Annual Report 2018

credit union sa

Contents

Directors' Report

The Directors present their report together with the financial report of Credit Union SA Ltd (the "Credit Union") and the consolidated entity comprising the Credit Union and its subsidiary (the "Group") for the financial year ended 30 June 2018 and the Auditors' report thereon.

Directors

The Directors of the Credit Union at any time during or since the end of the financial year, including details of their qualifications, occupation and other directorships are:

Name, Qualifications, Board Committees and Independence Status	Occupation and Other Directorships
Carolyn Anne MITCHELL LLB, GDLP, FAICD Appointed as Chair in December 2017 Non-Executive Director Member, Board Governance Committee	Solicitor/Consultant *Other Board Memberships:* Tonkin Consulting Pty Ltd (Chair), Raising Literacy Australia Incorporated (Chair), Trustee for Festival Centre Trust, JusticeNet SA Incorporated, Lawguard Management Pty Ltd, Campion Education (Aust) Pty Ltd
Alexandrea CANNON MBA, B Bus, FAICD, FAHRI, FAMI Director since 2005 Non-Executive Director Chair, Board Governance Committee	Company Director/Consultant, AICD Facilitator *Other Board Memberships:* SATAC Inc. (Independent Chair), Winston Churchill Memorial Trust National Board, Leaders Institute of SA (Chair), Bizbuild Pty Ltd, Hood Sweeney Pty Ltd
Colin BUTTERICK MBA, Dip HRM, B Cert (Acct), FAMI, GAICD Director since 2009 Non-Executive Director Member, Board Governance Committee Member, Board Audit Committee	Company Director Retired Chief Executive Officer – Powerstate Credit Union Ltd (from 2001 to 2009) *Other Board Memberships:* Trinity Place Ltd (Chair), Diabetes SA (Treasurer)
Nicolle Shelley RANTANEN MBA, MComLaw, BCom (Acc), CSM, FAICD, FCPA, FTIA Director since 2011 Non-Executive Director Chair, Board Risk Committee	Acting Chief Executive of the Public Trustee (South Australia)| Former Chief Operating Officer at the Department of Treasury & Finance, SA Government *Other Board Memberships:* State Procurement Board (Chair)
Robert Peter SHANNAHAN BA (Acct), CPA, MAICD Director since 1994 Non-Executive Director Chair, Board Audit Committee Member, Board Risk Committee	Company Director Retired Senior Regulatory Officer - Essential Services Commission of SA *Other Board Memberships:* Nil
Kathryn Anne JORDAN B Soc Sci (Human Services), B ECE, MAICD Director since 2016 Non-Executive Director Member, Board Audit Committee	Company Director Former Executive Director, Strategy and Performance within the Department for Child Protection, SA Government *Other Board Memberships:* Nil
Philip Leon Fernand RIQUIER MBA, B Bus, FAICD, FCPA Director since February 2018 Non-Executive Director Member, Board Risk Committee	Company Director *Other Board Memberships:* Blue Lake Superannuation Pty Ltd, Neige Pty Ltd, Blue Lake Apples Pty Ltd, Accord Property Pty Ltd (and all of its subsidiaries), LCA Nominees Pty Ltd (Lutheran Super Australia), Lutheran Homes Incorporated, Head Start Homes Pty Ltd

Directors were in office from the beginning of the financial year until the date of this report, unless stated otherwise.

Company Secretary

Mr Paul Langley DipBus., AAICD, Cert Gov (Admin.), GIA (Cert), MRMIA, was appointed to the position of Company Secretary on 4 September 2008. Mr Langley resigned as Company Secretary effective 1 June 2018.

Mr Grant Strawbridge BA (ACC), FCPA, FAICD, F Fin, has held the position of Chief Executive Officer with Credit Union SA since April 2012 and was appointed as Company Secretary effective 1 June 2018.

Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Credit Union during the financial year are:

Director	Director Type	Board		Audit Committee		Risk Committee		Governance Committee	
		A(*)	B	A	B	A	B	A	B
C Mitchell (Chair)	ME	11	11	-	-	-	-	5	5
C Butterick	BA	11	11	2	1	3	3	5	4
A Cannon	ME	11	11	-	-	-	-	5	5
K Jordan	ME	11	10	4	4	-	-	-	-
N Rantanen	ME	11	11	2	2	6	6	-	-
R Shannahan	ME	11	11	4	4	6	6	-	-
P Riquier	BA	6	6	-	-	3	3	-	-

(*) Ten scheduled Board meetings and one (1) Board Planning meeting
A Number of meetings held during the period the Director was a member of the Board or Board Committee.
B Number of meetings attended by the Director
ME Member Elected Directors
BA Board Appointed Director

Directors' Interests

None of the above Directors have declared any interest in existing or proposed contracts with the Group during the financial year ended 30 June 2018, and to the date of this report.

Principal Activities

During the financial year ended 30 June 2018 the principal activities of the Credit Union and the Group were the provision of financial services to its members, including accepting members' deposits, advancing loans to members and acting as a general insurance agent. There were no significant changes to these activities during the year.

Review of Operations

The Credit Union and the Group recorded a profit after tax for the year ended 30 June 2018 of $4.262 million (2017: $4.222 million). Total assets of the Credit Union as at 30 June 2018 were $1.066 billion (2017: $1.009 billion) including members' net loans and advances of $905.040 million (2017: $859.274 million).

Change in the State of Affairs

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

Dividends

The Constitution of the Credit Union prevents the distribution of dividend payments on member shares.

Events Subsequent to the Reporting Date

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

Likely Developments

Disclosure of information regarding likely developments in the operations of the Credit Union and the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Environmental Regulations

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, Directors believe that the Credit Union has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those requirements as they apply to the Credit Union.

Regulatory Disclosures

In accordance with Prudential Standard APS 330, the Credit Union publically discloses information on its risk profile, risk management, capital adequacy, capital instruments and remuneration practices to contribute to the transparency of the financial markets and to enhance market discipline. This information is published on the Credit Union's public website under *Regulatory Disclosures*.

Indemnification and Insurance of Directors and Officers

During the period, the Credit Union paid a premium in relation to a Directors and Officers liability insurance policy, indemnifying the Directors and its Executives against certain liabilities. The Directors have not included the details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability and legal expenses insurance contract, as such disclosure is prohibited under the terms of the contract.

Non-audit Services

During the year KPMG, the Credit Union's external auditor, has performed certain other services in addition to the audit and review of the financial statements. In accordance with the Audit Committee's responsibilities, the Board are satisfied that the provision of these non-audit services during the year by the external auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act

The Lead Auditor's Independence Declaration is set out on page 7 and forms part of the Directors' Report for the year ended 30 June 2018.

Rounding off

The Credit Union is a registered company of a kind referred to in 'ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191', relating to the "rounding off" of amounts in the Directors' Report and financial statements. Amounts in the Directors' Report and financial statements have been rounded to the nearest thousand dollars in accordance with that Instrument, unless otherwise indicated.

Signed at Adelaide this 29th day of August 2018 in accordance with a resolution of the Board of Directors of Credit Union SA Ltd.

Carolyn Mitchell
Chair of the Board

Robert Shannahan
Chair of the Audit Committee

Lead Auditor's Independence Declaration

To the Directors of Credit Union SA Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Credit Union SA Ltd for the financial year ended 30 June 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

KPMG

John Evans
Partner
Adelaide
29 August 2018

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Corporate Governance Statement

Overview

The Credit Union is an Authorised Deposit-taking Institution (ADI) supervised by the Australian Prudential Regulation Authority (APRA) under the Banking Act 1959. The Credit Union is also supervised by the Australian Securities and Investments Commission (ASIC) under the Corporations Act 2001 and has been granted an Australian Financial Services Licence and an Australian Credit Licence.

The Board of the Credit Union is committed to protecting members' interests, keeping them fully informed about the performance of the Credit Union and protecting and enhancing member value.

Effective governance provides the framework to ensure the Credit Union is managed soundly and prudently by a competent Board which can make reasonable and impartial business judgements in the best interests of the Credit Union and which duly considers the impact of its decisions on members.

As part of the Board's governance practices, the Board commits to following the Australian Securities Exchange Corporate Governance Council 'Principles of Good Governance and Best Practice Recommendations' to the extent that they are applicable to the Credit Union as a mutual entity.

Role of the Board

The Board is responsible for the sound and prudent management of the Credit Union. In undertaking these responsibilities the Board will have due regard to all of its stakeholders and its role in the community.

The Directors of the Credit Union constitute the Board. The Directors of the Credit Union must exercise their powers and discharge their duties in good faith with due care, skill and diligence and are responsible for:

- setting the strategic direction for the Credit Union, providing input into and final approval of Management's development of corporate strategy and performance objectives
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance
- establishing and fostering a prudent and strong risk culture throughout the Credit Union
- oversight of Credit Union SA, including its control and accountability systems
- approving and monitoring financial and other reporting
- appointing, monitoring and managing the performance of the Chief Executive Officer
- approving the remuneration of the Chief Executive Officer, Executive Managers and other designated employees in accordance with the Board Remuneration Policy and APRA's Prudential Standards
- monitoring Executive Management's performance and implementation of strategy, and ensuring appropriate resources are available
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures.

Responsibility for the day-to-day activities of the Credit Union is delegated to the Chief Executive Officer by the Board in accordance with Board Governance Policies.

Board Processes

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including an Audit Committee, Governance Committee and Risk Committee. These committees have written charters which are reviewed on a regular basis. The Board has also established a framework for the management of the Credit Union including a system of internal control, a business risk management process, the establishment of appropriate ethical standards (values and behaviours) and Board policies.

The Board held 10 scheduled meetings and a strategic planning meeting during the financial year. The agendas for meetings are prepared in conjunction with the Chair, Chief Executive Officer and the Company Secretary. Standing items include the Chief Executive Officer's Report, financial reports, risk, governance and compliance reports and submissions. Submissions are reviewed by the various Board Committees and circulated in advance. Executives are regularly involved in Board discussions and Directors have other opportunities to communicate with the wider group of employees.

Structure of the Board

The composition of the Board of Directors is determined by the Board subject to the details set out in the Credit Union's Constitution. At all times member elected Directors constitute a majority of Directors.

The Board considers the mix of skills and the diversity of Board members when assessing the composition of the Board. The Board assesses existing and potential Directors' skills to ensure they have the appropriate industry experience in the Credit Union's environment.

The Board consists solely of Non-Executive Directors. The Board currently comprises seven (7) Non-Executive Directors, five (5) of whom are member elected and two (2) Board appointed Directors.

All Directors are eligible to vote at all Board meetings. All members of the Board are shareholding members of the Credit Union and are appointed to office in accordance with the Credit Union's Constitution.

The Credit Union is diligent in complying with all external regulatory requirements. This includes APRA's Prudential Standards and Guidelines as well as ASIC requirements.

Corporate Governance Statement continued

Independent professional advice and access to Credit Union Information

The Credit Union does not have a policy in place for prospective, current or former officers, employees or contractors (including professional service providers) that prevents, constrains or impedes them, whether by confidentiality clauses or other means, from disclosing information, from discussing issues of relevance to the management and prudential supervision of the Credit Union, or from providing documents under their control to APRA. Each Director has the right of access to all relevant Credit Union information and to the Credit Union's executive and senior management team and, subject to the written consent of the Credit Union, may engage separate legal or other representation from a suitably qualified adviser at the Credit Union's expense.

Board Renewal

The Board Charter describes how the Board intends to renew itself in order to ensure it remains open to new ideas and independent thinking, while retaining adequate expertise.

Directors meet their renewal responsibilities by keeping up to date with developments in the industry through the process of ongoing Director development, regular presentations by external parties and Executive Management and consideration of emerging trends and associated strategy implications at each Board meeting.

Fitness and Propriety

The Credit Union has a fit and proper framework that is in accordance with relevant legislation. This framework ensures Directors, Executives and Senior Management are of an appropriate fitness and propriety to lead the Credit Union.

Independence

The Board comprises of Non-Executive Directors all of whom are independent. A Director is not an independent Director if the Director:

- is a current employee of the Credit Union or has been an employee of the Credit Union within the 3 year period immediately prior to the closing of nominations for a Director election (excluding appointed Director(s) or a Director appointed to fill a casual vacancy pursuant to Rule 13.5 of the Constitution)
- has within the last three years been a principal of a material professional adviser or a material consultant to the Credit Union, or an employee materially associated with the service provided
- is a material supplier or customer of the Credit Union, or an officer of or otherwise associated directly or indirectly with a material supplier or customer or
- has a material contractual relationship with the Credit Union other than as a Director.

Ethical Standards

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Credit Union.

Code of Conduct

The Credit Union has developed and communicated a set of core values and implemented this in the operating and behavioural environment of the Credit Union. The core values are supported by values in action statements that outline the expected behaviours of each Director, manager and employee of the Credit Union.

Conflicts of Interest

To assist with the exercise of proper independence, and to enhance the status of the Credit Union acting with integrity and in a fair and balanced manner, the Board has developed policies for dealing with actual and perceived conflicts of interest at all levels of the organisation. This is in accordance with the Corporations Act 2001 and the Credit Union's Constitution. Directors are to disclose to the Board actual or potential conflicts of interest that may exist between the interests of the Director and the Credit Union. A conflict of interest or potential conflict may arise from other business interests that may include roles as an employee, Director, investor, agent, contractor etc, where the role could adversely affect the Director's ability to perform their duties and responsibilities as a Director of the Credit Union.

Where a Director has an actual, potential or perceived conflict of interest in relation to any matter under consideration by the Board, that Director declares that conflict of interest if they have not already done so, absent themselves from any discussion of that matter and does not vote on any resolution arising from or relating to that matter. This is noted in the minutes of the meeting.

Professional Development

The Board has a strong commitment to continuous improvement and the renewal of Directors. Annual budgets are set for education and development, and Directors' professional development guidelines are specified within the Board Performance Management and Director Development Board Policy.

Corporate Governance Statement continued

Minimum Competencies

The Election and Appointment of Directors Board Policy sets out the fit and proper requirements, as well as the competencies required to be a Director of the Credit Union with a Director expected to understand the role and responsibilities of a Director and have a general knowledge of the Credit Union, its business and its regulatory environment. In addition, the Election and Appointment of Directors Board Policy includes reference to prudential expectations that a Director should be an experienced board practitioner, is familiar with Directors' duties more generally and the additional obligations imposed on a Director under APRA's prudential framework. The Election and Appointment of Directors Board Policy was amended during the year to further strengthen the link between the Constitution, fit and proper requirements and the applicable criteria for Board membership.

Board Performance

The Board is committed to the ongoing development of both individual Directors and the Board as a whole. The Board conducts an evaluation of the performance of the Board relative to its objectives and the performance of individual Directors with feedback provided to individual Directors and the Board as a whole on their performance against stated objectives.

In 2016/17 the Board undertook a Board Performance evaluation that was facilitated by an external specialist with results reported back to individual Directors and the Board collectively. As a result of the Board Performance evaluation, a number of actions were progressed throughout 2017/18 in relation to an orderly Board refreshment and renewal culminating in changes to the Chair of the Board and Chairs of Board Committees, composition of Board Committees and the recruitment of a Board Appointed Director with banking and risk management expertise.

Director Remuneration

The Governance Committee conducts an annual review of Director remuneration taking into consideration payments made to Directors of similar sized organisations. Appropriate levels of remuneration are set for Directors including loadings for Chair positions and multiple Committee appointments.

The recommendation of the Governance Committee requires Board endorsement of individual Director remuneration and, where appropriate, the total aggregate Director remuneration. In the event that there is an increase from the amount previously approved by members for the total aggregate Director remuneration, approval is required by the members at the Annual General Meeting.

In accordance with Prudential Standard APS 330, the Credit Union discloses information on its remuneration practices on the Credit Union's public website under Regulatory Disclosures.

Diversity

The Credit Union submits an annual compliance report in accordance with the *Workplace Gender Equality Act 2012 (Act)* with a copy of the *Workplace Gender Profile Report* published on the Credit Union's public website under Regulatory Disclosures.

Communication with Members

The Board encourages full participation of Members at the Annual General Meeting, either by way of physical attendance or proxy voting, to ensure a high level of accountability, in addition to communication of the Credit Union's strategies, goals and achievements. Important resolutions are presented to Members as single resolutions. Members are requested to vote on contested Director Elections, aggregate remuneration of Directors (only in the event of an increase in the aggregate remuneration from the amount previously approved by members) and any changes to the Constitution.

A copy of the Credit Union's Constitution is available on the Credit Union's website.

Committees of the Board

While the Board of the Credit Union is responsible for the overall leadership of the Credit Union, the Board has established the following Board Committees to assist in discharging its duties:

- Audit Committee
- Governance Committee (includes Remuneration Committee responsibilities); and
- Risk Committee.

The specific responsibilities of each Committee are set out in the individual Committee's Charter. In summary, each Committee:

- must exercise any powers delegated by the Board and in accordance with any directions of the Board
- has the authority to conduct or direct any investigation required to fulfil its responsibilities including the authority to seek any information it requires from employees of the Credit Union
- may recommend to the Board that external resources such as legal, accounting or other advisers, consultants or experts be engaged as it considers necessary from time to time in the performance of its duties
- may make recommendations to the Board as it sees fit.

Each Committee comprises only independent Non-Executive Directors of which there must be at least three. The Chair of each Committee will be elected by the Board and the Chair must be an independent Non-Executive Director and may not be the Chair of the Board.

Audit Committee

The Audit Committee comprises three Non-Executive Directors and met four (4) times during the year.

The Committee assisted the Board in fulfilling its duties by reviewing and overseeing the efficiency and effectiveness of internal controls in line with the Audit Committee Charter. The Audit Committee has responsibility for the oversight of APRA statutory reporting requirements, as well as other financial reporting requirements, internal and external control frameworks and appointment of the internal and external auditors.

All Committee members have free and unfettered access to senior management including persons responsible for financial management, risk management, the internal auditor and the external auditor.

The Credit Union engages an external independent auditor as required by APRA and ASIC.

Governance Committee

The Governance Committee comprises three Non-Executive Directors and met five (5) times during the year.

The Committee assisted the Board in fulfilling its corporate governance responsibilities and makes recommendations to the Board for developing, implementing and reviewing the Board Governance policies. Specific responsibilities include recommending to the Board amendments to the Credit Union's Constitution, overseeing the processes by which key corporate objectives are set and performance is monitored, overseeing matters relating to Board composition, Director tenure, succession planning, skills assessment, Director development and performance assessment, fit and proper framework of the Credit Union, management of the Nominations Panel, recommending to the Board the appointment process, performance assessment process and the contract of employment of the Chief Executive Officer.

In addition to the above responsibilities, the Committee acts as the Credit Union's Board Remuneration Committee providing the conduit for the Board in discharging its obligations in relation to APRA's remuneration requirements. The Governance Committee has specific responsibilities for conducting regular reviews and making recommendations to the Board to ensure alignment between remuneration and risk management capturing the Chief Executive Officer, Executive Management and other designated employees as specified in the Board Remuneration Policy, as well as recommending to the Board the proposed aggregate remuneration and annual Directors' remuneration distribution.

Risk Committee

The Risk Committee comprises three Non-Executive Directors and met six (6) times during the year.

The Committee assisted the Board in fulfilling its responsibilities in relation to the Credit Union's risk management system. Specific responsibilities include risk management that arises from the balance sheet and interest rates, credit risk that arises in the credit portfolio and operational risk that includes regulatory risk, business continuity and other day-to-day business operations (including economic, contagion and reputational risks). In addition, the Risk Committee oversees the Board approved Risk Appetite Statement and associated risk culture throughout the Credit Union.

All Risk Committee members have free and unfettered access to senior management including persons responsible for financial management, risk and compliance management, the internal auditor and the external auditor.

Risk Management

The Board is ultimately responsible for the sound and prudent management of Credit Union SA. The Credit Union will comply with the law, regulatory policy statements, industry codes and organisational standards that are relevant to the business. The Credit Union has identified risks that impact on the organisation and established risk systems, frameworks, policies and procedures to effectively and efficiently manage these risks as well as supporting a strong risk management culture.

The Credit Union has a Risk Appetite Statement and Board approved policies that document its approach to risk management. These documents limit risks to prudent levels by providing a logical and systematic framework to identify, measure and manage potential risks, and to meet prudential and statutory requirements.

The Board is responsible for ensuring that the Credit Union and its staff comply with all laws and regulations governing the operations of the Credit Union. The Credit Union maintains a structured compliance management system that is appropriate for its size, nature, scale and complexity.

The Board undertakes regular reviews of the overall risk environment in which the Credit Union operates. The processes adopted by the Board include an assessment and weighting of risks and subsequently an allocation of resources and capital, as appropriate, to manage risks within levels that are acceptable to the Board.

Financial Reporting

The Chief Executive Officer, Executive Management and relevant senior managers have provided assurance in writing to the Board that the Credit Union's financial reports are founded on a sound system of risk management and internal compliance control which implements the policies adopted by the Board.

Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly.

Internal Audit

In November 2017, the Credit Union outsourced its Internal Audit function to a professional audit firm. The outsourced Internal Audit function has unfettered access to all business lines and support functions and reports directly to the Chair of the Audit Committee.

The Audit Committee is responsible for approving the program and scope of internal and external audit activities each financial year to ensure optimum coverage of the major areas of potential risk.

Internal and External Audit Independence

The Audit Committee oversees the selection and appointment process of the Credit Union's Internal Auditor and makes recommendations to the Board on the appointment of the Credit Union's External Auditor. The current External Auditor Lead Partner was appointed in 2017 as a result of the rotation of the previous Lead Partner. The Audit Committee can and does meet regularly with the Internal and External Auditors without management present.

The Audit Committee monitors the independence of the Internal and External Auditors and reviews the independence safeguards put in place by both the Internal and External Auditors.

Independent Auditor's Report

To the members of Credit Union SA Ltd

Opinion

We have audited the consolidated Financial Report of Credit Union SA Ltd (the "Group Financial Report"). We have also audited the Financial Report of Credit Union SA Ltd (the "Company Financial Report").

In our opinion, each of the accompanying Group Financial Report and Company Financial Report of Credit Union SA Ltd are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group*** and ***Company's*** financial position as at 30 June 2018 and of their financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards and the Corporations Regulations 2001*.

The respective Financial Reports of the Group and the Company comprise:

- *Statements of financial position* as at 30 June 2018;
- *Statements of profit or loss and other comprehensive income, Statements of changes in equity, and Statements of cash flows* for the year then ended;
- Notes including a summary of significant accounting policies; and
- *Directors' Declaration*.

The ***Group*** consists of the Credit Union SA Ltd (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audits in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the Financial Reports* section of our report.

We are independent of the Group and Company in accordance with 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 audits of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

Other Information is financial and non-financial information in Credit Union SA Ltd's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinions on the Financial Reports do not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing Financial Reports that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of Financial Reports that give a true and fair view and are free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audits of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether each of the Financial Reports as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinions.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audits of the Financial Reports is located at the *Auditing and Assurance Standards Board* website at:
http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf.
This description forms part of our Auditor's Report.

KPMG

KPMG

John Evans
Partner
Adelaide, 29 August 2018

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Directors' Declaration

For the year ended 30 June 2018

In the opinion of the Directors of Credit Union SA Ltd ("the Credit Union"):

a) the financial statements and notes set out on pages 15 to 65 are in accordance with the Corporations Act 2001 including:

   i. giving a true and fair view of the Credit Union's and the Group's financial position as at 30 June 2018 and of their performance, for the financial year ended on that date;

   ii. complying with *Australian Accounting Standards* (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

b) the financial statements also comply with the International Reporting Standards as disclosed in Note 2;

c) there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

Signed at Adelaide this 29th day of August 2018, in accordance with a resolution of the Board of Directors of the Credit Union.

Carolyn Mitchell	**Robert Shannahan**
Chair of the Board	Chair of the Audit Committee

Statements of Financial Position

As at 30 June

	Notes	Consolidated		Credit Union	
		2018 $'000	**2017** $'000	**2018** $'000	**2017** $'000
Assets					
Cash and cash equivalents	8	35,853	29,991	32,834	29,991
Due from other financial institutions	9	113,677	110,148	113,677	110,148
Trade and other receivables	10	1,446	1,242	1,677	1,242
Net loans and advances	11, 12	905,040	859,274	905,040	859,274
Other Investments	27	-	-	97,400	-
Other financial assets	13	1,661	1,661	1,661	1,661
Equity accounted investees	14	4,262	4,082	4,262	4,082
Property, plant and equipment	15	1,357	1,473	1,357	1,473
Deferred tax assets	7	861	590	861	590
Intangible assets	16	980	876	980	876
Other assets	17	336	143	331	143
Total assets		**1,065,473**	**1,009,480**	**1,160,080**	**1,009,480**
Liabilities					
Members' deposits	18	945,510	899,025	945,510	899,025
Due to other financial institutions		11,500	6,500	11,500	6,500
Borrowings	27	-	-	94,133	-
Trade and other payables	19	4,330	4,168	4,804	4,168
Income received in advance		465	626	465	626
Income tax payable	7	329	120	329	120
Derivative liabilities	26	-	97	-	97
Provisions	20	2,756	2,720	2,756	2,720
Total liabilities		**964,890**	**913,256**	**1,059,497**	**913,256**
Net assets		**100,583**	**96,224**	**100,583**	**96,224**
Equity					
Retained earnings	21	99,520	95,285	99,520	95,285
Other reserves	21	-	-	-	-
Cash flow hedge reserve	21	-	(97)	-	(97)
General reserve for credit losses	21	1,008	983	1,008	983
Redeemed member shares	21	55	53	55	53
Trust issued Units	21	-	-	-	-
Total equity		**100,583**	**96,224**	**100,583**	**96,224**

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 30 June

	Notes	Consolidated		Credit Union	
Income		**2018** $'000	**2017** $'000	**2018** $'000	**2017** $'000
Interest revenue	4	40,784	38,415	42,318	38,415
Interest expense	4	(15,663)	(14,629)	(18,351)	(14,629)
Net interest revenue		25,121	23,786	23,967	23,786
Non interest revenue	5	5,555	5,867	6,639	5,867
Share of profit of equity accounted investees	5, 14	850	896	850	896
Total income		**31,526**	**30,549**	**31,456**	**30,549**
Expenses					
Impairment losses on loans and advances	6, 12	(179)	(257)	(179)	(257)
Other expenses	6	(25,671)	(24,664)	(25,601)	(24,664)
Total expenses		**(25,850)**	**(24,921)**	**(25,780)**	**(24,921)**
Profit before tax		**5,676**	**5,628**	**5,676**	**5,628**
Income tax expense	7	**(1,414)**	**(1,406)**	**(1,414)**	**(1,406)**
Profit for the year		**4,262**	**4,222**	**4,262**	**4,222**
Items that are or may be reclassified to profit or loss					
Cash flow hedge reserve		-	-	-	-
Other comprehensive income for the period, net of tax		-	-	-	-
Total comprehensive income for the year		**4,262**	**4,222**	**4,262**	**4,222**

The above Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

As at 30 June

Consolidated	Notes	Retained Earnings $'000	Other Reserves $'000	General Reserve for Credit Losses $'000	Cash Flow Hedge Reserve $'000	Redeemed member shares $'000	Total $'000
2018							
Opening equity		**95,285**	**-**	**983**	**(97)**	**53**	**96,224**
Profit for the year		4,262	-	-	-	-	4,262
Changes to the fair value of cash flow hedges		-	-	-	97	-	97
General Reserve for Credit Losses	12	(25)	-	25	-	-	-
Transfer (to)/from redeemed member shares		(2)	-	-	-	2	-
Closing equity	**21**	**99,520**	**-**	**1,008**	**-**	**55**	**100,583**
2017							
Opening equity		**91,128**	**-**	**920**	**(293)**	**51**	**91,806**
Profit for the year		4,222	-	-	-	-	4,222
Changes to the fair value of cash flow hedges		-	-	-	196	-	196
General Reserve for Credit Losses	12	(63)	-	63	-	-	-
Transfer (to)/from redeemed member shares		(2)	-	-	-	2	-
Closing equity	**21**	**95,285**	**-**	**983**	**(97)**	**53**	**96,224**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Statements of Changes in Equity continued

As at 30 June

Credit Union	Notes	Retained Earnings $'000	Other Reserves $'000	General Reserve for Credit Losses $'000	Cash Flow Hedge Reserve $'000	Redeemed member shares $'000	Total $'000
2018							
Opening equity		**95,285**	**-**	**983**	**(97)**	**53**	**96,224**
Profit for the year		4,262	-	-	-	-	4,262
Changes to the fair value of cash flow hedges		-	-	-	97	-	97
General Reserve for Credit Losses	12	(25)	-	25	-	-	-
Transfer (to)/from redeemed member shares		(2)	-	-	-	2	-
Closing equity	**21**	**99,520**	**-**	**1,008**	**-**	**55**	**100,583**
2017							
Opening equity		**91,128**	**-**	**920**	**(293)**	**51**	**91,806**
Profit for the year		4,222	-	-	-	-	4,222
Changes to the fair value of cash flow hedges		-	-	-	196	-	196
General Reserve for Credit Losses	12	(63)	-	63	-	-	-
Transfer (to)/from redeemed member shares		(2)	-	-	-	2	-
Closing equity	**21**	**95,285**	**-**	**983**	**(97)**	**53**	**96,224**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Statements of Cash Flows

For the year ended 30 June

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000	Credit Union 2018 $'000	Credit Union 2017 $'000
Cash flows from operating activities					
Interest received		40,617	38,816	42,065	38,816
Increase in members loans and advances		(45,945)	(103,304)	(45,945)	(103,304)
Interest paid		(15,480)	(14,378)	(18,030)	(14,378)
Increase in member deposits	18	46,485	71,152	46,485	71,152
Increase in due to other financial institutions		5,000	6,500	5,000	6,500
Non-interest income received		5,517	5,707	6,394	5,707
Non-interest expenses paid		(25,087)	(23,951)	(24,614)	(23,951)
Income tax paid	7(c)	(1,477)	(1,356)	(1,477)	(1,356)
Net cash flow from/(used in) operating activities	8(b)	**9,630**	**(20,814)**	**9,878**	**(20,814)**
Cash flow from investing activities					
(Increase)/decrease in due from other financial institutions	9	(3,529)	20,808	(3,529)	20,808
Net Increase in Notes receivable		-	-	(97,400)	-
Dividends received from equity accounted investees	14	671	632	671	632
Payments for property, plant, equipment and intangibles	15,16	(926)	(707)	(926)	(707)
Proceeds from sale of property, plant and equipment		16	-	16	-
Net cash (used in)/from investing activities		**(3,768)**	**20,733**	**(101,168)**	**20,733**
Cash flow from financing activities					
Increase in notes receivable from securitisation		-	-	94,133	-
Net cash from Financing activities		**-**	**-**	**94,133**	**-**
Net increase/(decrease) in cash equivalents		**5,862**	**(81)**	**2,843**	**(81)**
Cash and cash equivalents as at 1 July 2017		29,991	30,072	29,991	30,072
Cash and cash equivalents as at 30 June 2018	8(a)	**35,853**	**29,991**	**32,834**	**29,991**

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

Notes to the Financial Statements

Note 1. General Information

Reporting Entity

Credit Union SA Ltd (the "Credit Union"), is a company domiciled in Australia. These consolidated financial statements comprise the Credit Union, its subsidiaries and its equity accounted investees (together referred to as the "Group").

Credit Union SA Ltd's registered office and its principal place of business is as follows:

400 King William St, Adelaide
South Australia, 5000.

Principal Activities

During the financial year ended 30 June 2018 the principal activities of the Credit Union were the provision of financial services to its members, including accepting members' deposits, advancing loans to members and acting as a general insurance agent. There were no changes to these activities during the year and no changes are anticipated for the coming year.

Note 2. Basis of Preparation

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with *Australian Accounting Standards* (AASBs) (including Australian interpretations) adopted by the *Australian Accounting Standards Board* (AASB) and the *Corporations Act 2001*. The financial report complies with International Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board. The Credit Union is a for-profit entity for the purposes of preparing the financial statements.

Details of the Credit Union's accounting policies, including changes during the year, are included in note 2(f) and note 3.

The financial report was authorised for issue by the Directors on 29 August 2018.

(b) Basis of Measurement

The financial report has been prepared on the historical cost basis except for financial instruments classified as available-for-sale and derivatives which are stated at their fair value in the statements of financial position.

(c) Functional and Presentation Currency

The financial report is presented in Australian dollars, which is the Credit Union's functional currency. The Credit Union is a registered company of a kind referred to in 'ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/91', relating to the "rounding off" of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial statements have been rounded to the nearest thousand dollars in accordance with that Instrument, unless otherwise indicated.

(d) Use of Estimates and Judgements

The preparation of a financial report 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 experience 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.

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

Information about critical judgements in applying accounting policies that have had the most significant effect on the amounts recognised in the financial statements are included the following notes:

- Note 3(g) - Impairment of Loans and Advances
- Note 3(j) - Impairment
- Note 3(k) - Provisions for Employee Entitlements
- Note 3(q) - Provisions for Onerous Contract and Future Rent

(e) Basis of Consolidation

The Group operates a securitisation vehicle under its self-securitisation programme. In considering whether it has control the Group considers whether it manages the key decisions that manage the vehicle's returns. As a result, the Group has concluded that it controls the securitisation vehicle.

(f) Changes in Accounting Policies

There have been no significant changes in accounting policies during the year.

Note 3. Statement of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Equity Accounted Investments

The financial statements comprise the financial statements of the the Group's interest in equity accounted investees comprising interest in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are recognised initially at cost, which includes

Note 3. Statement of Significant Accounting Policies continued

transaction costs. Subsequent to initial recognition, the financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Credit Union's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Property, Plant and Equipment (PP&E)

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (refer to note 3(j)). Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

Gains and losses on disposal of an item of PP&E are determined by comparing the proceeds from disposal with the carrying amount of PP&E and recognised net within other income in the profit or loss.

(ii) Depreciation

All PP&E, except land, have limited useful lives and are depreciated using the straight line method over their estimated useful lives.

The depreciation rates used for each class of assets for the current and comparative period are as follows:

Depreciable Assets

Building works	2.50%
Office furniture and fittings	13% to 16.5%
Plant and equipment	6% to 20%
Computer equipment	25.0% to 33.0%
Software	33.0%
Intangible Assets	33.0%
Motor vehicles	17% to 20%
Leasehold Improvements	10.0% to 43.0%

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually and adjusted if appropriate.

(c) Intangible Assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(i) Amortisation

Amortisation is calculated over the cost of the asset, or any other amount substituted for cost, less its residual value.

Amortisation is recognised in the statement of profit or loss and other comprehensive income on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Software	3 years

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

(ii) Impairment of intangible assets

The carrying amounts of the Group's intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of intangible assets is the greater of their fair value less costs to sell and value in use.

(d) Financial Instruments

Financial instruments are initially recognised at fair value plus any attributable transaction costs. Subsequently financial instruments are required to be classified into measurement categories which determine the accounting treatment of the item. The Group has the following categories:

Loans and receivables	Measured at amortised cost, using the effective interest rate method, less impairment losses (refer to note 3(g))
Held to maturity	Measured at amortised cost, using the effective interest rate method, less impairment losses (refer to note 3(j))
Available for sale	Measured at fair value with changes in fair value taken to other comprehensive income
Liabilities	Measured at amortised cost, using the effective interest rate method
Derivative assets	Measured at fair value (refer to note 3(s))
Derivative liabilities	Measured at fair value (refer to note 3(s))

The Group derecognises financial instruments when the contractual rights to the cash flows of the financial asset expire, or in the case of financial liabilities when the contractual obligations are discharged, cancelled or expire.

Note 3. Statement of Significant Accounting Policies continued

(e) Investments

(i) Investments in equity securities

The Group has equity investments in unlisted entities which are classified as being available for sale and are carried at fair value. Gains and losses from fair value changes are recognised in the other comprehensive income and accumulated in the fair value reserve. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost as this is considered the best estimate of fair value. When these assets are derecognised the gain or loss accumulated in the fair value reserve is reclassified to profit or loss.

The Group's interest in equity investments is assessed at each reporting date to determine whether there is objective evidence that it is impaired. An impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Investments in debt

Financial instruments classified as held-to-maturity are non-derivative financial assets that have determinable payments, fixed maturity and there is an ability and intent by the Group to hold the financial instrument until maturity. If during the current or previous two reporting periods the entity has derecognised or reclassified more than an insignificant amount of an asset class within this category then all of the assets within that class are reclassified as assets available for sale. When the financial instrument is derecognised any gain or loss on derecognition is recognised directly in the profit or loss. Where an asset is reclassified as being available-for-sale it is remeasured at fair value and any difference between its carrying value and the fair value is recognised in other comprehensive income.

Held-to-maturity assets are measured at amortised cost using the effective interest rate method (refer to note 9).

(f) Loans and Advances

Loans and advances comprise term and revolving credit facilities provided to members and member overdrawn savings accounts and are initially recorded at fair value including incremental direct transaction costs. They are subsequently measured at amortised cost, using the effective interest method, less impairment losses (refer to note 3(g)).

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows, the Group considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract.

(g) Impairment of Loans and Advances

The carrying amounts of the Group's loans and advances are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of the Group's loans and advances is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Impairment losses are recognised in profit or loss.

Loans and advances are reviewed and graded according to the assessed level of arrears, statutory requirements and change in expected loss. Classifications adopted are as follows:

- "Non-accrual loans" are specific loans and advances where the recovery of all interest and principal is considered to be doubtful.
- "Restructured loans" arise when the borrower is granted a concession due to continuing difficulties in meeting original terms, and the revised terms are more favourable to the borrower than comparable facilities.
- "Assets acquired through the enforcement of security" are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.
- "Past due loans" are loans where payments of principal and/or interest are 1 day past due. Full recovery of both principal and interest is expected.

Loans and advances are individually assessed for impairment and are provided for through the specific provision. Loans and advances that are not assessed as impaired are placed into portfolios of assets with similar risk profiles and a collective assessment of impairment is performed. Impairment testing is based on objective evidence from historical experience adjusted for any effects of conditions existing at each reporting date.

A General Reserve for Credit Losses is also maintained to cover the general risks inherent in the loan portfolios. Movements in the General Reserve for Credit Losses are recognised as an appropriation of retained earnings. The Australian Prudential Regulation Authority ("APRA") requires Authorised Deposit-taking Institutions to maintain a prescribed level of provision for regulatory purposes. The difference between the impairment provisions calculated under AASBs and those required by APRA is represented by the General Reserve for Credit Losses within equity.

The Group writes off a loan balance when it is determined that the loan is uncollectible. This determination is reached after considering information such as the occurrence of a significant change in the borrower's financial position such that the borrower can no longer pay the obligation under the terms of the contract, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Any subsequent recoveries of these loan write-offs are recognised through profit or loss.

Note 3. Statement of Significant Accounting Policies continued

(h) Trade and Other Receivables

Trade and other receivables, comprise non interest bearing debtors, and are initially recognised at fair value and subsequently measured at amortised cost less impairment losses (refer to note 3 (j)). Receivables with a short duration are not discounted.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and deposits at call placed with other financial institutions and are stated at gross value of the outstanding balance.

(j) Impairment

The carrying amounts of the Group's assets other than loans and advances (refer to note 3(f)) and deferred tax assets (refer to note 3(p)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated (refer to note 3 (j)(i)).

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

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income, and presented in reserves in equity, and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit of loss.

(i) Calculation of recoverable amount

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

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant trade receivables are individually assessed for impairment. Impairment testing of receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment.

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

(ii) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss no longer exists and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

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

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

When an impairment loss is reversed, it is reversed through the profit or loss.

(k) Employee Entitlements

The provisions for employee entitlements to wages, salaries, annual leave and long service leave represent the amounts which the Group has a present obligation to pay resulting from employees' services provided up to the reporting date. The liability for employees' entitlements to annual leave and long service leave has been calculated at nominal amounts based on expected wage and salary rates and includes related on-costs. The liability for employees' entitlements to other long term benefits represents the present value of the estimated future cash outflows to be made by the employer resulting from the employees' services provided up to reporting date. The discount rate is the yield at reporting date on high quality corporate bonds that have a maturity date approximating the Group's obligations.

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group contributes to a number of employee superannuation plans for the provision of benefits to employees on retirement, death or disability. Benefits provided under the plans are based on contributions for each employee. Employees contribute various percentages of their gross income to their nominated fund. Further contributions are made by the Group for the benefit of its employees. Other than superannuation guarantee

Note 3. Statement of Significant Accounting Policies continued

commitments, there is no legally enforceable obligation on the Group to contribute to the superannuation plans.

As the funds are accumulation funds, adequate funds are held to satisfy all benefits payable in the event of termination of the plan and voluntary or compulsory termination or retirement of each employee.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(l) Member Deposits and Amounts Due to Other Financial Institutions

Member deposits and amounts due to other financial institutions are brought to account at fair value less attributable incremental direct transaction costs and subsequently measured at amortised cost. Interest and yield related fees are recognised in profit or loss based on the effective interest rate basis.

(m) Trade and Other Payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. Trade payables are non-interest bearing and are normally settled within 30 days.

(n) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

- Net interest revenue is recognised on the amortised cost basis using the effective interest method.
- Loan origination fees and direct costs integral to the establishment of loans and advances are deferred and amortised to interest income over the effective life of the loan using the effective interest method.
- Other fees and commissions are brought to account on an accrual basis when the service is provided and the income is receivable.
- Rental income from leased property is recognised in profit or loss on a straight line basis over the lease term.
- Dividends from equity investments are recognised at the date when the right to receive the dividend has been established.
- The cash flows of qualifying hedging derivatives designated in cash flow hedges, in the same period of the hedged cash flows, are recognised in net interest revenue.
- The cash flows associated with and revaluation of short term receive fixed interest rate swaps are recognised in net interest revenue.

(o) Leases

All leases whereby the lessors substantially retain all the risks and benefits of ownership are classified as operating leases.

Payments made under operating leases are expensed in the profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

The Group does not have any finance leases.

(p) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of 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 enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that 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 benefit will be realised.

(q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(i) Onerous contracts

A provision for onerous contract is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

(ii) Provision for future rent

Provision for future rent represents the unamortised balance of the aggregate benefit of incentives received in relation to new or renewed operating lease arrangements. These incentives are recognised as a reduction of the rental expense over the lease term on a straight line basis.

Note 3. Statement of Significant Accounting Policies continued

(r) Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active then the Group measures these instruments at cost (refer to note 26).

(s) Derivatives Held for Risk Management Purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%.

The Group only utilises cash flow hedging relationships which are outlined below.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the cash flow hedge reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.

Further details of derivative financial instruments are disclosed in note 25.

(t) New Standards and Interpretations Not Yet Adopted

A number of new standards and amendments to standards are available for early adoption and have not been applied in preparing these financial statements. The Standards relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments

AASB 9, published in July 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement which includes revised guidance on the classification of financial instruments, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Classification

AASB 9 includes revised guidance on the classification and measurement of financial instruments that reflects the business model in which assets are managed and their cash flow characteristics. AASB 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). It eliminates the categories of held to maturity, loans and receivables and available for sale. Based on its assessment of the possible changes to the classification and measurement of financial assets held as at 30 June 2018 the Group's expectations are that:

- loans and advances to members and due to other financial institutions that are classified as loans and receivables measured at amortised cost under AASB 139 will continue to be measured at amortised cost under AASB 9;
- held to maturity investment securities measured at amortised cost under AASB 139 may be measured at amortised cost or FVOCI depending on the business model and cash flow characteristics; and
- equity investments classified as available for sale measured at cost under AASB 139 will be designated at FVOCI and valued based on the available fair value information at reporting date.

Note 3. Statement of Significant Accounting Policies continued

AASB 9 largely retains the existing requirements in AASB 139 for the classification of financial liabilities with the exception of financial liabilities designated as FVTPL. With no financial liabilities designated as FVTPL, the Group does not expect AASB 9 to impact its financial statements with respect to financial liabilities.

Impairment

AASB 9 replaces the 'incurred loss' model in AASB 139 with a forward looking 'expected credit loss' (ECL) model for calculating impairment of financial assets. This will require considerable judgment over how changes in economic factors affect ECLs which will be determined on a probability-weighted basis.

AASB 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the instrument, whereas 12-month ECLs are the portion of the ECLs that result from default events that are possible within 12 months after the reporting date.

The Group has assessed the potential impact on its financial statements resulting from the application of AASB 9 in respect of credit provisioning and expects the credit provisions held on its balance sheet to increase in line with balance sheet growth and maintain an overall provision rate of total loan balances. The Group has used a forward looking expected credit loss model defining default as where the borrower is 90 days past due on any borrowings and considers arrears a key indicator or a significant increase in credit risk. The Group has not disclosed the quantified impact as it requires further assessment and testing of the AASB 9 compliant model.

Transition

Changes in accounting policies resulting from the adoption of AASB 9 will generally be applied retrospectively.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group earns fees and commission income (other than fees included in the calculation of the effective interest rate) as below.

Commissions earned by the Group relates to transactions under which the Group has acted as agent, as detailed in 3(n). Under AASB 15, the assessment is based on whether the goods or services are transferred to the customer over time and the period of time over which the entity is required to satisfy an obligation. No change is expected in the recognition or measurement of fees and commission revenue.

Fee income includes upfront loans fees, annual credit card fees and transactional fee income all of which are recognised as and when performance obligations are satisfied. In the case of loans fees the performance obligation is satisfied over the life of the loan while transaction fees are at a point in time at which the transaction takes place. The methodology for accounting for fees is not expected to change under AASB 15.

AASB 16 Leases

AASB 16 Leases, published on 23 February 2016, replaces AASB 117 Leases. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

AASB 16 is effective for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted for entities that apply AASB 15 Revenue from Contracts with Customers at or before the date of initial application of AASB 16.

The Group is assessing the potential impact on its financial statements resulting from the application of AASB 16.

Note 4. Interest revenue and interest expense

The following tables show the average balance for each of the major categories of interest bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate.

	Consolidated			Credit Union		
	Average Balance $'000	Interest $'000	Average Interest Rate %	Average Balance $'000	Interest $'000	Average Interest Rate %
2018						
Interest revenue						
Cash and cash equivalents	27,023	273	1.01%	27,023	203	0.75%
Due from other financial institutions	133,437	3,375	2.53%	133,437	3,375	2.53%
Loans and advances	874,053	37,136	4.25%	874,053	37,015	4.23%
Notes Receivable	-	-	-	97,400	1,725	2.54%
	1,034,513	**40,784**	**3.94%**	**1,131,913**	**42,318**	**3.74%**
Interest expense						
Payables due to other financial institutions	2,113	57	2.70%	2,113	57	2.70%
Member deposits	939,281	15,394	1.64%	939,281	15,394	1.64%
Borrowings	-	136	2.54%	94,133	2,824	4.29%
Derivatives	6,863	76	1.11%	6,863	76	1.11%
	948,257	**15,663**	**1.65%**	**1,042,390**	**18,351**	**1.76%**
Interest margin		**25,121**	**2.29%**		**23,967**	**1.98%**

	Consolidated			Credit Union		
2017						
Interest revenue						
Cash and cash equivalents	27,861	295	1.06%	27,861	295	1.06%
Due from other financial institutions	127,133	3,258	2.56%	127,133	3,258	2.56%
Loans and advances	794,388	34,861	4.39%	794,388	34,861	4.39%
Derivatives	-	1	0.01%	-	1	0.01%
	949,382	**38,415**	**4.05%**	**949,382**	**38,415**	**4.05%**
Interest expense						
Payables due to other financial institutions	1,758	47	2.68%	1,758	47	2.68%
Member deposits	853,896	14,370	1.68%	853,896	14,370	1.68%
Derivatives	-	212	1.06%	-	212	1.06%
	855,654	**14,629**	**1.71%**	**855,654**	**14,629**	**1.71%**
Interest margin		**23,786**	**2.34%**		**23,786**	**2.34%**

Note 5. Revenue

	Consolidated		Credit Union	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Interest revenue	**40,784**	**38,415**	**42,318**	**38,415**
Non-interest revenue				
Distribution from Trust	-	-	1,021	-
Loan fees	756	680	756	680
Bad debts recovered	125	103	125	103
Dividends received	138	235	138	235
Gain from sale of property, plant & equipment	2	-	2	-
Rental revenue from property	3	3	3	3
Other fee revenue	1,023	1,174	1,023	1,174
Other commission revenue	3,493	3,667	3,493	3,667
Other revenue	15	5	78	5
Total non interest revenue	**5,555**	**5,867**	**6,639**	**5,867**
Investments in Associates				
Share of profit in associates before income tax	1,215	1,280	1,215	1,280
Income tax expense	(365)	(384)	(365)	(384)
Total share of profit in Associates	**850**	**896**	**850**	**896**
Total non-interest revenue	**6,405**	**6,763**	**7,489**	**6,763**
Total revenue from all sources	**47,189**	**45,178**	**49,807**	**45,178**

Note 6. Expenses

	Consolidated		Credit Union	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Interest expense	**15,663**	**14,629**	**18,351**	**14,629**
Non-interest expenses				
Impairment losses on loans and advances				
Individually assessed provisions for impairment increase/(decrease)	7	(39)	7	(39)
Collective provisions for impairment (decrease)/increase	(48)	67	(48)	67
Bad debts written off directly to profit or loss	220	229	220	229
	179	**257**	**179**	**257**
Administration expenses				
Staff				
Employee benefits	11,224	10,638	11,224	10,638
Contributions to defined contribution plans	1,045	1,192	1,045	1,192
Occupancy				
Operating lease expenses	1,791	1,580	1,791	1,580
Occupancy expenses	431	424	431	424
Information technology				
Information technology expenses	2,283	2,097	2,283	2,097
Other				
Administrative expenses	2,361	2,096	2,291	2,096
Depreciation property, plant & equipment	485	523	485	523
Amortisation intangibles	406	334	406	334
Distribution channel costs	3,416	3,312	3,416	3,312
Impairment losses	-	99	-	99
Marketing expenses	1,333	1,663	1,333	1,663
Loss on disposal of property, plant & equipment	30	81	30	81
Other	866	625	866	625
	25,671	**24,664**	**25,601**	**24,664**
Total non-interest operating expenses	**25,850**	**24,921**	**25,780**	**24,921**
Total expenses	**41,513**	**39,550**	**44,131**	**39,550**

Note 7. Income Tax

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Consolidated	2018 %	2018 $'000	2017 %	2017 $'000
(a) Reconciliation between tax expense and pre-tax profit				
Profit before tax		5,676		5,628
Income tax expense	30.00%	1,703	30.00%	1,688
Increase/(decrease) in income tax expense due to:				
Non allowable expenses	0.14%	8	0.18%	10
Non assessable income	(5.23%)	(297)	(6.03%)	(339)
Under provision from prior year	-	-	0.83%	47
Income tax expense on pre-tax net profit	**24.91%**	**1,414**	**24.98%**	**1,406**
(b) Tax expense recognised in profit or loss comprises:				
Current tax expense in respect of the current year		1,395		1,104
Adjustments to prior years		-		47
		1,395		1,151
Deferred tax expense relating to the origination and reversal of temporary differences		19		255
Total tax expense		**1,414**		**1,406**
(c) Income tax payable / (Current tax asset)				
Movements during the year were as follows:				
Balance at beginning of the year		120		256
Income tax paid (net of refund)		(1,477)		(1,356)
Current year income tax liability on operating profit		1,395		1,151
Under provision in prior years		291		69
Income tax payable		**329**		**120**

Note 7. Income Tax continued

Credit Union	2018 %	2018 $'000	2017 %	2017 $'000
(a) Reconciliation between tax expense and pre-tax profit				
Profit before tax		5,676		5,628
Income tax expense	30.00%	1,703	30.00%	1,688
Increase/(decrease) in income tax expense due to:				
Non allowable expenses	0.14%	8	0.18%	10
Non assessable income	(5.23%)	(297)	(6.03%)	(339)
Under provision from prior years	-	-	0.83%	47
Income tax expense on pre-tax net profit	**24.91%**	**1,414**	**24.98%**	**1,406**
(b) Tax expense recognised in profit or loss comprises:				
Current tax expense in respect of the current year		1,395		1,104
Adjustments to prior years		-		47
		1,395		1,151
Deferred tax expense relating to the origination and reversal of temporary differences		19		255
Total tax expense		**1,414**		**1,406**
(c) Income tax payable / (Current tax asset)				
Movements during the year were as follows:				
Balance at beginning of the year		120		256
Income tax paid (net of refund)		(1,477)		(1,356)
Current year income tax liability on operating profit		1,395		1,151
Under provision in prior years		291		69
Income tax payable		**329**		**120**

Note 7. Income Tax continued

Consolidated	Opening balance $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Closing balance $'000
(d) Movement in deferred tax balances				
2018				
Employee benefits	734	29	-	763
Loans and advances	88	(21)	-	67
Property, plant and equipment	453	(24)	-	429
Onerous contract	-	-	-	-
Prepaid lease incentive	86	(35)	-	51
Undeducted capital expenditure	27	(4)	-	23
Other	10	27	-	37
Deferred tax assets	**1,398**	**(28)**	**-**	**1,370**
Deferred loan broker fee commission	(300)	300	-	-
Deferred loan expense	-	-	-	-
Equity accounted investees	(508)	(1)		(509)
Deferred tax liabilities	**(808)**	**299**	**-**	**(509)**
Net deferred tax assets (liabilities)	**590**	**271**	**-**	**861**
2017				
Employee benefits	794	(60)	-	734
Loans and advances	85	3	-	88
Property, plant and equipment	289	164	-	453
Onerous contract	134	(134)	-	-
Prepaid lease incentive	124	(38)	-	86
Undeducted capital expenditure	35	(8)	-	27
Other	13	(3)	-	10
Deferred tax assets	**1,474**	**(76)**	**-**	**1,398**
Deferred loan broker fee commission	(165)	(135)	-	(300)
Deferred loan expense	(25)	25	-	-
Equity accounted investees	(508)	-	-	(508)
Deferred tax liabilities	**(698)**	**(110)**	**-**	**(808)**
Net deferred tax assets (liabilities)	**776**	**(186)**	**-**	**590**

Note 7. Income Tax continued

Credit Union	Opening balance $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Closing balance $'000
(d) Movement in deferred tax balances				
2018				
Employee benefits	734	29	-	763
Loans and advances	88	(21)	-	67
Property, plant and equipment	453	(24)	-	429
Onerous contract	-	-	-	-
Prepaid lease incentive	86	(35)	-	51
Undeducted capital expenditure	27	(4)	-	23
Other	10	27	-	37
Deferred tax assets	**1,398**	**(28)**	**-**	**1,370**
Deferred loan broker fee commission	(300)	300	-	-
Deferred loan expense	-	-	-	-
Equity accounted investees	(508)	(1)	-	(509)
Deferred tax liabilities	**(808)**	**299**	**-**	**(509)**
Net deferred tax assets (liabilities)	**590**	**271**	**-**	**861**
2017				
Employee benefits	794	(60)	-	734
Loans and advances	85	3	-	88
Property, plant and equipment	289	164	-	453
Onerous contract	134	(134)	-	-
Prepaid lease incentive	124	(39)	-	85
Undeducted capital expenditure	35	(8)	-	27
Other	13	(3)	-	10
Deferred tax assets	**1,474**	**(76)**	**-**	**1,398**
Deferred loan broker fee commission	(165)	(135)	-	(300)
Deferred loan expense	(25)	25	-	-
Equity accounted investees	(508)	-	-	(508)
Deferred tax liabilities	**(698)**	**(110)**	**-**	**(808)**
Net deferred tax assets (liabilities)	**776**	**(186)**	**-**	**590**

(e) Unrecognised deferred tax asset

Credit Union SA has carried forward capital losses of $0.787 million (2017: $0.787 million) which have not been recognised as a deferred tax asset because it is uncertain that future capital gains will be available from which the Credit Union can utilise the benefit.

Note 8. Cash and Cash Equivalents

	Consolidated		Credit Union	
	2018 $'000	**2017** $'000	**2018** $'000	**2017** $'000
(a) Reconciliation of cash for statements of cash flows				
Cash and cash equivalents	8,598	10,610	5,579	10,610
Investments with other financial institutions	27,255	19,381	27,255	19,381
Total cash for statement of cash flows	**35,853**	**29,991**	**32,834**	**29,991**
(b) Reconciliation of Profit for the year to net cash flow from operating activities				
Profit for the year	**4,262**	**4,222**	**4,262**	**4,222**
Add / (deduct) non-cash items				
Provisions for impairment	(41)	28	(41)	28
Depreciation of property, plant and equipment	485	523	485	523
Amortisation of intangible assets	406	334	406	334
Impairment losses	-	99	-	99
Net loss on disposal of property, plant and equipment	30	81	30	81
Share of profit of equity accounted investments	(850)	(896)	(850)	(896)
Total adjustments for non-cash items	**30**	**169**	**30**	**169**
Add / (deduct) changes in assets or liabilities during the financial year				
Increase in loans and advances	(45,725)	(103,075)	(45,725)	(103,075)
Increase in member deposits	46,485	71,152	46,485	71,152
Increase in amounts due to other financial institutions	5,000	6,500	5,000	6,500
(Increase)/decrease in accrued interest receivable	(167)	402	(254)	402
Decrease in accrued interest payable	183	251	322	251
Increase in other assets	(230)	(183)	(368)	(183)
(Decrease)/ increase in other liabilities	(146)	(302)	188	(302)
Increase/(decrease) in income tax payable	209	(136)	209	(136)
(Increase)/decrease in deferred tax assets	(271)	186	(271)	186
Total changes in assets or liabilities	**5,338**	**(25,205)**	**5,586**	**(25,205)**
Net cash used in operating activities	**9,630**	**(20,814)**	**9,878**	**(20,814)**

Note 9. Due from Other Financial Institutions

	Consolidated		Credit Union	
	2018 $'000	**2017** $'000	**2018** $'000	**2017** $'000
Deposits held to maturity				
Deposits with Cuscal Ltd	15,250	15,250	15,250	15,250
Deposits with other financial institutions	98,427	94,898	98,427	94,898
	113,677	**110,148**	**113,677**	**110,148**
Not longer than 3 months until maturity	34,081	39,177	34,081	39,177
Longer than 3 months and not longer than 12 months until maturity	25,333	15,007	25,333	15,007
Longer than 1 year and not longer than 5 years until maturity	54,263	55,964	54,263	55,964
	113,677	**110,148**	**113,677**	**110,148**

Note 10. Trade and Other Receivables

	Consolidated		Credit Union	
	2018 $'000	**2017** $'000	**2018** $'000	**2017** $'000
Interest receivable	594	427	681	427
Other	852	815	996	815
	1,446	**1,242**	**1,677**	**1,242**

Note 11. Loans and Advances

	Consolidated		Credit Union	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Loans and advances carried at amortised cost				
Revolving credit facilities	44,873	51,685	44,873	51,685
Term loans - secured	843,198	801,727	843,198	801,727
Term loans - unsecured	17,194	6,128	17,194	6,128
Gross loans and advances	**905,265**	**859,540**	**905,265**	**859,540**
Specific provision for impairment	(171)	(164)	(171)	(164)
Collective provision for impairment	(54)	(102)	(54)	(102)
Net loans and advances	**905,040**	**859,274**	**905,040**	**859,274**
Loans and advances by maturity				
Lines of credit (including unsecured overdrafts)	44,873	51,685	44,873	51,685
Not longer than 3 months	9	9	9	9
Longer than 3 months not longer than 12 months	276	197	276	197
Longer than 1 year and not longer than 5 years	15,402	17,129	15,402	17,129
Longer than 5 years	844,705	790,520	844,705	790,520
Gross loans and advances	**905,265**	**859,540**	**905,265**	**859,540**
Loans and advances by security				
Secured by mortgage	864,908	816,756	864,908	816,756
Secured by other	7,351	13,112	7,351	13,112
Unsecured	33,006	29,672	33,006	29,672
Gross loans and advances	**905,265**	**859,540**	**905,265**	**859,540**
Loans and advances by purpose				
Residential	864,512	816,101	864,512	816,101
Personal	39,034	40,888	39,034	40,888
Commercial	1,719	2,551	1,719	2,551
Gross loans and advances	**905,265**	**859,540**	**905,265**	**859,540**
Concentration of risk				
The Credit Union's loans are predominantly concentrated in South Australia. This creates an exposure to a particular segment as follows:				
South Australian residents	880,931	837,708	880,931	837,708
Other residents	24,334	21,832	24,334	21,832
Gross loans and advances	**905,265**	**859,540**	**905,265**	**859,540**

The Group has a significant exposure to groupings of individual loans which concentrate risk and create exposure to the employment sector of educators in both the government and non-government South Australian school systems. As at 30 June 2018, loans to members of the education community of South Australia totalled $344.337 million (2017: $308.254 million). This represents approximately 38.0% of the total loan portfolio (2017: 35.9%).

As at 30 June 2018, the Group had no loan facilities with an outstanding balance in excess of 10% of its total capital (2017: nil).

Note 12. Impairment of Loans and Advances

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000	Credit Union 2018 $'000	Credit Union 2017 $'000
(a) Provisions for impairment					
Specific provision	11	171	164	171	164
Collective provision	11	54	102	54	102
Total provision for impairment		225	266	225	266
General reserve for credit losses recognised in equity	21	1,008	983	1,008	983
Total of provisions for impairment and general reserve for credit losses recognised in equity		**1,233**	**1,249**	**1,233**	**1,249**

(b) Impairment losses on loans and advances

	Consolidated 2018 $'000	Consolidated 2017 $'000	Credit Union 2018 $'000	Credit Union 2017 $'000
Individually assessed provisions for impairment increase/(decrease)	7	(38)	7	(38)
Collective provisions for impairment (decrease)/increase	(48)	67	(48)	67
Bad debts written off directly to profit and loss	220	229	220	229
Charge to profit and loss	**179**	**258**	**179**	**258**

(c) Impaired loans and assets acquired

	Consolidated 2018 $'000	Consolidated 2017 $'000	Credit Union 2018 $'000	Credit Union 2017 $'000
Non-accrual loans				
Balance	928	574	928	574
Restructured loans				
Balance	833	1,784	833	1,784
Assets acquired through security enforcement				
Net fair value of assets acquired through enforcement of security during the financial year	225	634	225	634

These assets represent properties and motor vehicles, which have been subsequently sold.

	Consolidated 2018 $'000	Consolidated 2017 $'000	Credit Union 2018 $'000	Credit Union 2017 $'000
Interest revenue on non-accrual and restructured loans	-	-	-	-
Interest foregone on non-accrual and restructured loans	(48)	(22)	(48)	(22)
Net interest recognised / (foregone)	**(48)**	**(22)**	**(48)**	**(22)**

Past due loans are disclosed in Note 25(c).

Note 13. Other Financial Assets

	Consolidated		Credit Union	
	2018 $'000	**2017** $'000	**2018** $'000	**2017** $'000
Unlisted Shares at Fair Value				
Cuscal Ltd	1,661	1,661	1,661	1,661

Interests in unlisted securities are brought to account at cost. Unlisted investments comprise shares held in Cuscal Ltd. Cuscal Ltd's constitution limits the ability of the Group to sell Cuscal Ltd shares.

This investment does not have a quoted market price in an active market and its fair value cannot be reliably measured because the information that would be required to estimate fair value is not readily available. The cost of the investment continues to be the best indicator of fair value.

Note 14. Equity Accounted Investees

	Note	Consolidated 2018 $'000	2017 $'000
Investment in Data Action Pty Ltd	28	3,521	3,290
Investment in Blackwood Nominees Pty Ltd	28	741	792
		4,262	**4,082**

Investment in Data Action Pty Ltd

The Group holds a 15.90% ownership interest (2017:15.90%) in Data Action Pty Ltd, an Australian, non-listed resident company. Data Action's principal activities are the provision of software solutions and hosted technology services to the customer owned financial services industry. The Group accounts for this investment using the equity method.

The Group's share of profit is accounted for based on its shareholding. The Group has determined that it has significant influence because it has the power to participate in the financial and operating policy decisions of Data Action through Board representation.

No impairment indicators exist for this investment.

Summary financial information for Data Action Pty Ltd, not adjusted for the percentage of ownership held by the Group:	2018 $'000	2017 $'000
Investment in Data Action Pty Ltd		
Current assets	15,596	17,308
Non-current assets	14,456	12,405
Total assets	**30,052**	**29,713**
Current liabilities	5,559	6,955
Non-current liabilities	2,347	2,069
Total liabilities	**7,906**	**9,024**
Net assets	**22,146**	**20,689**
Group's Share of Net Assets	3,521	3,290
	15.90%	15.90%
Income	32,836	41,471
Expenses	(28,126)	(36,702)
Profit after tax	**4,710**	**4,769**
Group's share of profit and total comprehensive income (15.9%)	749	758
Dividends received by the Group	(557)	(493)
Group's share of net profit	192	265

Note 14. Equity Accounted Investees continued

Investment in Blackwood Nominees Pty Ltd

The Group holds a 50.00% (2017: 50.00%) ownership in Blackwood Nominees Pty Ltd, an Australian, non-listed resident company. Blackwood Nominees principal activities are the provision of loan broking services within South Australia. The Group accounts for this investment using the equity method. The Group's share of profit is accounted for based on its shareholding.

An assessment of impairment was performed at the reporting date by comparing the carrying amount to the investments recoverable amount. The recoverable amount was based on its value in use, determined by discounting future cash flows. Key assumptions used in the calculation of value in use were a discount rate of 17.50% (2017: 17.50%), which is based on the weighted average cost of capital adjusted commensurate with the risk of the forecast cash flows, a growth rate of 1.90% (2017: 1.50%) and a terminal value growth rate of 1.90% (2017: 1.50%). No further evidence of impairment was determined following the recognition of the impairment loss of $0.150 million recognised as at 30 June 2013. Differences in impairment calculations modelled under alternative key assumptions were immaterial.

Summary financial information for Blackwood Nominees Pty Ltd, not adjusted for the percentage of ownership held by the Group.	**2018** $'000	**2017** $'000
Investment in Blackwood Nominees Pty Ltd		
Current assets	129	146
Non-current assets	156	223
Total assets	**285**	**369**
Current liabilities	92	99
Non-current liabilities	68	42
Total liabilities	**160**	**141**
Net assets	**125**	**228**
Group's Share of Net Assets	63	114
	50.00%	50.00%
Income	558	686
Expenses	(433)	(459)
Profit after tax	**125**	**227**
Group's share of profit and total comprehensive income (50.00%)	63	114
Dividends received by the Group	(114)	(139)
Group's share of net profit	**(51)**	**(26)**

Note 15: Property, Plant and Equipment

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

Consolidated	Freehold land $'000	Buildings $'000	Plant & equipment $'000	Work in progress $'000	Total $'000
2018					
Opening	275	245	3,911	28	4,459
Additions	-	-	344	52	396
Transfers	-	-	28	(28)	-
Disposals	-	-	(713)	-	(713)
Closing	**275**	**245**	**3,570**	**52**	**4,142**
Less: Accumulated depreciation / impairment					
Opening	(162)	(112)	(2,712)	-	(2,986)
Disposals	-	-	686	-	686
Depreciation expense	-	(3)	(482)	-	(485)
Impairment expense	-	-	-	-	-
Closing	**(162)**	**(115)**	**(2,508)**	**-**	**(2,785)**
Net book value 30 June 2018	**113**	**130**	**1,062**	**52**	**1,357**
2017					
Opening	275	245	4,179	12	4,711
Additions	-	-	212	28	240
Transfers	-	-	12	(12)	-
Disposals	-	-	(492)	-	(492)
Closing	**275**	**245**	**3,911**	**28**	**4,459**
Less: Accumulated depreciation / impairment					
Opening	(105)	(65)	(2,664)	-	(2,834)
Disposals	-	-	470	-	470
Depreciation expense	-	(5)	(518)	-	(523)
Impairment expense	(57)	(42)	-	-	(99)
Closing	**(162)**	**(112)**	**(2,712)**	**-**	**(2,986)**
Net book value 30 June 2017	**113**	**133**	**1,199**	**28**	**1,473**

Note 15: Property, Plant and Equipment continued

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

Credit Union	Freehold land $'000	Buildings $'000	Plant & equipment $'000	Work in progress $'000	Total $'000
2018					
Opening	275	245	3,911	28	4,459
Additions	-	-	344	52	396
Transfers	-	-	28	(28)	-
Disposals	-	-	(713)	-	(713)
Closing	**275**	**245**	**3,570**	**52**	**4,142**
Less: Accumulated depreciation / impairment					
Opening	(162)	(112)	(2,712)	-	(2,986)
Disposals	-	-	686	-	686
Depreciation expense	-	(3)	(482)	-	(485)
Impairment expense	-	-	-	-	-
Closing	**(162)**	**(115)**	**(2,508)**	**-**	**(2,785)**
Net book value 30 June 2018	**113**	**130**	**1,062**	**52**	**1,357**
2017					
Opening	275	245	4,179	12	4,711
Additions	-	-	212	28	240
Transfers	-	-	12	(12)	-
Disposals	-	-	(492)	-	(492)
Closing	**275**	**245**	**3,911**	**28**	**4,459**
Less: Accumulated depreciation / impairment					
Opening	(105)	(65)	(2,664)	-	(2,834)
Disposals	-	-	470	-	470
Depreciation expense	-	(5)	(518)	-	(523)
Impairment expense	(57)	(42)	-	-	(99)
Closing	**(162)**	**(112)**	**(2,712)**	**-**	**(2,986)**
Net book value 30 June 2017	**113**	**133**	**1,199**	**28**	**1,473**

The Group's property was independently valued on 8 June 2017 by Mr C Winter, AAPI CPV & M Richardson FAPI CPV of Herron Todd White in accordance with the Group's policy. Land and buildings are independently valued by a relevant external party at least every three years. The valuation has been prepared for accounting purposes only. The building was valued at $0.133 million and the land was valued at $0.113 million. An impairment expense of $0.057 million on the land and $0.042 million on the building was recorded against the value of the assets at 30 June 2017.

Note 16: Intangible Assets

Consolidated	Intangible Software $'000	Work in progress $'000	Total $'000
2018			
Cost			
Balance at 1 July 2017	966	335	1,301
Additions	144	417	561
Transfers	630	(677)	(47)
Disposals / Derecognition	(160)	-	(160)
Closing balance as at 30 June 2018	**1,580**	**75**	**1,655**
Amortisation and Impairment			
Balance at 1 July 2017	(425)	-	(425)
Amortisation	(406)	-	(406)
Disposals / Derecognition	156	-	156
Closing balance as at 30 June 2018	**(675)**	**-**	**(675)**
Net book value as at 30 June 2018	**905**	**75**	**980**
2017			
Cost			
Balance at 1 July 2016	918	136	2,954
Additions	50	430	480
Transfers	197	(197)	-
Disposals/ Derecognition	(199)	(34)	(2,133)
Closing balance as at 30 June 2017	**966**	**335**	**1,301**
Amortisation and Impairment			
Balance at 1 July 2016	(251)	-	(2,151)
Amortisation	(334)	-	(334)
Disposals/ Derecognition	160	-	2,060
Closing balance as at 30 June 2017	**(425)**	**-**	**(425)**
Net book value as at 30 June 2017	**541**	**335**	**876**

Notes to the Financial Statements continued

Note 16: Intangible Assets continued

Credit Union	Intangible Software $'000	Work in progress $'000	Total $'000
2018			
Cost			
Balance at 1 July 2017	966	335	1,301
Additions	144	417	561
Transfers	630	(677)	(47)
Disposals / Derecognition	(160)	-	(160)
Closing balance as at 30 June 2018	**1,580**	**75**	**1,655**
Amortisation and Impairment			
Balance at 1 July 2017	(425)	-	(425)
Amortisation	(406)	-	(406)
Disposals / Derecognition	156	-	156
Closing balance as at 30 June 2018	**(675)**	**-**	**(675)**
Net book value as at 30 June 2018	**905**	**75**	**980**
2017			
Cost			
Balance at 1 July 2016	918	136	2,954
Additions	50	430	480
Transfers	197	(197)	-
Disposals/ Derecognition	(199)	(34)	(2,133)
Closing balance as at 30 June 2017	**966**	**335**	**1,301**
Amortisation and Impairment			
Balance at 1 July 2016	(251)	-	(2,151)
Amortisation	(334)	-	(334)
Disposals/ Derecognition	160	-	2,060
Closing balance as at 30 June 2017	**(425)**	**-**	**(425)**
Net book value as at 30 June 2017	**541**	**335**	**876**

Note 17: Other Assets

	Consolidated		Credit Union	
	2018 $'000	**2017** $'000	**2018** $'000	**2017** $'000
Prepayments	254	143	249	143
Set up costs CUSA MTG Trust – net	82	-	82	-
	336	**143**	**331**	**143**

Note 18: Member Deposits

	Consolidated		Credit Union	
	2018 $'000	**2017** $'000	**2018** $'000	**2017** $'000
Withdrawable shares	84	88	84	88
Deposits carried at amortised cost				
At call deposits	550,749	554,830	550,749	554,830
Term deposits	394,677	344,107	394,677	344,107
Total member deposits	**945,510**	**899,025**	**945,510**	**899,025**

The Group has an exposure to groupings of individual deposits which concentrate risk and create exposure to the employment sector of educators in both the government and non-government school systems. As at 30 June 2018, deposits from members of the education community of South Australia totalled $162.105 million (2017: $146.077 million). This represents approximately 17.1% of total deposits (2017: 16.2%).

As at 30 June 2018 deposits from members currently residing in South Australia totalled $868.687 million (2017: $826.040 million). This represents approximately 91.9% of total deposits (2017: 91.9%).

As at 30 June 2018, the Group has no individual or group of deposit facilities with an outstanding balance in excess of 10.0% of its total liabilities (2017: Nil).

Note 19. Trade and Other Payables

	Consolidated		Credit Union	
	2018 $'000	**2017** $'000	**2018** $'000	**2017** $'000
Trade creditors	1,108	794	1,108	794
Accrued interest payable on deposits	2,986	2,781	3,125	2,781
Derivative interest accrued	-	22	-	22
Other creditors and accruals	236	571	571	571
	4,330	**4,168**	**4,804**	**4,168**

The average credit period in relation to trade and other is less than 30 days.

Note 20: Provisions

	Consolidated		Credit Union	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Provision for Leases				
Opening balance	-	-	-	-
Provision created	53	-	53	-
Provision utilised	-	-	-	-
Closing balance	**53**	**-**	**53**	**-**
Provision for Onerous contract				
Opening balance	-	447	-	447
Provision created	-	-	-	-
Provision utilised	-	(212)	-	(212)
Write-back to profit or loss	-	(235)	-	(235)
Closing Balance	**-**	**-**	**-**	**-**
Provision for future rent				
Opening balance	284	402	284	402
Provision utilised	(116)	(118)	(116)	(118)
Closing Balance	**168**	**284**	**168**	**284**
Provision for long service leave				
Opening balance	1,704	1,919	1,704	1,919
Provision created	273	124	273	124
Provision utilised	(234)	(339)	(234)	(339)
Closing balance	**1,743**	**1,704**	**1,743**	**1,704**
Provision for annual leave				
Opening balance	732	728	732	728
Provision created	150	86	150	86
Provision utilised	(90)	(82)	(90)	(82)
Closing balance	**792**	**732**	**792**	**732**
Total provisions	**2,756**	**2,720**	**2,756**	**2,720**
Number of employees				
Number of full time equivalent employees at year end	140	135	140	135

The provision for onerous contract represented the remaining life and make good costs of the lease held on the ground floor and level 12, 115 Grenfell St Adelaide and was written down to nil when the lease expired on 30 September 2016.

The provision for future rent represents lease discounts and the up-front cash contribution on signing the lease agreements applicable to the Group's head office at 400 King William Street Adelaide and the Grenfell Street Branch Adelaide.
The provisions are being recognised in profit over the term of the leases, being 10 years.

Note 21. Equity

(a) Retained earnings

Retained earnings comprise the accumulated profits of the Group net of transfers to the general reserve for credit losses, redeemed member shares and transfers from the fair value reserve. Retained earnings are held in order for the Group to meet its prudential requirements.

(b) Redeemed member shares

Under the Corporations Act 2001, redeemed member shares (member's $2 shares) may only be redeemed out of the Group's profit or through a new issue of shares for the purpose of the redemption. The value of member shares for existing members is disclosed as a liability in note 18.

(c) General reserve for credit losses

While provisions for impairment determined under Australian Accounting Standards are only to be recognised when there is objective evidence of impairment, APRA requires that ADI's maintain a general reserve for credit losses. This reserve constitutes a provision against potential (but not certain) losses which are intrinsic to the overall business of the ADI (refer note 3(g)).

(d) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments used in cash flow hedges pending subsequent recognition in the profit or loss as the hedged cash flows affect the profit or loss.

Note 22. Financing Facilities

The Group has access to the following lines of credit:

	2018 $'000	**2017** $'000	**2018** $'000	**2017** $'000
Total facilities available				
Overdraft facilities	5,000	5,000	5,000	5,000
	5,000	**5,000**	**5,000**	**5,000**
Facilities not utilised at balance date				
Overdraft facilities	5,000	5,000	5,000	5,000
	5,000	**5,000**	**5,000**	**5,000**

For the financial year ended 30 June 2018 the above facilities are secured against a security deposit held with Cuscal Ltd. Interest charged on these facilities and received on the security deposit are at prevailing market rates.

Note 23. Commitments, Contingent Liabilities and Contingent Assets

(a) Lease commitments

Leases as lessee

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows:

	Consolidated		Credit Union	
	2018 $'000	**2017** $'000	**2018** $'000	**2017** $'000
Less than 1 year	1,680	1,605	1,680	1,605
Between one and five years	650	1,866	650	1,866
More than 5 years	-	-	-	-
	2,330	**3,471**	**2,330**	**3,471**

Operating leases relate to the Group's head office and branches. The lease term for the head office building is 10 years with options to extend for a further 10 years. Lease terms for branches are up to 5 years. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Lessees as leasor

The Group sub leases branch area to accommodate ATM's and has sublet office space relating to an operating lease it holds as a lessee outlined above. At the end of the reporting period, the future minimum lease payments under non-cancellable leases are receivable as follows:

	Consolidated		Credit Union	
	2018 $'000	**2017** $'000	**2018** $'000	**2017** $'000
Less than 1 year	140	11	140	11
Between one and five years	-	-	-	-
More than 5 years	-	-	-	-
	140	**11**	**140**	**11**

Operating leases, including its sublease, relate to the Credit Union's head office and branches.

(b) Capital commitments

	Consolidated		Credit Union	
	2018 $'000	**2017** $'000	**2018** $'000	**2017** $'000
Capital expenditure commitments	30	-	30	-

Note 23. Commitments, Contingent Liabilities and Contingent Assets continued

(c) Outstanding loan commitments	Consolidated 2018 $'000	Consolidated 2017 $'000	Credit Union 2018 $'000	Credit Union 2017 $'000
Loans approved but not yet funded				
Residential	18,920	8,921	18,920	8,921
Personal	212	160	212	160
	19,132	**9,081**	**19,132**	**9,081**

(d) Members' unused credit facilities	Consolidated 2018 $'000	Consolidated 2017 $'000	Credit Union 2018 $'000	Credit Union 2017 $'000
Revolving credit and redraw facilities	201,134	193,906	201,134	193,906

(e) Credit Union Financial Support System Limited

The Credit Union is a party to the Credit Union Financial Support System Limited (CUFSS). CUFSS is a voluntary scheme that customer owned banking entities affiliated with Cuscal Ltd have agreed to participate in.

CUFSS is a company limited by guarantee, each entity's guarantee being $100.

As a member of CUFSS, the Credit Union may be required to advance funds of up to 3.0% (excluding permanent loans) of total assets to another Credit Union requiring financial support.

This support has not been called upon during the 2018 financial year however a successful test of the scheme was executed in May 2018.

The Credit Union has given CUFSS notification of its intention to resign from the scheme effective December 2018.

The Credit Union was a member of CUFSS as at 30 June 2018.

(f) Contingent liabilities

At reporting date the Group had fully secured financial guarantees in place, to the beneficiary of ANZ Banking Group Ltd and Cuscal Ltd that it had provided on behalf of members totalling $0.057 million (2017: $0.037 million). The unsecured balance of these guarantees totals $0.032 million (2017: $0.031 million). No loss on these guarantees is anticipated.

Note 24. Key Management Personnel

(a) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director of the Group.

The names of persons who were key management personnel of the Group at any time during the financial year are as follows:

Non-executive Directors

C.A.Mitchell, C.Butterick, A.Cannon, K.A.Jordan, N.S.Rantanen, R.P.Shannahan, P.L.F.Riquier

Executive Management Committee

G.S. Strawbridge, J.W.Koerber, P.M.Kwan, C.A.Ryan, P.G.Langley (1 July 2017 – 15 June 2018).

(b) Aggregate income (including superannuation payments) received, or due and receivable by all key management personnel of the Group or related parties is included in employee benefits (Note 6):

The aggregate compensation of the key management personnel of the Group is set out below:	**2018** $	**2017** $
Short-term employee benefits	1,614,666	1,684,837
Payments to defined contribution plans	151,654	193,843
Other long-term benefits	-	1,780
Termination benefits	33,454	28,469
	1,799,774	**1,908,929**

The Group does not pay any post employment benefits or share-based payments to key management personnel.

Note 24. Key Manangement Personnel continued

(c) Loans to key management personnel

	2018 $	2017 $
Aggregate loans to key management personnel outstanding at reporting date:		
Mortgage and personal loans	1,798,440	1,587,573
Lines of credit (including unsecured overdrafts)	2,431	2,752
	1,800,871	**1,590,325**
Aggregate amount of loans made during the year to key management personnel:		
Total loans made during the year	1,169,250	154,440
Aggregate amount of interest charged during the year to key management personnel:		
Mortgage and personal loans	70,411	65,935
Aggregate amount of repayments made during the year to key management personnel:		
Mortgage and personal loans	811,489	299,166
Net movement in lines of credit (including unsecured overdrafts) including interest charged	(296)	(605)

The key management personnel who held loan accounts with the Group during the year were C.Butterick, K.A.Jordan, N.S.Rantanen, R.P.Shannahan and P.G.Langley.

Loans to key management personnel may include joint loans with partners where both parties are jointly and severally liable. All loans were subject to normal terms and conditions and there were no breaches of these terms and conditions during the year. All key management personnel hold a withdrawable share as members of the Group. No impairment losses have been recorded against balances outstanding during the period with key management personnel and no specific allowance made for impairment.

Note 25. Financial Risk Management

(a) Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- Liquidity risk
- Credit risk
- Market risk

This note presents information about the Group's and the Credit Union's exposure to each of the above risks, the Groups' objectives, policies and processes for measuring and managing risk, and the Group's and the Credit Union's management of capital.

The Credit Union's Board of Directors is ultimately responsible for the sound and prudent management of the Group. The Board of Directors has established a Risk Committee that is responsible for establishing an effective risk management framework to manage the Group's exposure to risk. It is also responsible for ensuring that risks are managed within approved limits and for overseeing compliance to relevant policies. The Risk Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and the Group's activities.

The Credit Union's Board of Directors has established an Audit Committee to assist the Board of Directors in fulfilling its responsibilities relating to internal controls and the accounting and reporting practices of the Credit Union. It serves as an independent and objective party to review the financial information presented by management to members, regulators and the general public and is responsible for reviewing the effectiveness of internal controls and risk management systems established by management to enable compliance with legislation, prudential standards, accounting standards and Board Policies. The Audit Committee is assisted in its oversight role by Internal Audit. The Audit Committee reports to the Board of Directors on its activities.

(b) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its payment obligations as they fall due, including repaying member deposits, or that the Group has insufficient capacity to fund increases in assets. The timing mismatch of cash flows and the related liquidity risk is inherent in all banking operations and is closely monitored by the Group.

The Group's approach to managing liquidity is to maintain a portfolio of liquid assets to manage potential stresses in funding sources. The liquidity portfolio held is in accordance with APRA's Prudential Standard APS210 Liquidity which requires the Credit Union to hold high quality liquid assets to 9% (2017: 9%) of adjusted liabilities as a minimum liquidity holding (MLH). The Credit Union prudently, under its liquidity risk policy, has an MLH of 10% (2017: 10%) which it terms an MLH ratio. The Credit Union's Board liquidity risk policy requires the MLH ratio to be managed between 12% and 15%, allowing for surplus liquidity above the 15% upper limit to be invested in non-MLH investments. The MLH and Total Liquidity ratios are reported to management daily and to the Board on a monthly basis.

In addition to the liquidity portfolio, the Credit Union also has a $5.000 million (2017: $5.000 million) overdraft facility (refer to note 22) and a self-securitisation programme with which it can access emergency liquidity through an RBA repo facility (refer to note 27).

Note 25. Financial Risk Management continued

The Group's MLH liquidity ratio and total liquidity ratio as at the end of the reporting period and comparative period were as follows:

	Consolidated	
	2018	2017
	%	%
As at 30 June:		
Liquidity holding - MLH	14.71	14.70
Liquidity holding - Total	14.71	14.70

The liquidity ratio of the Credit Union is not materially different from the Group.

The tables below summarise the maturity profile of the Group's financial liabilities as at reporting date based on contractual undiscounted repayment obligations. The Credit Union expects that many members will not request repayment on the earliest date the Credit Union could be required to pay and the tables do not reflect the cash flows indicated by the Credit Union's deposit retention history.

Consolidated	Carrying amount	Contractual cash flows	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years
2018	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities							
Member deposits	945,510	945,510	550,833	168,118	192,093	34,466	-
Due to other financial institutions	11,500	11,500	-	9,500	2,000	-	-
Interest payable	2,986	10,512	-	4,512	4,997	1,003	-
Trade and other payables	1,344	1,344	-	1,344	-	-	-
Derivative liabilities	-	-	-	-	-	-	-
	961,340	**968,866**	**550,833**	**183,474**	**199,090**	**35,469**	**-**
2017							
Financial liabilities							
Member deposits	899,025	899,025	554,918	170,991	152,710	20,406	-
Due to other financial institutions	6,500	6,500	-	6,500	-	-	-
Interest payable	2,803	9,294	-	4,543	4,167	584	-
Trade and other payables	1,365	1,365	-	1,365	-	-	-
Derivative liabilities	97	97	-	-	-	97	-
	909,790	**916,281**	**554,918**	**183,399**	**156,877**	**21,087**	**-**

Note 25. Financial Risk Management continued

Credit Union	Carrying amount	Contractual cash flows	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018							
Financial liabilities							
Member deposits	945,510	945,510	550,833	168,118	192,093	34,466	-
Due to other financial institutions	11,500	11,500	-	9,500	2,000	-	-
Borrowings	94,133	94,133	-	-	-	-	94,133
Interest payable	3,125	10,651	-	4,651	4,997	1,003	-
Trade and other payables	1,679	1,679	-	1,679	-	-	-
Derivative liabilities	-	-	-	-	-	-	-
	1,055,947	**1,063,473**	**550,833**	**183,948**	**199,090**	**35,469**	**94,133**
2017							
Financial liabilities							
Member deposits	899,025	899,025	554,918	170,991	152,710	20,406	-
Due to other financial institutions	6,500	6,500	-	6,500	-	-	-
Interest payable	2,803	9,294	-	4,543	4,167	584	-
Trade and other payables	1,365	1,365	-	1,365	-	-	-
Derivative liabilities	97	97	-	-	-	97	-
	909,790	**916,281**	**554,918**	**183,399**	**156,877**	**21,087**	**-**

(c) Credit risk management

Credit risk arises from the possibility that the counterparty to a financial instrument will not adhere to the terms of the contract with the Group when settlement becomes due.

The largest exposure to credit risk is in the area of loans and advances and amounts due from other financial institutions. Risk in this area is managed in the following ways:

- credit risk policies are in place and each loan application is assessed using these policies;
- appropriate insurance over underlying security for loans is put in place where necessary;
- procedures exist to ensure that credit exposures to members and other financial institutions are monitored and followed up if necessary; and
- compliance reviews are undertaken by Internal Audit.

Note 25. Financial Risk Management continued

The Group's accounting policy for impaired loans is disclosed in Note 3(g).

The Group holds collateral against loans and advances to members in the form of mortgage interests over real property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Details of the Group's impaired loans and advances as at the reporting date are disclosed below and in Note 12.

	Consolidated		Credit Union	
Exposure to credit risk	**2018** $'000	**2017** $'000	**2018** $'000	**2017** $'000
Individually impaired				
Other loans	351	213	351	213
Gross amount	351	213	351	213
Less allowance for impairment	(171)	(164)	(171)	(164)
Carrying amount	**180**	**49**	**180**	**49**
Collectively impaired				
Mortgage secured	-	374	-	374
Other loans	119	65	119	65
Gross amount	119	439	119	439
Less allowance for impairment	(54)	(102)	(54)	(102)
Carrying amount	**65**	**337**	**65**	**337**
Past due but not impaired				
1 - 29 days	13,488	12,508	13,488	12,508
30 - 59 days	1,680	193	1,680	193
60 - 89 days	562	316	562	316
90 days or greater	673	-	673	-
Gross amount	16,403	13,017	16,403	13,017
Less allowance for impairment	-	-	-	-
Carrying amount	**16,403**	**13,017**	**16,403**	**13,017**
Neither past due nor impaired	**888,392**	**845,871**	**888,392**	**845,871**
Total carrying amount	**905,040**	**859,274**	**905,040**	**859,274**

The majority of past due loans are mortgage loans secured by property with no loss expected.

The Group limits its credit exposure to other financial institutions by investing its liquidity portfolio in instruments in accordance with APRA's minimum investment grade criteria and limits its counterparties to Australian domiciled ADI's (meeting the Board liquidity policy requirements). The Group does not expect any counterparty to fail to meets its obligations.

Note 25. Financial Risk Management continued

The Group's maximum exposure to credit risk at the reporting date (without taking into account the value of any collateral or other security in the event other parties fail to perform their obligations under financial instruments) in relation to each class of recognised financial asset is the carrying amount of those assets (net of any provision for impairment). The Group's maximum exposure to credit risk at the reporting date was:

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000	Credit Union 2018 $'000	Credit Union 2017 $'000
Cash and cash equivalents	8	35,853	29,991	32,834	29,991
Due from other financial institutions	9	113,677	110,148	113,677	110,148
Trade and other receivables	10	1,446	1,242	1,677	1,242
Loans and advances	11, 12	905,040	859,274	905,040	859,274
Notes Receivable	27	-	-	97,400	-
Total maximum exposure		**1,056,016**	**1,000,655**	**1,150,628**	**1,000,655**

(d) Market risk management

Market risk is the risk to the Group's earnings that arise from fluctuations in interest rates and credit spreads (the Group is not exposed to equity, foreign currency or commodity price movements). The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. The Group is predominately exposed to interest rate risk. Interest rate risk is managed principally through monitoring the sensitivity of the Group's financial assets and liabilities, measured as discounted cash-flows, against interest rate movement scenarios and the use of derivatives. Derivatives, in the form of interest rate swaps, are utilised to manage the repricing mismatch between assets and liabilities. The Group is exposed to a declining interest rates. An analysis of the Group's sensitivity, both as dollars and as a percentage of capital, to a 100 basis point parallel (increase)/decrease in market rates is as follows:

	Consolidated 2018 $'000	Consolidated 2017 $'000
Revenue sensitivity:		
As at 30 June	298	384
Average for the period	366	538
Maximum for the period	692	1,297
Minimum for the period	244	30

	2018 %	2017 %
Revenue sensitivity as a percentage of total capital:		
As at 30 June	0.34%	0.45%
Average for the period	0.42%	0.64%
Maximum for the period	0.80%	1.54%
Minimum for the period	0.28%	0.04%

The sensitivity analysis of the Credit Union is not materially different from the Group.

Note 25. Financial Risk Management continued

To manage exposure to interest rate risk, the Group has quantified acceptable risk parameters, and has put in place a third party interest rate risk management system to monitor performance against those parameters and a risk management framework periodically reviewed by the Board and Risk Committee, together with reporting of results to the Board and Risk Committee.

The following summarises the Group's interest rate gap position (before discounting cash flows) and the effective interest rates of financial assets and financial liabilities for the Group. Financial instruments are classified by the date at which the applicable rate will next be reset.

Consolidated	**< 1 month**	**1 month to 12 months**	**1 year to 5 years**	**6 years to 10 years**	**Non-interest earning/ bearing**	**Total carrying value**	**Weighted average rate**
2018	$'000	$'000	$'000	$'000	$'000	$'000	%
Financial assets							
Cash and cash equivalents	27,255	-	-	-	8,598	35,853	1.03%
Due from other financial institutions	54,513	59,164	-	-	-	113,677	2.53%
Loans and advances	694,101	65,148	138,952	6,940	124	905,265	4.23%
Other financial assets	-	-	-	-	1,661	1,661	-
Trade and other receivables	-	-	-	-	1,446	1,446	-
	775,869	**124,312**	**138,952**	**6,940**	**11,829**	**1,057,902**	**3.93%**
Financial Liabilities							
Member Deposits	453,561	304,300	34,466	-	153,183	945,510	1.64%
Due to other financial institutions	-	11,500	-	-	-	11,500	2.93%
Trade & other payables	-	-	-	-	4,330	4,330	-
Borrowings	-	-	-	-	-	-	-
Derivative liabilities	-	-	-	-	-	-	-
	453,561	**315,800**	**34,466**	**-**	**157,513**	**961,340**	**1.65%**
Interest Rate Swaps assets/(liabilities)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2017							
Financial Assets							
Cash and cash equivalents	19,381	-	-	-	10,610	29,991	1.06%
Due from other financial institutions	35,674	74,474	-	-	-	110,148	2.56%
Loans and advances	645,732	63,867	145,908	3,544	489	859,540	4.39%
Other financial assets	-	-	-	-	1,661	1,661	-
Trade and other receivables	-	-	-	-	1,242	1,242	-
	700,787	**138,341**	**145,908**	**3,544**	**14,002**	**1,002,582**	**4.05%**
Financial Liabilities							
Member Deposits	473,529	251,892	20,407	-	153,197	899,025	1.68%
Due to other financial institutions	1,000	5,500	-	-	-	6,500	2.62%
Trade & other payables	-	-	-	-	4,168	4,168	-
Derivative liabilities	-	97	-	-	-	97	1.06%
	474,529	**257,488**	**20,407**	**-**	**157,365**	**909,789**	**1.71%**
Interest Rate Swaps assets/(liabilities)	**5,000**	**(5,000)**	**-**	**-**	**-**	**-**	**-**

Note 25. Financial Risk Management continued

Credit Union 2018	< 1 month $'000	1 month to 12 months $'000	1 year to 5 years $'000	6 years to 10 years $'000	Non-interest earning/ bearing $'000	Total carrying value $'000	Weighted average rate %
Financial assets							
Cash and cash equivalents	27,255	-	-	-	5,579	32,834	1.03%
Due from other financial institutions	54,513	59,164	-	-	-	113,677	2.53%
Loans and advances	694,101	65,148	138,952	6,940	124	905,265	4.23%
Other financial assets	-	-	-	-	1,661	1,661	-
Trade and other receivables	-	-	-	-	1,677	1,677	-
Notes Receivable	97,400	-	-	-	-	97,400	2.54%
	873,269	**124,312**	**138,952**	**6,940**	**9,041**	**1,152,514**	**3.93%**
Financial liabilities							
Member Deposits	453,561	304,300	34,466	-	153,183	945,510	1.64%
Due to other financial institutions	-	11,500	-	-	-	11,500	2.93%
Borrowings	94,133	-	-	-	-	94,133	4.29%
Trade & other payables	-	-	-	-	4,804	4,804	0.00%
Derivative liabilities	-	-	-	-	-	-	-
	547,694	**315,800**	**34,466**	**-**	**157,987**	**1,055,947**	**1.65%**

2017	< 1 month $'000	1 month to 12 months $'000	1 year to 5 years $'000	6 years to 10 years $'000	Non-interest earning/ bearing $'000	Total carrying value $'000	Weighted average rate %
Financial assets							
Cash and cash equivalents	19,381	-	-	-	10,610	29,991	1.06%
Due from other financial institutions	35,674	74,474	-	-	-	110,148	2.56%
Loans and advances	645,732	63,867	145,908	3,544	489	859,540	4.39%
Other financial assets	-	-	-	-	1,661	1,661	-
Trade and other receivables	-	-	-	-	1,242	1,242	-
	700,787	**138,341**	**145,908**	**3,544**	**14,002**	**1,002,582**	**4.05%**
Financial liabilities							
Member deposits	473,529	251,892	20,407	-	153,197	899,025	1.68%
Due to other financial institutions	1,000	5,500	-	-	-	6,500	2.62%
Trade and other payables	-	-	-	-	4,168	4,168	-
Derivative liabilities	-	97	-	-	-	97	1.06%
	474,529	**257,488**	**20,407**	**-**	**157,365**	**909,789**	**1.71%**
Interest rate swaps assets / (liabilities)	**5,000**	**(5,000)**	**-**	**-**	**-**	**-**	**-**

Note 25. Financial Risk Management continued

(e) Capital management

The Group's capital management approach is designed to best serve the interests of its members and adhere to the minimum capital requirements set by APRA under its capital adequacy standard APS 110. The Group ensures compliance with regulatory capital requirements through its internal capital adequacy assessment process (ICAAP). The ICAAP, which forms a component of the capital management policy and represents an annual review of capital adequacy, considers both current capital levels and future capital requirements.

The Group maintains capital through the appropriation of retained earnings to general reserves (refer Note 21(a)). No other capital instruments are utilised.

In accordance with the Basel III capital framework, the Group has adopted a standardised approach to the calculation of credit risk when determining the capital adequacy ratio.

There have been no material changes in the Group's management of capital during the period. Details of the Group's capital adequacy ratio as at the reporting date were as follows:

	Consolidated	
	2018	**2017**
	$'000	$'000
Total qualifying capital	87,782	86,368
Risk weighted assets	467,500	435,780

	2018	**2017**
	%	%
Capital adequacy ratio		
As at 30 June	18.78	19.82

The capital ratio of the Credit Union is not materially different from the Group.

Note 26. Financial Instruments

(a) Fair Values

The aggregate fair value of financial assets and financial liabilities, both recognised and unrecognised at the reporting date of the Group, are as follows:

	Total carrying amount as per Statements of Financial Position		Aggregate net fair value		Fair value hierarchy
Consolidated	**2018** $'000	**2017** $'000	**2018** $'000	**2017** $'000	
Financial assets					
Cash and cash equivalents	35,853	29,991	35,853	29,991	Level 1
Due from other financial institutions	113,677	110,148	114,152	110,704	Level 2
Net loans and advances	905,040	859,274	905,594	859,684	Level 2
Other financial assets	1,661	1,661	1,661	1,661	Level 3
Trade and other receivables	1,446	1,242	1,446	1,242	Level 1
Other investments	-	-	-	-	
	1,057,677	**1,002,316**	**1,058,706**	**1,003,282**	
Financial liabilities					
Members' deposits	945,510	899,025	945,457	899,037	Level 3
Due to other financial institutions	11,500	6,500	11,500	6,500	Level 2
Accounts payable and other liabilities	4,330	4,168	4,330	4,168	Level 1
Borrowings	-	-	-	-	
Derivative liabilities	-	97	-	97	Level 2
	961,340	**909,790**	**961,287**	**909,802**	
Credit Union					
Financial assets					
Cash and cash equivalents	32,834	29,991	32,834	29,991	Level 1
Due from other financial institutions	113,677	110,148	114,152	110,704	Level 2
Net loans and advances	905,040	859,274	905,594	859,684	Level 2
Other financial assets	1,661	1,661	1,661	1,661	Level 3
Trade and other receivables	1,677	1,242	1,677	1,242	Level 1
Other investments	97,400	-	97,400	-	Level 2
	1,152,289	**1,002,316**	**1,153,318**	**1,003,282**	
Financial liabilities					
Members' deposits	945,510	899,025	945,457	899,037	Level 3
Due to other financial institutions	11,500	6,500	11,500	6,500	Level 2
Accounts payable and other liabilities	4,804	4,168	4,804	4,168	Level 1
Borrowings	94,133	-	94,133	-	Level 2
Derivative liabilities	-	97	-	97	Level 2
	1,055,947	**909,790**	**1,055,894**	**909,802**	

Notes to the Financial Statements continued

Note 26. Financial Instruments continued

The following methods and assumptions were used to determine the net fair values of financial assets and financial liabilities:

Cash and cash equivalents:

The carrying amount equates to fair value due to the short term nature of these financial instruments.

Due from other financial institutions:

These financial assets represent the Group's liquidity portfolio and are comprised of MLH investments and term deposits held with Australian domiciled ADIs. Where the MLH investments have a residual maturity of greater than twelve months, the fair value of those investments have been reported at their current market values. The fair value of all other investments are reported at their carrying value.

Loans and advances:

Fair value has been determined through the discounting of future cash flows which represents a difference between existing loan interest rates and current market interest rates. For fixed rate loans the discount factor is based on the applicable benchmark bank bill swap rate. For variable rate loans, which are repriced at the discretion of the Group, fair value is set at the carrying value.

Other financial assets:

Where appropriate, net fair value for other financial assets has been determined by reference to the most recent formal valuation. Where a fair value cannot be determined due to the absence of a quoted market price, the cost price will be used where it is determined as the only reliable estimate of fair value.

Trade and other receivables:

These financial assets are substantially short-term in nature and predominantly comprise individual assets with variable interest rates, consequently carrying value approximates fair value because of the short term repricing opportunity. For those financial assets that will be repriced beyond twelve months, the aggregate net fair value has been determined by calculating the net present value of future cash flows using market rates as at reporting date.

Accounts payable and other liabilities

These financial liabilities are substantially short-term in nature and predominantly comprise individual liabilities with variable interest rates, consequently carrying value approximates fair value because of the short term repricing opportunity. For those financial liabilities that will be repriced beyond twelve months, the aggregate net fair value has been determined by calculating the net present value of future cash flows using market rates as at reporting date.

Members' deposits:

Fair value has been determined through the discounting of future cash flows which represents a difference between existing deposit interest rates and current market interest rates. For fixed term deposits the discount factor is based on the applicable benchmark bank bill swap rate. For at-call deposits, which are repriced at the discretion of the Group, fair value is set at the carrying value.

Derivatives:

Fair value for the Group's interest rate swaps has been determined by discounting future cash flows which are based on current implied forward rates as at the reporting date.

Self-securitisation:

Self-securitisation notes are valued at par.

Note 26. Financial Instruments continued

(b) Fair value hierarchy

The table below analyses the Group's financial instruments carried at fair value.

The different levels have been identified as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets and liabilities either directly (ie: as prices) or indirectly (ie: derived from prices)
- Level 3: Inputs for assets and liabilities that are not based on observable market data (unobservable inputs).

Consolidated	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2018				
Derivative liabilities	-	-	-	-
Other financial assets	-	-	1,661	1,661
2017				
Derivative liabilities	-	97	-	97
Other financial assets	-	-	1,661	1,661

Credit Union	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2018				
Derivative liabilities	-	-	-	-
Other financial assets	-	97,400	1,661	99,061
2017				
Derivative liabilities	-	97	-	97
Other financial assets	-	-	1,661	1,661

Valuation assumptions used as the basis for the level 3 allocation of other financial assets is as noted in Note 13.

Derivative liabilities are valued based on the discounted future cash flows based on the implied 90 day forward interest rates for the remaining term to maturity of each interest rate swap.

There have not been any changes in the classification between levels during the year (2017: nil).

Note 27. Securitisation

In the ordinary course of business, the Credit Union enters into transactions that result in the transfer of financial assets to a special purpose entity that consists of loans and advances to members.

In October 2017, the Credit Union established a residential mortgage-backed securitisation (RMBS) program for the purpose of self-securitisation and established the MTG CUSA Trust Repo Series No. 1 (the "Trust") to purchase mortgage loans it originated.

The Credit Union transferred loans totalling $106.286 million during the financial year as part of its ongoing self-securitisation program. The outstanding balance of the loans transferred as at 30 June 2018 was $94.133 million. The Group has not transferred substantially all of the risks and rewards associated with these loans and accordingly these loans are carried on the Group's balance sheet.

Note 28. Related Party Disclosures

(a) The Credit Union provides payroll processing and administration services on behalf of Blackwood Nominees Pty Ltd. All transactions are under normal terms and conditions.

b) The Credit Union engages Data Action Pty Ltd to provide software and technology hosting services. Data Action provides the software and technology services at arms' length and benefits are recognised through equity accounted earnings, refer Note 14.

c) The Credit Unions holds a controlling interest in a special purpose vehicle with which securitisation transactions are entered into under normal commercial terms at arm's length. These transactions are eliminated upon consolidation.

Ownership interest	Note	2018 %	2017 %
Data Action	14	15.90	15.90
Blackwood Nominees Pty Ltd	14	50.00	50.00
MTG CUSA Trust Repo Series No1.	27	100.00	-

Aggregate amounts included in profit before income tax expense that resulted from transactions with the non-key management personnel related parties:	2018 $	2017 $
Technology services	2,347,538	2,507,316
Management fee	4,200	7,350
Interest expense	59,983	54,575
Aggregate amounts payable to non key management personnel related party:		
At call deposits	6,417	38
Term deposits	2,000,000	2,000,000

Note 29. Auditors' Remuneration

	Consolidated		Credit Union	
Audit services	**2018** $	**2017** $	**2018** $	**2017** $
Auditors of the Credit Union				
KPMG Australia:				
- Audit of financial statements	108,169	101,921	108,169	101,921
- Other regulatory audits	26,594	26,067	26,594	26,067
	134,763	**127,988**	**134,763**	**127,988**
Other services				
Auditors of the Credit Union				
KPMG Australia:				
- In relation to tax and other services	36,262	28,623	36,262	28,623
Total auditor remuneration	**171,025**	**156,611**	**171,025**	**156,611**

Note 30. Franking Account

The Credit Union has generated franking credits through paying income tax since the 1994/95 financial year. The ability to utilise these credits is restricted by the constitution of the Credit Union which does not currently permit dividend payments.

The balance of the consolidated franking account, adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements is $24.647 million (2017: $22.944 million).

The Credit Union is prevented from distributing the balance of the franking accounts.

Note 31. Segment Information

The Group operates predominately in the retail finance industry within South Australia.

Specific segmentation of loans and deposits is set out in Notes 11 and 18.

Note 32. Economic Dependency

The Group has an economic dependency on the following suppliers of services.

Cuscal Ltd

As a provider and aggregator of financial service products to the financial services industry, this entity supplies the Credit Union with access to payment and settlement facilities in the form of BPay, Direct Entry and Chequing as well as access to acquiring and settlement facilities for electronic fund services via the ATM, EFTPOS and NPP networks. Cuscal Ltd also provides the Credit Union with rediCARD and VISA card services. In addition, Cuscal Ltd supplies transactional banking and money market services to the Credit Union. Cuscal Ltd also provides the electronic link between automatic teller machines, Bank@Post terminals, point of sale terminals and BPay transactions to members' accounts. The Credit Union invests a proportion of its high quality liquid assets with Cuscal Ltd. The Credit Union is a shareholder in Cuscal Ltd.

Data Action Pty Ltd

The Credit Union is a shareholder in Data Action Pty Ltd. Data Action Pty Ltd provides the Credit Union with computer software solutions and hosted technology services.

Note 33. Subsequent Events

There have been no events subsequent to reporting date which would have a material impact on the Credit Union's 30 June 2018 financial statements.

Credit Union SA Ltd

ABN 36 087 651 232
AFSL/Australian Credit Licence Number 241066

Principal registered office in Australia
Level 3, Credit Union SA Centre
400 King William St, Adelaide
South Australia 5000, Australia

Telephone
08 8202 7777

Facsimile
08 8410 0812

Annual General Meeting
Wednesday 21 November 2018
5.30pm, Adelaide Pavilion Conference Centre
Corner South Terrace and Peacock Road, Adelaide

Bankers
Cuscal Limited
National Australia Bank Limited

Auditors
KPMG

Tax Agent
KPMG

Solicitors
Wallmans Lawyers
Jones Harley Toole Lawyers
Fisher Jefferies
Piper Alderman

CEO
Grant Strawbridge
BA (Acc), FCPA, FAICD, F Fin

Credit Union SA Ltd
Principal registered office in Australia
ABN 36 087 651 232
AFSL/Australian Credit Licence 241066
400 King William Street, Adelaide SA 5000