Annual Report 2019

Contents

Directors' Report

The Directors present their report together with the financial report of Credit Union SA Ltd (the "Credit Union") for the financial year ended 30 June 2019 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, experience and special responsibilities are:

Name, Qualifications, Board Committees and Independence Status	Occupation and Other Directorships
Carolyn Anne MITCHELL LLB, GDLP, FAICD Director since 2006 Chair of the Board Non-Executive Director Member, Board Governance Committee	Company Director/Consultant *Other Board Memberships:* Tonkin Consulting Pty Ltd (Chair), Raising Literacy Australia Incorporated (Chair), Springwood Development Nominees Pty Ltd (Independent Chair of the Development Management Committee), Trustee for Adelaide Festival Centre Trust (term concluded March 2019), 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. (Chair), Winston Churchill Memorial Trust National Board, Leaders Institute of SA (Chair), Bizbuild Pty Ltd, Hood Sweeney Pty Ltd, SA Heart Centres Pty Ltd
Julie Anne COOPER GD.Mgt, BA, GAICD Director since February 2019 Non-Executive Director Member, Board Audit Committee Member, Board Governance Committee	Company Director/Consultant *Other Board Memberships:* Nova Aerospace Pty Ltd
Paul Carl DEWSNAP DipElecEng, MAICD Director since February 2019 Non-Executive Director Member, Board Risk Committee	Company Director/Principal Consultant *Other Board Memberships:* Nil
Kathryn Anne JORDAN B Soc Sci (Human Services), B Ed ECE, GAICD Director since 2016 Non-Executive Director Member, Board Audit Committee Member, Board Risk Committee	Company Director *Other Board Memberships:* Nil
Nicolle Shelley REYNOLDS MBA, MComLaw, BCom (Acc), CSM, FAICD, FCPA, FTIA Director since 2011 Non-Executive Director Chair, Board Risk Committee	Public Trustee (South Australia) *Other Board Memberships:* The Grange Golf Club (Vice President), CPA SA/NT Councillor, AICD SA/NT Councillor
Philip Leon Fernand RIQUIER MBA, B Bus, FAICD, FCPA Director since 2018 Non-Executive Director Chair, Board Audit Committee	Company Director *Other Board Memberships:* Accord Property Pty Ltd (and all of its subsidiaries), LCA Nominees Pty Ltd (Lutheran Super Australia), Lutheran Homes Incorporated, Head Start Homes Pty Ltd
Colin BUTTERICK MBA, Dip HRM, B Cert (Acct), FAMI, GAICD Director since 2009, retired December 2018 Non-Executive Director Member, Board Governance Committee Member, Board Audit Committee	Company Director *Other Board Memberships:* Trinity Place Ltd (Chair), Diabetes SA (Treasurer)

Name, Qualifications, Board Committees and Independence Status	Occupation and Other Directorships
Robert Peter SHANNAHAN BA (Acct), CPA, MAICD Director since 1994, retired November 2018 Non-Executive Director Chair, Board Audit Committee Member, Board Risk Committee	Company Director *Other Board Memberships:* Nil

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

Company Secretary

Ms Melissa Lovell LLB (Hons), BIntSt, MBA, GAICD, FGIA was appointed Company Secretary effective 1 May 2019. Ms Lovell is a commercial lawyer and corporate governance professional who has held senior roles with private and ASX-listed companies and formerly practised as a banking and financial services lawyer in Australia and the UK.

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	0	0	0	0	5	5
A Cannon	ME	11	11	0	0	0	0	5	4
J Cooper	BA	6	6	2	2	0	0	3	3
P Dewsnap	BA	6	6	0	0	2	2	0	0
K Jordan	ME	11	11	4	4	0	0	0	0
N Reynolds	ME	11	10	0	0	5	5	0	0
P Riquier	BA	11	11	2	2	3	2	0	0
C Butterick	BA	5	5	2	2	0	0	2	2
R Shannahan	ME	3	3	2	2	2	2	0	0

(*) 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 Credit Union during the financial year ended 30 June 2019, and to the date of this report.

Principal Activities

During the financial year ended 30 June 2019 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 significant changes to these activities during the year.

Review of Operations

The Credit Union recorded a profit after tax for the year ended 30 June 2019 of $3.814million (2018: $4.262 million). Total assets of the Credit Union as at 30 June 2019 were $1.187 billion (2018: $1.065 billion) including members' net loans and advances of $985.379 million (2018: $905.040 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 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, the results, or the state of affairs of the Credit Union in future financial years.

Likely Developments

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

Environmental Regulations

The Credit Union'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 are 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 Director's and Officer's 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.

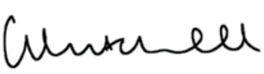
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act

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 2019.

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 28th day of August 2019 in accordance with a resolution of the Board of Directors of Credit Union SA Ltd.



Carolyn Mitchell
Chair of the Board

Philip Riquier
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 2019 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

John Evans
Partner
Adelaide
28 August 2019

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.

Independent Auditor's Report

To the Directors 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 2019 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 2019
- *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*.

Basis for opinion

We conducted our audit 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 opinion

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

We are independent of the Credit Union in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have 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 Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does 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 audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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	**John Evans**
	Partner
	Adelaide, 28 August 2019

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 2019

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

a) the financial statements and notes set out on pages 11 to 69 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 2019 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 28th day of August 2019, in accordance with a resolution of the Board of Directors of the Credit Union.

Carolyn Mitchell
Chair of the Board

Philip Riquier
Chair of the Audit Committee

Statements of Financial Position

As at 30 June

		Consolidated		Credit Union	
		2019	2018	2019	2018
	Notes	$'000	$'000	$'000	$'000
Assets					
Cash and cash equivalents	8	22,572	35,853	18,989	32,834
Due from other financial institutions	9	165,960	113,677	165,960	113,677
Trade and other receivables	10	1,523	1,446	1,556	1,677
Net loans and advances	11, 12	985,379	905,040	985,379	905,040
Other Investments	27	-	-	97,400	97,400
Other financial assets	13	2,828	1,661	2,828	1,661
Equity accounted investees	14	4,445	4,262	4,445	4,262
Property, plant and equipment	15	1,740	1,357	1,740	1,357
Deferred tax assets	7	995	861	995	861
Intangible assets	16	1,421	980	1,421	980
Other assets	17	405	336	398	331
Total assets		**1,187,268**	**1,065,473**	**1,281,111**	**1,160,080**

Liabilities					
Members' deposits	18	1,065,309	945,510	1,065,309	945,510
Due to other financial institutions		8,000	11,500	8,000	11,500
Borrowings	27	-	-	93,583	94,133
Trade and other payables	19	4,802	4,330	5,062	4,804
Income received in advance		139	465	139	465
Income tax payable	7	572	329	572	329
Provisions	20	2,658	2,756	2,658	2,756
Total liabilities		**1,081,480**	**964,890**	**1,175,323**	**1,059,497**

Net assets		**105,788**	**100,583**	**105,788**	**100,583**

Equity					
Retained earnings	21	103,280	99,520	103,280	99,520
Fair value reserves	21	1,677	-	1,677	-
General reserve for credit losses	21	774	1,008	774	1,008
Redeemed member shares	21	57	55	57	55
Trust issued Units	21	-	-	-	-
Total equity		**105,788**	**100,583**	**105,788**	**100,583**

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

		Consolidated		Credit Union	
		2019	2018	2019	2018
	Notes	$'000	$'000	$'000	$'000
Income					
Interest revenue	4	43,009	40,784	45,499	42,318
Interest expense	4	(17,494)	(15,663)	(21,290)	(18,351)
Net interest revenue		25,515	25,121	24,209	23,967
Non interest revenue	5	5,442	5,555	6,676	6,639
Share of profit of equity accounted investees	5, 14	271	850	271	850
Total income		**31,228**	**31,526**	**31,156**	**31,456**
Expenses					
Impairment losses on loans and advances	12	(214)	(179)	(214)	(179)
Other expenses	6	(25,687)	(25,671)	(25,615)	(25,601)
Total expenses		**(25,901)**	**(25,850)**	**(25,829)**	**(25,780)**
Profit before tax		5,327	5,676	5,327	5,676
Income tax expense	7	(1,513)	(1,414)	(1,513)	(1,414)
Profit for the year		**3,814**	**4,262**	**3,814**	**4,262**
Items that are or may be reclassified to profit or loss					
Movement in Fair Value Reserves					
Due to Other Financial Institutions at FVOCI		259	-	259	-
Items that will not be reclassified to profit or loss					
Movement in Fair Value Reserves					
Equity Investments at FVOCI		1,167	-	1,167	-
Other comprehensive income for the year, net of tax		**1,426**	**-**	**1,426**	**-**
Total comprehensive income for the year		**5,240**	**4,262**	**5,240**	**4,262**

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 Entity	Notes	Retained Earnings $'000	Fair Value Reserves $'000	General Reserve for Credit Losses $'000	Cash Flow Hedge Reserve $'000	Redeemed member shares $'000	Total $'000
2019							
Opening equity		**99,520**	**-**	**1,008**	**-**	**55**	**100,583**
Adjustments on Initial application of AASB 9							
Remeasurement due to classifications (after tax)		-	251	-	-	-	251
Remeasurement due to impairment (after tax)		(286)	-	-	-	-	(286)
Remeasurement of the General Reserve for Credit Losses		319	-	(319)	-	-	-
Restated opening Equity		**99,553**	**251**	**689**	**-**	**55**	**100,548**
Profit for the year		3,814	-	-	-	-	3,814
Other comprehensive income for the year		-	1,426	-	-	-	1,426
General Reserve for Credit Losses	12	(85)	-	85	-	-	-
Transfer (to)/from redeemed member shares		(2)	-	-	-	2	-
Closing equity	21	**103,280**	**1,677**	**774**	**-**	**57**	**105,788**
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**

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	Fair Value Reserves $'000	General Reserve for Credit Losses $'000	Cash Flow Hedge Reserve $'000	Redeemed member shares $'000	Total $'000
2019							
Opening equity		**99,520**	**-**	**1,008**	**-**	**55**	**100,583**
Adjustments on Initial application of AASB 9							
Remeasurement due to classifications (after tax)		-	251	-	-	-	251
Remeasurement due to impairment (after tax)		(286)	-	-	-	-	(286)
Remeasurement of the General Reserve for Credit Losses		319	-	(319)	-	-	-
Restated opening Equity		**99,553**	**251**	**689**	**-**	**55**	**100,548**
Profit for the year		3,814	-	-	-	-	3,814
Other comprehensive income for the year		-	1,426	-	-	-	1,426
General Reserve for Credit Losses	12	(85)	-	85	-	-	-
Transfer (to)/from redeemed member shares		(2)	-	-	-	2	-
Closing equity	21	**103,280**	**1,677**	**774**	**-**	**57**	**105,788**
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**

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 2019 $'000	Consolidated 2018 $'000	Credit Union 2019 $'000	Credit Union 2018 $'000
Cash flows from operating activities					
Interest received		43,062	40,617	45,567	42,065
Increase in members loans and advances		(80,962)	(45,945)	(80,962)	(45,945)
Interest paid		(16,258)	(15,480)	(20,193)	(18,030)
Increase in member deposits	18	119,799	46,485	119,799	46,485
(Decrease)/increase in due to other financial institutions		(3,500)	5,000	(3,500)	5,000
Non-interest income received		5,312	5,517	6,729	6,394
Non-interest expenses paid		(25,880)	(25,087)	(25,881)	(24,614)
Income tax paid	7(c)	(1,282)	(1,477)	(1,282)	(1,477)
Net cash flow used in operating activities	8(b)	**40,291**	**9,630**	**40,277**	**9,878**
Cash flow from investing activities					
Increase in due from other financial institutions	9	(51,772)	(3,529)	(51,772)	(3,529)
Net Increase in Notes receivable		-	-	-	(97,400)
Dividends received from equity accounted investees	14	88	671	88	671
Payments for property, plant, equipment and intangibles	15,16	(1,888)	(926)	(1,888)	(926)
Proceeds from sale of property, plant and equipment		-	16	-	16
Net cash from investing activities		**(53,572)**	**(3,768)**	**(53,572)**	**(101,168)**
Cash flow from financing activities					
(Decrease)/increase in notes receivable from securitisation		-	-	(550)	94,133
Net cash from Financing activities		**-**	**-**	**(550)**	**94,133**
Net (decrease)/increase in cash equivalents		**(13,281)**	**5,862**	**(13,845)**	**2,843**
Cash and cash equivalents at beginning of the year		35,853	29,991	32,834	29,991
Cash and cash equivalents at end of the year	8(a)	**22,572**	**35,853**	**18,989**	**32,834**

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 2019 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(g) and other notes to the financial statements.

The financial report was authorised for issue by the Directors on 28 August 2019.

(b) Basis Of Measurement

The financial report has been prepared on the historical cost basis except for financial instruments classified as fair value through other comprehensive income 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 12 - Impairment of Loans and Advances
- Note 20(a) - Provisions for Employee Entitlements
- Note 20(b) - Provisions for 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 significantly affects the key decisions that manage the vehicle's returns. As a result, the Group has concluded that it controls the securitisation vehicle.

(f) Other Accounting Policies

(i) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets 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.

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.

(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 is reversed only to the extent

Note 2. Basis of Preparation continued

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.

(g) Changes in Accounting Policies

The Group has initially adopted *AASB 9 Financial Instruments* and *AASB 15 Revenue from Contracts with Customers* from 1 July 2018.

Due to the transition method chosen by the Group in applying AASB 9 and AASB 15, comparative information throughout these financial statements has not been restated.

The effect of initially applying these standards is mainly attributed to the following:

- an increase in impairment losses recognised on loans and advances (see Note 12);
- additional disclosures related to AASB 9 (see Note 26); and
- additional disclosures related to AASB 15 (see Note 5).

Except for the changes below, the Group has consistently applied the accounting policies as set out in the Notes to these consolidated financial statements.

AASB 9, published in July 2014, replaces the existing guidance and measurement in AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) which includes revised guidance on the classification and measurement 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.

The key changes to the Group's accounting policies resulting from its adoption of AASB 9 are summarised below. The full impact of adopting the standard is set out in Note 26.

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.

Financial assets

The Group classifies it financial assets as subsequently measured at either amortised cost or fair value depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

Based on its assessment of the possible changes to the classification and measurement of financial assets held as at 30 June 2019 the Group has classified and measured its financial instruments as follows:

- loans and advances to members and due to other financial institutions measured at amortised cost under AASB 139 are in a held-to-collect business model and will continue to be measured at amortised cost under AASB9;
- held to maturity investment securities have been measured at amortised cost or FVOCI depending on the business model and cash flow characteristics; and
- equity investments classified as available for under AASB 139 have been designated at FVOCI and valued based on the available fair value information at reporting date. For unquoted equity investments that were measured at cost (fair value proxy) under AASB 139, AASB 9 requires such investments to be measured at fair value from the date of initial application of the standard. Equity investments are no longer permitted to be measured at cost. This requirement can only be applied prospectively and comparatives are not to be restated.

Financial liabilities

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's financial statements have not been impacted by the introduction of AASB 9 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. The ECL model requires considerable judgment over how changes in economic factors affect provisioning requirements which are determined on a probability-weighted basis. The Group uses the South Australian unemployment rate as the economic factor affecting provisioning requirements given the geographic concentration of the Group's lending exposures to South Australia.

The ECL model applies to all financial assets measured at amortised cost, due from other financial institutions measured at fair value through other comprehensive income, cash and cash equivalents, trade and other receivables and loan commitments.

The model uses a three-stage approach to recognition of expected credit losses. AASB 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs.

Note 2. Basis of Preparation continued

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's expected credit loss model defines default as where the borrower is 90 days past due on any borrowings and considers arrears a key indicator of a significant increase in credit risk when determining to apply a lifetime ECL or 12-month ECL for a given credit exposure.

Credit provisions held on the Group's balance sheet maintain an overall provision rate of total loan balances, inclusive of the general reserve for credit loss, equivalent to prior provisioning requirements.

Under AASB 9, credit losses are recognised earlier than AASB 139. For an explanation on how the Group applies the impairment requirements of AASB 9, see Note 12.

Transition

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively, except as described below.

- Comparative periods generally have not been restated. Differences in the carrying amounts of financial assets and liabilities resulting from the adoption of AASB 9 are recognised in retained earnings and reserves as at 1 July 2018. Accordingly the information presented for 30 June 2018 does not reflect the requirements of AASB 9 and therefore is not comparable to the information presented for the year ended 30 June 2019 under AASB 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model under which the financial asset is held.
  - The designation and revocation of previous designations of certain financial assets as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as FVOCI.

For more information and details on the changes and implications resulting from the adoption of AASB, see Note 12 and Note 26.

Note 3. Statement of Significant Accounting Policies

(a) New Standards and Interpretations Adopted

AASB 9 Financial Instruments

The following table summarises the impact on classification and measurement to the Group's financial assets and financial liabilities on 1 July 2018:

Consolidated	*Classification*		*Carrying Amount*	
	AASB 139	**AASB 9**	**AASB 139**	**AASB 9**
			$'000	$'000
Financial Assets				
Cash and cash equivalents	Loans and Receivables	Amortised Cost	35,853	35,853
Due from other financial institutions	Held-To-Maturity Investments	Amortised Cost	32,606	32,606
Due from other financial institutions	Held-To-Maturity Investments	FVOCI	81,071	81,322
Net loans and advances	Loans and Receivables	Amortised Cost	905,040	904,631
Other financial assets	Available-for-Sale	FVOCI	1,661	1,661
Trade and other receivables	Loans and Receivables	Amortised Cost	1,446	1,446
Total Financial Assets			**1,057,677**	**1,057,519**
Financial Liabilities				
Members' deposits	Amortised Cost	Amortised Cost	945,510	945,510
Due to other financial institutions	Amortised Cost	Amortised Cost	11,500	11,500
Accounts payable and other liabilities	Amortised Cost	Amortised Cost	4,330	4,330
Total Financial Liabilities			**961,340**	**961,340**

Note 3. Statement of Significant Accounting Policies continued

Credit Union	Classification		Carrying Amount	
	AASB 139	AASB 9	AASB 139 $'000	AASB 9 $'000
Financial Assets				
Cash and cash equivalents	Loans and Receivables	Amortised Cost	32,834	32,834
Due from other financial institutions	Held-To-Maturity Investments	Amortised Cost	32,606	32,606
Due from other financial institutions	Held-To-Maturity Investments	FVOCI	81,071	81,322
Net loans and advances	Loans and Receivables	Amortised Cost	905,040	904,631
Other Investments	Loans and Receivables	Amortised Cost	97,400	97,400
Other financial assets	Available-for-Sale	FVOCI	1,661	1,661
Trade and other receivables	Loans and Receivables	Amortised Cost	1,677	1,677
Total Financial Assets			**1,152,289**	**1,152,131**

Financial Liabilities				
Members' deposits	Amortised Cost	Amortised Cost	945,510	945,510
Due to other financial institutions	Amortised Cost	Amortised Cost	11,500	11,500
Accounts payable and other liabilities	Amortised Cost	Amortised Cost	4,804	4,804
Borrowings	Amortised Cost	Amortised Cost	94,133	94,133
Total Financial Liabilities			**1,055,947**	**1,055,947**

Note 3. Statement of Significant Accounting Policies continued

The following table is a reconciliation of the closing impairment allowance in accordance with AASB 139 to the opening impairment allowance determined in accordance with AASB 9 as at 1 July 2018. Changes to the impairment allowance under AASB 9 are due to remeasurement of impairment using the expected credit loss requirements.

Group	AASB 139 opening balance as at 1 July 2018 $'000	Reclassification $'000	Remeasurement $'000	AASB9 closing balance as at 1 July 2018 $'000
Provision for Doubtful Debts				
General Reserve for Credit Losses	1,008	-	(319)	689
Expected credit loss provision	-	-	463	463
Collective Provision	54	-	(54)	-
Specific Provision	171	-	-	171
Total Provision for Doubtful Debts	**1,233**	**-**	**90**	**1,323**
Deferred tax Asset				
Expected credit loss provision	-	-	139	139
Collective Provision	16	-	(16)	-
Specific Provision	51	-	-	51
Total Deferred Tax Asset	**67**	**-**	**123**	**190**

The following table is a reconciliation of the closing balance of due from financial institutions in accordance with AASB 139 to the opening balance in accordance with AASB 9 as at 1 July 2018. Changes to the balances are due to the new classification and measurement requirements of AASB 9.

Group	AASB 139 opening balance as at 1 July 2018 $'000	Reclassification $'000	Remeasurement $'000	AASB9 closing balance as at 1 July 2018 $'000
Due from Other Financial Institutions				
Held-to-Maturity	113,677	(113,677)	-	-
Amortised Cost	-	32,606	-	32,606
FVOCI	-	81,071	251	81,322
Total Due from Other Financial Institutions	**113,677**	**-**	**251**	**113,928**

Note 3. Statement of Significant Accounting Policies continued

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.

AASB 15 requires identification of performance obligations within a contract and an associated transaction price that is allocated to these performance obligations. Revenue is recognised upon satisfaction of these performance obligations, which occurs when a customer obtains control of the goods or services. The control may be transferred at a point in time or over a period of time.

The Group adopted AASB 15 using the modified retrospective method with a date of transition of 1 July 2018 without any practical expedients. On transition, no material adjustment to opening retained earnings was recognised as the amendments to accounting policies did not result in significant changes to the timing or amount of revenue recognised at 30 June 2018. As permitted by AASB 15, the Group has not restated its comparative financial statements.

The Group's revenue from contracts with customers primarily consists of Non-interest Revenue presented on the Statements of Profit or Loss and Other Comprehensive Income and in Note 5. Commission and fee revenue from contracts with customers is measured based on the consideration specified in a contract with a customer. The impact of the adoption of AASB 15 is outlined below.

Commission revenue

Commissions earned by the Group relate to transactions under which the Group has acted as agent for the sale of general, mortgage protection and consumer credit insurance. Additionally, the Group earns commission revenue through the referral of members for financial planning advice.

No change to the recognition or measurement insurance commission revenue has been applied. The Group has determined that it has no substantive ongoing performance obligation in respect of referral commission and therefore is required to estimate the present value of referral commission it is entitled to collect and recognise that estimate as a contract asset. The contract asset and the adjustment to retained earnings are not material to the Group's financial statements.

Fee 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 has not changed under AASB 15.

No other material adjustments were identified.

(b) New Standards and Interpretations Not Yet Adopted

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 introduces a single accounting model for recognising and measuring lease arrangements. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time. Lessor accounting remains largely unchanged from the previous standard. Under lessee accounting, AASB 16 requires all leases to be recognised on the Balance Sheet, unless the underlying asset is of low value or the lease has a term of 12 months or less.

From 1 July 2019, the Group will recognise a 'right-of-use asset' representing its right to use leased assets and a 'lease liability', measured as the present value of future lease payments. The income statement will include depreciation of the right-of-use asset and interest expense on the lease liability over the lease term. Total lease expense recognised over the life of a lease remains unchanged as compared to AASB 117, however the timing of expense recognition changes, with a higher expense recognised in the earlier stages of a lease due to the interest expense being determined on the lease liability that amortises over the lease term. The Group has applied the modified retrospective approach in adopting AASB 16, and measured the right-of-use asset for existing premises as if AASB 16 has always been applied. The resulting transition adjustments will be recognised in opening retained profits. For other leases, the right-of-use asset is measured as equal to the lease liability.

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 has not adopted AASB 16 Leases in the preparation of these financial statements.

The Group is in process of completing a detailed assessment on the potential impact on its financial statements resulting from the application of AASB 16. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, the development of the Group's lease portfolio, the Group's assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

Note 4. Interest Revenue and Interest Expense

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.

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	Interest	Average Interest Rate	Average Balance	Interest	Average Interest Rate
	$'000	$'000	%	$'000	$'000	%
2019						
Interest revenue						
Cash and cash equivalents	30,389	340	1.12%	25,664	259	1.01%
Due from other financial institutions	134,592	3,678	2.73%	134,592	3,678	2.73%
Loans and advances	955,758	38,991	4.08%	955,758	38,991	4.08%
Notes Receivable	-	-	-	97,400	2,571	2.64%
	1,120,739	**43,009**	**3.84%**	**1,213,414**	**45,499**	**3.75%**
Interest expense						
Payables due to other financial institutions	19,147	538	2.81%	19,147	538	2.81%
Member deposits	984,129	16,956	1.72%	984,129	16,956	1.72%
Borrowings	-	-	-	93,583	3,796	4.06%
	1,003,276	**17,494**	**1.74%**	**1,096,859**	**21,290**	**1.94%**
Interest margin		**25,515**	**2.10%**		**24,209**	**1.81%**
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%**

Note 5. Non-Interest Revenue

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.

- Other fees and commissions are brought to account in accordance with AASB 15 Contracts with Customers with revenue recognised in alignment with the associated performance obligations. The Group recognises revenue when it transfers control over a service to a customer.
- 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.
- Income from investments in associates represents the Group's share of the profit in associates before income tax.

	Consolidated		Credit Union	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Non-interest revenue				
Distribution from Trust	-	-	1,147	1,021
Loan fees	922	756	922	756
Bad debts recovered	119	125	119	125
Dividends received	69	138	69	138
Gain from sale of property, plant & equipment	-	2	-	2
Rental revenue from property	1	3	1	3
Other fee revenue	782	1,023	782	1,023
Other commission revenue	3,533	3,493	3,533	3,493
Other revenue	16	15	103	78
Total non-interest revenue	**5,442**	**5,555**	**6,676**	**6,639**
Investments in Associates				
Share of profit in associates before income tax	388	1,215	388	1,215
Income tax expense	(117)	(365)	(117)	(365)
Total share of profit in Associates	**271**	**850**	**271**	**850**
Total non interest revenue	**5,713**	**6,405**	**6,947**	**7,489**

Contract Balances

The Group holds receivables to the value of $0.054million for referral commission recognised in accordance with AASB 15 Contracts with Customers as at 30 June 2019 under Trade and Other Receivables in the Statement of Financial Position.

Note 6. Other Expenses

Employee benefits

Salaries, annual leave and other employee entitlements expected to be paid or settled within 12 months of employees rendering service are measured at their nominal amounts using remuneration rates that the Group expects to pay when the liabilities are settled.

Refer to Note 20 Provisions for balances of employee benefit related provisions.

	Consolidated		Credit Union	
	2019 $'000	**2018** $'000	**2019** $'000	**2018** $'000
Administration expenses				
Staff				
Employee benefits	11,623	11,224	11,623	11,224
Contributions to defined contribution plans	1,049	1,045	1,049	1,045
Occupancy				
Operating lease expenses	1,474	1,791	1,474	1,791
Occupancy expenses	394	431	394	431
Information technology				
Information technology expenses	2,309	2,283	2,309	2,283
Other				
Administrative expenses	2,103	2,361	2,042	2,291
Depreciation property, plant & equipment	509	485	509	485
Amortisation intangibles	520	406	520	406
Distribution channel costs	3,465	3,416	3,465	3,416
Marketing expenses	1,167	1,333	1,167	1,333
Loss on disposal of property, plant & equipment	33	30	33	30
Other	1,041	866	1,030	866
	25,687	**25,671**	**25,615**	**25,601**
Total non interest operating expenses	**25,687**	**25,671**	**25,615**	**25,601**

Note 7. 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.

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	2019	2019	2018	2018
	%	$'000	%	$'000
(a) Reconciliation between tax expense and pre-tax profit				
Profit before tax		5,327		5,676
Income tax expense	30.00%	1,598	30.00%	1,703
Increase/(decrease) in income tax expense due to:				
Non allowable expenses	0.33%	17	0.14%	8
Non assessable income	(1.92%)	(102)	(5.23%)	(297)
Under provision from prior year	-	-	-	-
Income tax expense on pre-tax net profit	**28.41%**	**1,513**	**24.91%**	**1,414**
(b) Tax expense recognised in profit or loss comprises:				
Current tax expense in respect of the current year		1,524		1,395
Adjustments to prior years		-		-
		1,524		1,395
Deferred tax expense relating to the origination and reversal of temporary differences		(11)		19
Total tax expense		**1,513**		**1,414**
(c) Income tax payable / (Current tax asset)				
Movements during the year were as follows:				
Balance at beginning of the year		329		120
Income tax paid (net of refund)		(1,282)		(1,477)
Current year income tax liability on operating profit		1,524		1,395
Under provision in prior years		1		291
Income tax payable		**572**		**329**

Note 7. Income Tax continued

Credit Union	2019 %	2019 $'000	2018 %	2018 $'000
(a) Reconciliation between tax expense and pre-tax profit				
Profit before tax		5,327		5,676
Income tax expense	30.00%	1,598	30.00%	1,703
Increase/(decrease) in income tax expense due to:				
Non allowable expenses	0.33%	17	0.14%	8
Non assessable income	(1.92%)	(102)	(5.23%)	(297)
Under provision from prior year	-	-	-	-
Income tax expense on pre-tax net profit	**28.41%**	**1,513**	**24.91%**	**1,414**
(b) Tax expense recognised in profit or loss comprises:				
Current tax expense in respect of the current year		1,524		1,395
Adjustments to prior years		-		-
		1,524		1,395
Deferred tax expense relating to the origination and reversal of temporary differences		(11)		19
Total tax expense		**1,513**		**1,414**
(c) Income tax payable / (Current tax asset)				
Movements during the year were as follows:				
Balance at beginning of the year		329		120
Income tax paid (net of refund)		(1,282)		(1,477)
Current year income tax liability on operating profit		1,524		1,395
Under provision in prior years		1		291
Income tax payable		**572**		**329**

Note 7. Income Tax continued

d) Movement in deferred tax balances

Consolidated	Opening balance $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Closing balance $'000
2019				
Employee benefits	763	4	-	767
Loans and advances	190	14	-	204
Property, plant and equipment	429	25	-	454
Prepaid lease incentive	51	(18)	-	33
Undeducted capital expenditure	23	(5)	-	18
Other	37	(9)	-	28
Deferred tax assets	**1,493**	**11**	**-**	**1,504**
Equity accounted investees	(509)	-	-	(509)
Deferred tax liabilities	**(509)**	**-**	**-**	**(509)**
Net deferred tax assets (liabilities)	**984**	**11**	**-**	**995**
2018				
Employee benefits	734	29	-	763
Loans and advances	88	(21)	-	67
Property, plant and equipment	453	(24)	-	429
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	-	-
Equity accounted investees	(508)	(1)	-	(509)
Deferred tax liabilities	**(808)**	**299**	**-**	**(509)**
Net deferred tax assets (liabilities)	**590**	**271**	**-**	**861**

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
2019				
Employee benefits	763	4	-	767
Loans and advances	190	14	-	204
Property, plant and equipment	429	25	-	454
Prepaid lease incentive	51	(18)	-	33
Undeducted capital expenditure	23	(5)	-	18
Other	37	(9)	-	28
Deferred tax assets	**1,493**	**11**	**-**	**1,504**
Equity accounted investees	(509)	-	-	(509)
Deferred tax liabilities	**(509)**	**-**	**-**	**(509)**
Net deferred tax assets (liabilities)	**984**	**11**	**-**	**995**
2018				
Employee benefits	734	29	-	763
Loans and advances	88	(21)	-	67
Property, plant and equipment	453	(24)	-	429
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	-	-
Equity accounted investees	(508)	(1)	-	(509)
Deferred tax liabilities	**(808)**	**299**	**-**	**(509)**
Net deferred tax assets (liabilities)	**590**	**271**	**-**	**861**

The opening balance of the Deferred Tax Assets for 30 June 2019 recognised on loans and advances reflect the application of AASB 9 which resulted in an increase in impairment provision of $0.409 million and an increase in deferred tax asset of $0.123 million.

(e) Unrecognised deferred tax asset

Credit Union SA has carried forward capital losses of $0.787 million (2018: $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

Cash and cash equivalents comprise cash on hand and deposits at call placed with other financial institutions are initially measured at fair value then subsequently at amortised cost.

	Consolidated		Credit Union	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
(a) Reconciliation of cash for statements of cash flows				
Cash and cash equivalents	6,921	8,598	3,338	5,579
Investments with other financial institutions	15,651	27,255	15,651	27,255
Total Cash for statement of cash flows	**22,572**	**35,853**	**18,989**	**32,834**

	Consolidated 2019 $'000	Consolidated 2018 $'000	Credit Union 2019 $'000	Credit Union 2018 $'000
(b) Reconciliation of Profit for the year to net cash flow from operating activities				
Profit for the year	**3,814**	**4,262**	**3,814**	**4,262**
Add/(deduct) non-cash items				
Provisions for impairment	47	(41)	47	(41)
Depreciation of property, plant and equipment	509	485	509	485
Amortisation of intangible assets	520	406	520	406
Net loss on disposal of property, plant and equipment	33	30	33	30
Share of profit of equity accounted investments	(271)	(850)	(271)	(850)
Total adjustments for non-cash items	**838**	**30**	**838**	**30**
Add/(deduct) changes in assets or liabilities during the financial year				
Increase in loans and advances	(80,795)	(45,725)	(80,795)	(45,725)
Increase in member deposits	119,799	46,485	119,799	46,485
(Decrease)/increase in amounts due to other financial institutions	(3,500)	5,000	(3,500)	5,000
Decrease/(increase) in accrued interest receivable	53	(167)	68	(254)
Increase in accrued interest payable	1,236	183	1,097	322
Increase in other assets	(199)	(230)	(13)	(368)
(Decrease)/ increase in other liabilities	(1,187)	(146)	(1,263)	188
Increase in income tax payable	243	209	243	209
(Increase) in deferred tax assets	(11)	(271)	(11)	(271)
Total changes in assets or liabilities	**35,639**	**5,338**	**35,625**	**5,586**
Net cash used in operating activities	**40,291**	**9,630**	**40,277**	**9,878**

Note 9. Due from Other Financial Institutions

Due from other financial institutions are classified at amortised cost when they are held in a business model with the objective of collecting contractual cash flows or at fair value through other comprehensive income when they are held in a business model with the objective of collecting cash flows or realising the asset through sale.

	Consolidated		Credit Union	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Deposits with Cuscal Ltd	15,250	15,250	15,250	15,250
Deposits with other financial institutions	55,154	98,427	55,154	98,427
Deposits with other financial institutions - FVOCI	95,556	-	95,556	-
	165,960	**113,677**	**165,960**	**113,677**
Not longer than 3 months until maturity	62,883	34,081	62,883	34,081
Longer than 3 months not longer than 12 months until maturity	33,568	25,333	33,568	25,333
Longer than 1 year and not longer than 5 years until maturity	69,509	54,263	69,509	54,263
	165,960	**113,677**	**165,960**	**113,677**

Note 10. 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. Receivables with a short duration are not discounted.

	Consolidated		Credit Union	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Interest receivable	541	594	613	681
Other	982	852	943	996
	1,523	**1,446**	**1,556**	**1,677**

Note 11. 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 12).

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.

	Consolidated		Credit Union	
	2019 $'000	**2018** $'000	**2019** $'000	**2018** $'000
Loans and advances carried at amortised cost				
Revolving credit facilities	39,020	44,873	39,020	44,873
Term loans - secured	926,815	843,198	926,815	843,198
Term loans - unsecured	20,225	17,194	20,225	17,194
Gross Loans and advances	**986,060**	**905,265**	**986,060**	**905,265**
Specific provision for impairment	(181)	(171)	(181)	(171)
Collective provision for impairment	-	(54)	-	(54)
Expected credit loss provision for impairment	(500)	-	(500)	-
Net Loans and advances	**985,379**	**905,040**	**985,379**	**905,040**
Loans and advances by maturity				
Lines of credit (including unsecured overdrafts)	39,020	44,873	39,020	44,873
Not longer than 3 months	344	9	344	9
Longer than 3 months not longer than 12 months	235	276	235	276
Longer than 1 year and not longer than 5 years	16,413	15,402	16,413	15,402
Longer than 5 years	930,048	844,705	930,048	844,705
Gross Loans and advances	**986,060**	**905,265**	**986,060**	**905,265**
Loans and advances by security				
Secured by mortgage	947,046	864,908	947,046	864,908
Secured by other	3,702	7,351	3,702	7,351
Unsecured	35,312	33,006	35,312	33,006
Gross Loans and advances	**986,060**	**905,265**	**986,060**	**905,265**
Loans and advances by purpose				
Residential	946,807	864,512	946,807	864,512
Personal	38,149	39,034	38,149	39,034
Commercial	1,104	1,719	1,104	1,719
Gross Loans and advances	**986,060**	**905,265**	**986,060**	**905,265**

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	958,654	880,931	958,654	880,931
Other residents	27,406	24,334	27,406	24,334
Gross Loans and advances	**986,060**	**905,265**	**986,060**	**905,265**

Note 11. Loans and Advances continued

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 2019, loans to members of the education community of South Australia totalled $355.801 million (2018: $344.337 million). This represents approximately 36.1% of the total loan portfolio (2018: 38.0%).

As at 30 June 2019, the Group had no loan facilities with an outstanding balance in excess of 10% of its total capital (2018: nil).

Note 12. Impairment of Loans and Advances

Policy applicable before 1 July 2018

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.

Write-off policy

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.

Policy applicable from 1 July 2018

The Group applies a three-stage approach to measuring expected credit losses (ECLs) for loans and advances. Exposures are assessed on a collective basis in each stage unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. Where such evidence exists, the exposure is assessed on an individual basis.

Stage and Measurement basis:

- 12-months ECL – Performing (Stage 1) The portion of lifetime ECL associated with the probability of default events occurring within the next 12 months.
- Lifetime ECL – Underperforming (Stage 2) ECL associated with the probability of default events occurring throughout the life of a loan where the loan has seen a significant increase in credit risk.
- Lifetime ECL – Non-performing (Stage 3) Lifetime ECL where the loan has met the technical definition of default however has not been assessed on an individual basis.

Impaired loans assessed on an individual basis are held in a specific provision lifetime ECL.

Note 12. Impairment of Loans and Advances continued

At each reporting date, the Group assesses the credit risk of exposures in comparison to the risk at initial recognition, to determine the stage that applies to the associated ECL measurement.

When determining whether credit risk has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information based on the Group's historical experience and credit assessment including forward-looking information. Furthermore, when determining whether the risk of default has increased significantly since initial recognition, the Group considers the arrears of each individual loan.

If the credit risk of a loan has increased significantly since initial recognition, the asset will migrate to Stage 2. Should an asset become impaired (90 days past due) it will be transferred to Stage 3. Credit exposures will migrate back to Stage 1 and 2 should signs of increased credit risk and impairment be reversed which includes but not limited to consistently good payment behaviour over a period of time.

Modified financial assets

A loan that is restructured or renegotiated is derecognised if the existing agreement is cancelled and a new agreement made on substantially different terms or if the terms of an existing agreement are modified such that restructured loan is a substantially different instrument. Where such loans are derecognised, the restructured contract is a new loan and is assessed in accordance with the Group's accounting policy.

ECL Calculation

The ECL is calculated using three main parameters i.e. a probability of default (PD), a loss given default

(LGD) and an exposure at default (EAD) combined with historical, current and forward looking information, including macro-economic data.

- For accounting purposes, the 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of loan
- The LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral, and its expected value when realised.
- The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a facility.

The 12-months ECL is equal to the discounted sum over the next 12-months of monthly PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly PD over the full remaining life multiplied by LGD and EAD.

The reported ECL is an unbiased and probability weighted amount based on three economic scenarios, a business as usual, economic upturn and economic downturn. The economic scenarios are driven by a single key macroeconomic factor, the South Australian Unemployment rate. Given the Group's high geographic concentration to South Australia the Group's loan performance is highly correlated to this macroeconomic factor.

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 level of provision for regulatory purposes. The Group calculates its GRCL under a lifetime ECL methodology. The difference between the ECL calculated under AASB 9 and those required by APRA is represented by the General Reserve for Credit Losses within equity.

Write-off policy

The Groups write-off policy remains unchanged with the implementation of AASB 9 Financial Instruments.

Note 12. Impairment of Loans and Advances continued

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000	Credit Union 2019 $'000	Credit Union 2018 $'000
(a) Provisions for impairment					
Specific provision – lifetime ECL	11	181	171	181	171
Collective provision	11	-	54	-	54
Expected credit loss provision					
Stage 1: 12 Months ECL - not credit impaired	11	497	-	497	-
Stage 2: Lifetime ECL - not credit impaired	11	3	-	3	-
Stage 3: Lifetime ECL - credit impaired	11	-	-	-	-
Total provision for impairment		681	225	681	225
General reserve for credit losses recognised in equity	21	774	1,008	774	1,008
Total of provisions for impairment and general reserve for credit losses recognised in equity		**1,455**	**1,233**	**1,455**	**1,233**
(b) Impairment losses on loans and advances					
Individually assessed provisions for impairment increase		10	7	10	7
Collective provisions for impairment (decrease)		-	(48)	-	(48)
Expected credit loss provision for impairment increase		37	-	37	-
Bad debts written off directly to profit and loss		167	220	167	220
Charge to profit and loss		**214**	**179**	**214**	**179**
(c) Impaired loans and assets acquired					
Non-accrual loans					
Balance		1,633	928	1,633	928
Restructured loans					
Balance		5,088	833	5,088	833
Assets acquired through security enforcement					
Net fair value of assets acquired through enforcement of security during the financial year		3	225	3	225

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

Interest revenue on non-accrual and restructured loans	-	-	-	-
Interest foregone on non-accrual and restructured loans	(54)	(48)	(54)	(48)
Net interest recognised / (foregone)	**(54)**	**(48)**	**(54)**	**(48)**

Note 12. Impairment of Loans and Advances continued

	Stage 1 12-months ECL not credit impaired Collective provision	Stage 2 Lifetime ECL not credit impaired Collective provision	Stage 3 Lifetime ECL credit impaired Collective provision	Collective provision AASB 139	Specific provision Lifetime ECL	Total
Balance at 30 June 2018	**-**	**-**	**-**	**54**	**171**	**225**
Restated for adoption of AASB 9	454	2	7	(54)	-	409
Changes due to financial assets recognised in the opening balance that have:						
Transferred to 12-month ECL	30	-	-	-	(30)	-
Transferred to Collective provision Stage 2	(3)	3	-	-	-	-
Transferred to Collective provision Stage 3	-	-	-	-	-	-
Transferred to Specific provision Lifetime ECL	(134)	(6)	-	-	140	-
New loans and advances originated	118	-	-	-	-	118
Bad debts written off	(11)	3	-	-	(110)	(118)
Charge to income statement	43	1	(7)	-	10	47
Balance at 30 June 2019	**497**	**3**	**-**	**-**	**181**	**681**

Impact of movements in gross carrying amount on provision for expected losses

Impairment provision reflects expected credit losses measured using the three-stage approach and a specific provision - lifetime ECL held for exposures assessed individually. The following explains how significant changes in the gross carrying amount of loans and advances during the 2018 financial year have contributed to the changes in the provision for credit impairment for the Group under the expected credit loss model.

Overall, the total impairment provision increased by $0.047m compared to the balance at the beginning of the year which was restated under AASB 9. This net increase was driven by an increase in collective provisioning in line with the increase in loans and advances. Specific provisions increased by $0.010m primarily due to higher individually assessed impairment in unsecured loans.

Collective provisions increased by $0.037m, comprised of:

- 12 months ECL (Stage 1) - ECL increased by $0.043m during the year due to collective provisions associated with newly originated loans and advances and loans and advances migrated from Specific provision Lifetime ECL with improved credit risk.
- Lifetime ECL not credit impaired (Stage 2) - ECL increased by $0.001m primarily due to loans migrating from Stage 1 as a result of changes in credit quality.
- Lifetime ECL credit impaired (Stage 3) - ECL decreased by $0.007m primarily due to loans that were repaid and loans and advances changed to being individually assessed (specific provision) during the year.

Note 13. Other Financial Assets

Policy applicable before 1 July 2018

The equity investment in Cuscal Ltd was measured at cost as the only reliable estimate of fair value in the absence of a quoted market price.

Policy applicable after 1 July 2018

Equity investments that are not held for trading are classified as Fair Value through Other Comprehensive Income with fair value determined by reference to the fair value hierarchy with the Group investment in Cuscal Ltd classified as level 3. The Group considers a market approach and net tangible asset method in determining the fair value to assess a range of possible outcomes.

Given the availability of information the fair value of Group's equity investment in Cuscal is determined by the net tangible assets method.

	Consolidated		Credit Union	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Unlisted Shares at Fair Value				
Cuscal Ltd	2,828	1,661	2,828	1,661

Unlisted investments comprise shares held in Cuscal Ltd. Cuscal Ltd's constitution limits the ability of the Group to sell Cuscal Ltd shares.

The Group classifies its equity investment in Cuscal Ltd as FVOCI as the asset is not held for trading and it recognises only dividend income in profit and loss. Changes to fair value of its equity investment are recognized in OCI and are never reclassified to profit or loss. The Group received dividends from Cuscal Ltd of $0.069million for the year ended 30 June 2019.

Note 14. Equity Accounted Investees

The financial statements comprise the financial statements of 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 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.

		Consolidated	
	Note	2019 $'000	2018 $'000
Investment in Data Action Pty Ltd	28	3,698	3,521
Investment in Blackwood Nominees Pty Ltd	28	747	741
		4,445	**4,262**

Investment in Data Action Pty Ltd

The Group holds a 15.90% ownership interest (2018:15.90%) 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.

Note 14. Equity Accounted Investees continued

Summary financial information for Data Action Pty Ltd, not adjusted for the percentage of ownership held by the Group:

	2019 $'000	2018 $'000
Current assets	16,404	15,596
Non-current assets	15,360	14,456
Total Assets	**31,764**	**30,052**
Current liabilities	5,687	5,559
Non-current liabilities	2,820	2,347
Total Liabilities	**8,507**	**7,906**
Net Assets	**23,257**	**22,146**
Group's Share of Net Assets	3,698	3,521
	15.90%	15.90%
Income	36,873	32,836
Expenses	(36,473)	(28,126)
Profit after tax	**400**	**4,710**
Group's share of profit and total comprehensive income (15.9%)	64	749
Dividends received by the Group	-	(557)
Group's share of net profit	**64**	**192**

Note 14. Equity Accounted Investees continued

Investment in Blackwood Nominees Pty Ltd

The Group holds a 50.00% (2018: 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% (2018: 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 1.60% (2018: 1.90%) and a terminal value growth rate of 1.90% (2018: 1.90%). 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:

	2019 $'000	2018 $'000
Current assets	158	129
Non-current assets	131	156
Total Assets	**289**	**285**
Current liabilities	95	92
Non-current liabilities	55	68
Total Liabilities	**150**	**160**
Net Assets	**139**	**125**
Group's Share of Net Assets	69	63
	50.00%	50.00%
Income	514	558
Expenses	(324)	(433)
Profit after tax	**190**	**125**
Group's share of profit and total comprehensive income (50.00%)	95	63
Dividends received by the Group	(88)	(114)
Group's share of net profit	**7**	**(51)**

Note 15. Property Plant and Equipment

Recognition and measurement

Items of property, plant and equipment (PP&E) are measured at cost less accumulated depreciation and impairment losses. 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.

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	2.5%
Office furniture and fittings	10.0% to 15.0%
Plant and equipment	20.0%
Computer equipment	20.0% to 33.3%
Motor vehicles	17.0% to 20.0%
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.

Notes to the Financial Statements continued

Note 15. Property Plant and Equipment continued

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
2019					
Opening	**275**	**245**	**3,570**	**52**	**4,142**
Additions	-	-	418	551	969
Transfers	-	-	555	(555)	-
Reclassification to Intangible Assets	-	-	-	(29)	(29)
Disposals/Derecognition	-	-	(226)	(8)	(234)
Closing	**275**	**245**	**4,317**	**11**	**4,848**
Less: Accumulated depreciation/impairment					
Opening	(162)	(115)	(2,508)	-	(2,785)
Disposals/Derecognition	-	-	186	-	186
Depreciation expense	-	(4)	(505)	-	(509)
Closing	**(162)**	**(119)**	**(2,827)**	**-**	**(3,108)**
Net book value 30 June 2019	**113**	**126**	**1,490**	**11**	**1,740**
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)
Closing	**(162)**	**(115)**	**(2,508)**	**-**	**(2,785)**
Net book value 30 June 2018	**113**	**130**	**1,062**	**52**	**1,357**

Note 15. Property Plant and Equipment continued

Credit Union	Freehold land $'000	Buildings $'000	Plant & equipment $'000	Work in Progress $'000	Total $'000
2019					
Opening	**275**	**245**	**3,570**	**52**	**4,142**
Additions	-	-	418	551	969
Transfers	-	-	555	(555)	-
Reclassification to Intangible Assets	-	-	-	(29)	(29)
Disposals/Derecognition	-	-	(226)	(8)	(234)
Closing	**275**	**245**	**4,317**	**11**	**4,848**
Less: Accumulated depreciation/impairment					
Opening	(162)	(115)	(2,508)	-	(2,785)
Disposals/Derecognition	-	-	186	-	186
Depreciation expense	-	(4)	(505)	-	(509)
Closing	**(162)**	**(119)**	**(2,827)**	**-**	**(3,108)**
Net book value 30 June 2019	**113**	**126**	**1,490**	**11**	**1,740**
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)
Closing	**(162)**	**(115)**	**(2,508)**	**-**	**(2,785)**
Net book value 30 June 2018	**113**	**130**	**1,062**	**52**	**1,357**

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

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

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	3-5 years

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

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.

Note 16. Intangible Assets continued

Consolidated	Intangible Software $'000	Work in progress $'000	Total $'000
2019			
Cost			
Balance at 1 July 2018	1,580	75	1,655
Additions	78	860	938
Transfers	478	(478)	-
Reclassification from PP&E	29	-	29
Disposals/Derecognition	(669)	-	(669)
Closing balance as at 30 June 2019	**1,496**	**457**	**1,953**
Amortisation and Impairment			
Balance at 1 July 2018	(675)	-	(675)
Amortisation	(520)	-	(520)
Disposals/Derecognition	663	-	663
Closing balance as at 30 June 2019	**(532)**	**-**	**(532)**
Net book value as at 30 June 2019	**964**	**457**	**1,421**
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**

Note 16. Intangible Assets continued

Credit Union	Intangible Software $'000	Work in progress $'000	Total $'000
2019			
Cost			
Balance at 1 July 2018	1,580	75	1,655
Additions	78	860	938
Transfers	478	(478)	-
Reclassification from PP&E	29	-	29
Disposals/ Derecognition	(669)	-	(669)
Closing balance as at 30 June 2019	**1,496**	**457**	**1,953**
Amortisation and Impairment			
Balance at 1 July 2018	(675)	-	(675)
Amortisation	(520)	-	(520)
Disposals/ Derecognition	663	-	663
Closing balance as at 30 June 2019	**(532)**	**-**	**(532)**
Net book value as at 30 June 2019	**964**	**457**	**1,421**
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**

Note 17. Other Assets

Other assets are comprised of non-interest bearing receivables and prepayments and are initially recognised at fair value and subsequently measured at amortised cost less impairment losses. Receivables with a short duration are not discounted.

	Consolidated		Credit Union	
	2019 $'000	**2018** $'000	**2019** $'000	**2018** $'000
Prepayments	342	254	335	249
Set up costs CUSA MTG Trust – net	63	82	63	82
	405	**336**	**398**	**331**

Note 18. Member Deposits

Member deposits 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.

	Consolidated		Credit Union	
	2019 $'000	**2018** $'000	**2019** $'000	**2018** $'000
Withdrawable shares	**80**	**84**	**80**	**84**
Deposits carried at amortised cost:				
At call deposits	548,858	550,749	548,858	550,749
Term deposits	516,371	394,677	516,371	394,677
Total member deposits	**1,065,309**	**945,510**	**1,065,309**	**945,510**

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 2019, deposits from members of the education community of South Australia totalled $175.196 million (2018: $162.105 million). This represents approximately 16.4% of total deposits (2018: 17.1%).

As at 30 June 2019 deposits from members currently residing in South Australia totalled $1,010.865 million (2018: $868.687 million). This represents approximately 94.9% of total deposits (2018: 91.9%).

As at 30 June 2019, the Group has no individual or group of deposit facilities with an outstanding balance in excess of 10.0% of its total liabilities (2018: Nil).

Note 19. 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.

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

	Consolidated		Credit Union	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Trade creditors	358	1,108	358	1,108
Accrued interest payable on deposits	4,222	2,986	4,222	3,125
Other creditors and accruals	222	236	482	571
	4,802	**4,330**	**5,062**	**4,804**

Note 20. 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.

(a) 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 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.

(b) Provisions

(i) 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 20. Provisions continued

	Consolidated		Credit Union	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Provision for Leases				
Opening balance	53	-	53	-
Provision created	-	53	-	53
Provision utilised	(53)	-	(53)	-
Closing Balance	**-**	**53**	**-**	**53**
Provision for future rent				
Opening balance	168	284	168	284
Provision created	189	-	189	-
Provision utilised	(248)	(116)	(248)	(116)
Closing Balance	**109**	**168**	**109**	**168**
Provision for long service leave				
Opening balance	1,743	1,704	1,743	1,704
Provision created	139	273	139	273
Provision utilised	(165)	(234)	(165)	(234)
Closing Balance	**1,717**	**1,743**	**1,717**	**1,743**
Provision for annual leave				
Opening balance	792	732	792	732
Provision created	124	150	124	150
Provision utilised	(84)	(90)	(84)	(90)
Closing Balance	**832**	**792**	**832**	**792**
Total Provisions	**2,658**	**2,756**	**2,658**	**2,756**
Number of employees				
Number of full time equivalent employees at year end	136	140	136	140

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

APRA Prudential Standard APS 220 Credit Quality requires a reserve to be held to cover credit losses estimated but not certain to arise in the future over the lifetime of all individual facilities. The general reserve for credit losses (GRCL) is calculated using a lifetime expected credit loss methodology identical to that used for AASB 9 expected credit loss provisions. The GRCL represents an appropriation of retained profits to non-distributable reserves when the regulatory reserve is greater than the accounting provision. The purpose of the GRCL is to provide the Group with freely available capital which can be used to absorb credit losses should they materialise.

(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.

(e) Fair Value Reserves

Fair value reserves comprise the revalued component of financial assets that are categorised as FVOCI under AASB 9.

Note 22. Financing Facilities

The Group has access to the following lines of credit:

	Consolidated		Credit Union	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'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 2019 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

Operating leases relate to the Group's head office and branches. The lease term for the head office building and branch is 6 years with options to extend for a further 5 years. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

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

	Consolidated		Credit Union	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Less than 1 year	1,188	1,680	1,188	1,680
Between one and five years	5,240	650	5,240	650
More than 5 years	587	-	587	-
	7,015	**2,330**	**7,015**	**2,330**

Leases as lessor

The Group sub-lets office space relating to an operating lease it holds as a lessee outlined above. Operating leases, including its subleases, relate to the Group's head office and branches. At the end of the reporting period, the future minimum lease payments under an informal sub-let arrangement are receivable as follows:

	Consolidated		Credit Union	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Less than 1 year	12	140	12	140
Between one and five years	-	-	-	-
More than 5 years	-	-	-	-
	12	**140**	**12**	**140**

(b) Capital commitments

	Consolidated		Credit Union	
	2019	**2018**	**2019**	**2018**
	$'000	$'000	$'000	$'000
Capital expenditure commitments	66	30	66	30

Note 23. Commitments, Contingent Liabilities and Contingent Assets continued

(c) Outstanding loan commitments

	Consolidated		Credit Union	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Loans approved but not yet funded				
Residential	7,067	18,920	7,067	18,920
Personal	184	212	184	212
	7,251	**19,132**	**7,251**	**19,132**

(d) Members' unused credit facilities

	Consolidated		Credit Union	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Revolving credit and redraw facilities	**200,177**	**201,134**	**200,177**	**201,134**

(e) 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 (2018: $0.057 million). The unsecured balance of these guarantees totals $0.032 million (2018: $0.032 million). No loss on these guarantees is anticipated.

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.

Note 24. Key Manangement 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, A. Cannon, J.A. Cooper (from 1 February 2019), P.C. Dewsnap (from 1 February 2019), K.A. Jordan, N.S. Reynolds, P.L.F. Riquier, C. Butterick (retired 31 December 2018), R.P. Shannahan (retired 21 November 2018).

Executive Management Committee -

G.S. Strawbridge, J.W. Koerber, C.A. Ryan, T. Prowse (from 6 August 2018), I. Karounos (from 6 September 2018), P. Kwan (until 10 August 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:

	2019 $	2018 $
Short-term employee benefits	1,711,500	1,614,666
Payments to defined contribution plans	147,160	151,654
Other long-term benefits	94,805	-
Termination benefits	117,885	33,454
	2,071,350	**1,799,774**

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

	2019 $	2018 $
Aggregate loans to key management personnel outstanding at reporting date;		
Mortgage and personal loans	1,546,714	1,798,440
Lines of credit (including unsecured overdrafts)	-	2,431
	1,546,714	**1,800,871**
Aggregate amount of loans made during the year to key management personnel:		
Total loans made during the year	150,000	1,169,250
Aggregate amount of interest charged during the year to key management personnel:		
Mortgage and personal loans	63,635	70,411
Aggregate amount of repayments made during the year to key management personnel:		
Mortgage and personal loans	184,728	811,489
Net movement in lines of credit (including unsecured overdrafts) including interest charged	-	(296)

The key management personnel who held loan accounts with the Group during the year were K.A. Jordan and N.S. Reynolds.

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

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

- Liquidity risk
- Credit risk
- Market risk

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. The Audit Committee 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% (2018: 9%) of adjusted liabilities as a minimum liquidity holding (MLH). The Credit Union prudently, under its liquidity risk policy, has an MLH of 10% (2018: 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 (2018: $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		Credit Union	
	2019	2018	2019	2018
	%	%	%	%
As at 30 June:				
Liquidity holding - MLH	17.13	14.71	17.13	14.71
Liquidity holding - Total	17.13	14.71	17.13	14.71

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
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2019							
Financial Liabilities							
Member deposits	1,065,309	1,065,309	548,937	166,039	282,488	67,844	-
Due to other financial institutions	8,000	8,000	-	8,000	-	-	-
Interest payable	4,222	14,012	-	4,543	7,504	1,965	-
Trade and other payables	580	580	-	580	-	-	-
	1,078,111	**1,087,901**	**548,937**	**179,162**	**289,992**	**69,809**	**-**
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	-	-
Interest payable	2,986	10,512	-	4,512	4,997	1,003	-
Trade and other payables	1,344	1,344	-	1,344	-	-	-
	961,340	**968,866**	**550,833**	**183,474**	**199,090**	**35,469**	**-**

Note 25. Financial Risk Management continued

Credit Union	Carrying amount $'000	Contractual Cash flows $'000	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	> 5 years $'000
2019							
Financial Liabilities							
Member deposits	1,065,309	1,065,309	548,937	166,039	282,488	67,844	-
Due to other financial institutions	8,000	8,000	-	8,000	-	-	-
Borrowings	93,583	93,583	-	-	-	-	93,583
Interest payable	4,222	14,012	-	4,543	7,504	1,965	-
Trade and other payables	840	840	-	840	-	-	-
	1,171,954	**1,181,744**	**548,937**	**179,422**	**289,992**	**69,809**	**93,583**
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	-	-	-
	1,055,947	**1,063,473**	**550,833**	**183,948**	**199,090**	**35,469**	**94,133**

(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;
- credit exposures to members and other financial institutions are regularly monitored; and,
- regular compliance reviews are undertaken by Internal Audit.

Note 25. Financial Risk Management continued

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	**2019** $'000	**2018** $'000	**2019** $'000	**2018** $'000
Individually impaired				
Gross amount	1,628	351	1,628	351
Less Allowance for impairment	(181)	(171)	(181)	(171)
Carrying amount	**1,447**	**180**	**1,447**	**180**
Collectively impaired				
Gross amount	-	119	-	119
Less Allowance for impairment	-	(54)	-	(54)
Stage 3 Lifetime ECL - Credit Impaired	-	-	-	-
Less Allowance for impairment	-	-	-	-
Carrying amount	**-**	**65**	**-**	**65**
Not Credit Impaired				
Past due but not impaired	-	16,403	-	16,403
Neither past due or impaired	-	888,392	-	888,392
Stage 1: 12-Months ECL				
Current	971,437	-	971,437	-
1 – 29 days	11,336	-	11,336	-
30 – 59 days	-	-	-	-
60 – 89 days	-	-	-	-
90 days or greater	-	-	-	-
	982,773	-	982,773	-
Less Stage 1 ECL	(498)	-	(498)	-
Stage 2: Lifetime ECL				
1 – 29 days	-	-	-	-
30 – 59 days	1,659	-	1,659	-
60 – 89 days	-	-	-	-
90 days or greater	-	-	-	-
	1,659	-	1,659	-
Less Stage 2 ECL	(3)	-	(3)	-
Carrying Amount	**983,931**	**904,795**	**983,931**	**904,795**
Total Carrying Amount	**985,378**	**905,040**	**985,378**	**905,040**

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

The Group's Cash and cash equivalents, Due from other financial institutions, Trade and other receivables, and Notes Receivable are neither past due nor impaired.

The Group's Outstanding loan commitments and Members' unused credit facilities are neither past due nor impaired.

Note 25. Financial Risk Management continued

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.

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:

		Consolidated		Credit Union	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash and cash equivalents	8	22,572	35,853	22,572	32,834
Due from other financial institutions	9	165,960	113,677	165,960	113,677
Trade and other receivables	10	1,523	1,446	1,523	1,677
Loans and advances	11, 12	985,379	905,040	985,379	905,040
Notes Receivable	27	-	-	97,400	97,400
Total maximum exposure		**1,175,434**	**1,056,016**	**1,272,834**	**1,150,628**

(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		Credit Union	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Revenue Sensitivity:				
As at 30 June	1,599	298	1,599	298
Average for the period	437	366	437	366
Maximum for the period	1,599	692	1,599	692
Minimum for the period	202	244	202	244

	2019 %	2018 %	2019 %	2018 %
Revenue Sensitivity as a percentage of total capital:				
As at 30 June	1.75%	0.34%	1.75%	0.34%
Average for the period	0.48%	0.42%	0.48%	0.42%
Maximum for the period	1.75%	0.80%	1.75%	0.80%
Minimum for the period	0.23%	0.28%	0.23%	0.28%

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**
	$'000	$'000	$'000	$'000	$'000	$'000	%
2019							
Financial Assets							
Cash and cash equivalents	15,651	-	-	-	6,921	22,572	1.12%
Due from other financial institutions	67,251	98,709	-	-	-	165,960	2.73%
Loans and advances	774,943	55,330	147,485	8,147	155	986,060	4.08%
Other financial assets	-	-	-	-	2,828	2,828	-
Trade and other receivables	-	-	-	-	1,523	1,523	-
	857,845	**154,039**	**147,485**	**8,147**	**11,427**	**1,178,943**	**3.75%**
Financial Liabilities							
Member Deposits	453,210	388,049	67,844	-	156,206	1,065,309	1.72%
Due to other financial institutions	-	8,000	-	-	-	8,000	2.81%
Trade & other payables	-	-	-	-	4,802	4,802	-
	453,210	**396,049**	**67,844**	**-**	**161,008**	**1,078,111**	**1.94%**
2018							
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	-
	453,561	**315,800**	**34,466**	**-**	**157,513**	**961,340**	**1.65%**

Note 25. Financial Risk Management continued

Credit Union	< 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 %
2019							
Financial Assets							
Cash and cash equivalents	15,651	-	-	-	3,338	18,989	1.01%
Due from other financial institutions	67,251	98,709	-	-	-	165,960	2.73%
Loans and advances	774,943	55,330	147,485	8,147	155	986,060	4.08%
Other financial assets	-	-	-	-	2,828	2,828	-
Trade and other receivables	-	-	-	-	1,556	1,556	-
Notes Receivable	97,400	-	-	-	-	97,400	2.64%
	955,245	**154,039**	**147,485**	**8,147**	**7,877**	**1,272,793**	**3.75%**
Financial Liabilities							
Member Deposits	453,210	388,049	67,844	-	156,206	1,065,309	1.72%
Due to other financial institutions	-	8,000	-	-	-	8,000	2.81%
Borrowings	93,583	-	-	-	-	93,583	4.06%
Trade & other payables	-	-	-	-	5,062	5,062	-
	546,793	**396,049**	**67,844**	**-**	**161,268**	**1,171,954**	**1.94%**
2018							
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	-	-	-	-	1,667	1,667	-
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	-
	547,694	**315,800**	**34,466**	**-**	**157,987**	**1,055,947**	**1.65%**

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		Credit Union	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Total qualifying capital	91,891	87,782	91,891	87,782
Risk Weighted Assets	511,016	467,500	511,016	467,500

	2019 %	2018 %	2019 %	2018 %
Capital adequacy ratio				
As at 30 June	17.98	18.78	17.98	18.78

(f) Financial Liabilities

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:

- Liabilities: Measured at amortised cost, using the effective interest rate method

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.

Changes in liabilities arising from financing activities

	Consolidated		Credit Union	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Opening balance	-	-	94,133	-
Movement	-	-	(550)	94,133
Closing balance	**-**	**-**	**93,583**	**94,133**

Note 26. Fair Value Of Financial Instruments

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 there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incoporates all of the factors that market participants would take into account in pricing a transaction.

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 an original tenor of greater than 12 months they are reported at fair value through other comprehensive income. The fair value of all other investments are reported at amortised cost.

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:
Other financial assets are classified as fair value through other comprehensive income. In determining fair value the Group considers a market approach, income approach and net tangible asset method in determining the fair value to assess a range of possible outcomes.

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.

Self-securitisation:
Self-securitisation notes are valued at amortised cost.

Note 26. Fair Value Of Financial Instruments continued

(i) 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	**2019**	**2018**	**2019**	**2018**	
	$'000	$'000	$'000	$'000	
Financial Assets					
Cash and cash equivalents	22,572	35,853	22,572	35,853	Level 1
Due from other financial institutions	165,960	113,677	165,961	114,152	Level 2
Net loans and advances	985,379	905,040	985,670	905,594	Level 3
Other financial assets	2,828	1,661	2,828	1,661	Level 3
Trade and other receivables	1,523	1,446	1,523	1,446	Level 1
	1,178,262	**1,057,677**	**1,178,554**	**1,058,706**	
Financial Liabilities					
Members' deposits	1,056,309	945,510	1,055,210	945,457	Level 2
Due to other financial institutions	8,000	11,500	8,000	11,500	Level 2
Accounts payable and other liabilities	4,802	4,330	4,802	4,330	Level 1
	1,069,111	**961,340**	**1,068,012**	**961,287**	

Credit Union					
Financial Assets					
Cash and cash equivalents	18,989	32,834	18,989	32,834	Level 1
Due from other financial institutions	165,960	113,677	165,961	114,152	Level 2
Net loans and advances	985,379	905,040	985,670	905,594	Level 3
Other financial assets	2,828	1,661	2,828	1,661	Level 3
Trade and other receivables	1,556	1,677	1,556	1,677	Level 1
Other Investments	97,400	97,400	97,400	97,400	Level 2
	1,272,112	**1,152,289**	**1,272,404**	**1,153,318**	
Financial Liabilities					
Members' deposits	1,056,309	945,510	1,055,210	945,457	Level 2
Due to other financial institutions	8,000	11,500	8,000	11,500	Level 2
Accounts payable and other liabilities	5,062	4,804	5,062	4,804	Level 1
Borrowings	93,583	94,133	93,583	94,133	Level 2
	1,162,954	**1,055,947**	**1,161,855**	**1,055,894**	

Note 26. Fair Value Of Financial Instruments continued

(ii) 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 Entity	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
2019				
Due from Other Financial Institutions - FVOCI	-	95,556	-	95,556
Other financial assets	-	-	2,828	2,828
2018				
Other financial assets	-	-	1,661	1,661

Credit Union	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
2019				
Due from Other Financial Institutions - FVOCI	-	95,556	-	95,556
Other financial assets	-	-	2,828	2,828
2018				
Other financial assets	-	-	1,661	1,661

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

There have not been any changes in the classification between levels during the year (2018: 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 $15.666 million (2018: $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 2019 was $93.583 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	2019 %	2018 %
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	100.00

Aggregate amounts included in profit before income tax expense that resulted from transactions with the non-key management personnel related parties:	2019 $	2018 $
Technology services	2,202,471	2,347,538
Management fee	4,200	4,200
Interest expense	43,244	59,983
Aggregate amounts payable to non key management personnel related party:		
At call deposits	289	6,417
Term deposits	2,000,000	2,000,000

Note 29. Auditors' Remuneration

	Consolidated		Credit Union	
	2019 $	2018 $	2019 $	2018 $
Audit services				
Auditors of the Credit Union				
KPMG Australia:				
- Audit of financial statements	118,687	108,169	118,687	108,169
- Other regulatory audits	27,311	26,594	27,311	26,594
	145,998	**134,763**	**145,998**	**134,763**
Other services				
Auditors of the Credit Union				
KPMG Australia:				
- In relation to tax and other services	27,673	36,262	27,673	36,262
Total auditor remuneration	**173,671**	**171,025**	**173,671**	**171,025**

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 $25.995 million (2018: $24.647 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 Group's 30 June 2019 financial statements.

Credit Union SA Ltd

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AFSL/Australian Credit Licence Number 241066

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Annual General Meeting
Wednesday 20 November 2019
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
Fisher Jefferies
Piper Alderman

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

Credit Union SA Ltd
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