2020 (cont'd)

25. Fair value measurement (cont'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	**2020**	**2019**
	$	**$**
Balance at 1 July per AASB 139	N/A	619,916
Adjustment on initial application of AASB 9	N/A	800,467
Balance at 1 July per AASB 9	1,410,379	1,420,383
Revaluation through other comprehensive income	106,881	-
Impairment through profit or loss	-	(10,004)
Closing balance - at 30 June	**1,517,260**	**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.

26. Capital expenditure commitments

	2020	2019
	$	$
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	-	-
	-	-

Expenditure commitments are stated inclusive of Goods and Services Tax.

Notes to the financial statements
For the year ended 30 June 2020 (cont'd)

27. 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 key management personnel of the Credit Union, and as at 30 June 2020 were:

- Michael Mack
- Jennie Kotzur
- Ross Kearney

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.

28. Subsequent events

The Coronavirus (COVID-19) was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had an impact on the Australian and local economy.

As at the date of preparation of these financial statements, the impact of the Coronavirus (COVID-19) pandemic is ongoing and the situation is rapidly developing. The speed and recovery of economic activity is largely dependent on measures imposed by the Australian Government, such as maintaining social distancing requirements, quarantine, travel restrictions, and any economic stimulus that may be provided.

Given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impacts of such a pandemic on the preparation of these financial statements, changes to the estimates and judgements that have been applied in the measurement of assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

Other than the above, 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.

29. 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 8 to 58, 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 2020 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 22nd day of September 2020.

Signed in accordance with a resolution of the Directors:

Fiona A Shanks - Director
Interim Chair, Board of Directors

Julie H Guest - Director
Chair, Audit Committee

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

PO Box 500
Albury NSW 2640 Australia

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

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 2020, 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 2020 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.

Emphasis of Matter – uncertainties of COVID-19 impacts

We draw attention to Note 1(s) under the heading 'Accounting estimates and judgments' in the financial statements. This note describes the significant areas of estimation, uncertainty and critical judgments used within the financial statements, and the increased relevance in the ongoing COVID-19 pandemic environment. Our opinion is not modified in respect of this matter.

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 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Crowe

CROWE ALBURY

BRADLEY D BOHUN
Partner

22 September 2020
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.

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

Key Regulators

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

WAW
Banking as it should be.

Australian Government $250,000 GUARANTEED DEPOSITS

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