Annual Report 2020

credit union sa

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 2020 and the Auditor's 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 and special responsibilities	Experience
Carolyn Anne MITCHELL LLB, GDLP, FAICD Chair of the Board Independent Non-Executive Director since 2009 (and previously Independent Non-Executive Director of PowerState Credit Union Limited) Member, Board Governance Committee	Company Director/Consultant *Other Board Memberships:* Tonkin Consulting Pty Ltd (Chair); JusticeNet SA Incorporated; Lawguard Management Pty Ltd; Agrisano Pty Ltd (Chair), Member of Finance Committee, UniSA; Can:Do Group; Risk Management & Audit Committee, Dept of Human Services (Chair); Thylation Operations Pty Ltd; Thylation R&D Pty Ltd
Alexandrea CANNON MBA, B Bus, FAICD, FAHRI, FAMI Independent Non-Executive Director since 2009 (and previously Independent Non-Executive Director of PowerState Credit Union Limited) Chair, Board Governance Committee	Company Director/Consultant/AICD Facilitator *Other Board Memberships:* SA Heart Centres Pty Ltd; SATAC Inc. (Chair), Winston Churchill Memorial Trust National Board; Leaders Institute of SA Inc. (Chair); Bizbuild Pty Ltd; Hood Sweeney Pty Ltd
Julie Anne COOPER GD.Mgt, BA, FAICD Independent Non-Executive Director since February 2019 Member, Board Audit Committee Member, Board Governance Committee	Company Director/Consultant *Other Board Memberships:* SmartSat Co-operative Research Centre; Nova Aerospace Pty Ltd; Crows Children's Foundation Finance & Audit Committee (Chair); Sarah Group (Board Advisor); AICD SA/NT Tomorrow's Director Committee
Paul Carl DEWSNAP DipElecEng, PGDipDigBus, MAICD Independent Non-Executive Director since February 2019 Member, Board Risk Committee	Company Director/Consultant *Other Board Memberships:* Data Action Pty Ltd, Advisory Board of Affiniti Solutions, Digital Resilience Pty Ltd, Advisory Board of Buzz ER Pty Ltd
Kathryn Anne JORDAN B Soc Sci (Human Services), B Ed ECE, GAICD Independent Non-Executive Director since 2016 Member, Board Audit Committee Member, Board Risk Committee	Company Director, Early Childhood Education leader, certified health and wellness coach *Other Board Memberships:* Nil
Nicolle Shelley RANTANEN REYNOLDS MBA, MComLaw, BCom (Acc), CSM, FAICD, FCPA, FTIA Independent Non-Executive Director since 2011 Chair, Board Risk Committee	Public Trustee (South Australia) *Other Board Memberships:* State Procurement Board (Chair); Risk & Audit Committee, Office for Recreation, Sport and Racing; The Grange Golf Club (Vice President); CPA Australia SA/NT, AICD SA/NT Councillor
Philip Leon Fernand RIQUIER MBA, B Bus, FAICD, FCPA Independent Non-Executive Director since 2018 Chair, Board Audit Committee	Company Director *Other Board Memberships:* LCA Nominees Pty Ltd (Lutheran Super Australia); Lutheran Homes Incorporated; Head Start Homes Pty Ltd; Capital Prudential Pty Ltd (and all of its subsidiaries)

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 served as Company Secretary from 1 June 2018 – 24 April 2020.

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 (scheduled)		Board (unscheduled)		Audit Committee		Risk Committee		Governance Committee	
		A(*)	B	A	B	A	B	A	B	A	B
C Mitchell (Chair)	ME	11	11	2	2	0	0	0	0	5	5
A Cannon	ME	11	11	2	2	0	0	0	0	5	4
J Cooper	BA	11	11	2	2	4	4	0	0	5	5
P Dewsnap	BA	11	11	2	2	0	0	4	4	0	0
K Jordan	ME	11	11	2	2	4	4	4	4	0	0
N Rantanen Reynolds	ME	11	11	2	1	0	0	4	4	0	0
P Riquier	BA	11	11	2	2	4	4	0	0	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

During the financial year ended 30 June 2020, the Credit Union entered into a Consultancy Agreement with Origin8 Enterprises Pty Ltd (ACN 632 488 549), a company owned by Mr Paul Carl Dewsnap, to provide the services of an interim nominee Director for the Credit Union on the board of Data Action Pty Ltd until a permanent nominee Director is appointed.

No other Director has declared any interest in existing or proposed contracts with the Credit Union during the financial year ended 30 June 2020, and to the date of this report.

Principal Activities

During the financial year ended 30 June 2020 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.

Director's Report continued

Review of Operations

The Credit Union recorded a profit after tax for the year ended 30 June 2020 of $2.329 million (2019: $3.814 million). Total assets of the Credit Union as at 30 June 2020 were $1.199 billion (2019: $1.187 billion) including members' net loans and advances of $948.799 million (2019: $985.379 million).

In the opinion of the Directors the impact of the COVID-19 Pandemic on the Credit Union is represented in the financial statements. The impacts have been fairly represented through the increase to expected credit losses (refer note 12) and the Credit Union's self-securitisation program (refer note 27).

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

As a result of the evolving nature of the COVID-19 pandemic and the rapidly evolving government policies of restrictive measures put in place to contain it, as at the date of these financial statements, the Group is not in a position to reasonably estimate the financial effects of the COVID-19 pandemic on the future financial performance and financial position of the Group.

Other than the current disclosures, 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.

The Credit Union has considered the impact of the COVID-19 Pandemic on future financial performance and has incorporated the impact in its future operating plans. In particular the Credit Union has heightened monitoring of its exposure to credit losses, is maintaining an elevated self-securitisation program and intends to utilise its full allocation of the RBA term funding facility.

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 publicly discloses information on its risk profile, risk management, capital adequacy, capital instruments and remuneration practices to contribute to the transparency of the financial markets and to enhance market discipline. This information is published on the Credit Union's public website under Regulatory Disclosures.

Indemnification and Insurance of Directors and Officers

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

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 2020.

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 26th day of August 2020 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 under Section 307C of the Corporations Act 2001

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 2020 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

Darren Ball

Partner

Adelaide

26 August 2020

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Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report

To the Members of Credit Union SA Ltd

Opinion

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

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

- giving a true and fair view of the Group's and Company's financial position as at 30 June 2020 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 2020;
- Statements of profit or loss and other comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

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

Basis for opinion

We conducted our 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 Group and the Company in accordance with the **Corporations Act 2001** and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (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 Reports 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 audit 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

Darren Ball
Partner
Adelaide
26 August 2020

Directors' Declaration

For the year ended 30 June 2020

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

a) the financial statements and notes set out on pages 10 to 70 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 2020 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 Financial Reporting Standards as disclosed in Note 2; and,

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 26th day of August 2020, 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

	Notes	Consolidated 2020 $'000	Consolidated 2019 $'000	Credit Union 2020 $'000	Credit Union 2019 $'000
Assets					
Cash and cash equivalents	8	47,902	22,572	29,223	18,989
Due from other financial institutions	9	183,357	165,960	183,357	165,960
Trade and other receivables	10	1,534	1,523	1,700	1,556
Net loans and advances	11, 12	948,799	985,379	948,799	985,379
Other Investments	27	-	-	291,500	97,400
Other financial assets	13	2,838	2,828	2,838	2,828
Equity accounted investees	14	4,699	4,445	4,699	4,445
Property, plant and equipment	15	5,922	1,740	5,922	1,740
Derivative assets	26	426	-	426	-
Deferred tax assets	7	1,226	995	1,226	995
Intangible assets	16	1,474	1,421	1,474	1,421
Other assets	17	341	405	330	398
Total assets		**1,198,518**	**1,187,268**	**1,471,494**	**1,281,111**
Liabilities					
Members' deposits	18	1,072,056	1,065,309	1,072,056	1,065,309
Due to other financial institutions		6,003	8,000	6,003	8,000
Borrowings	27	-	-	272,925	93,583
Trade and other payables	19	8,905	4,802	8,956	5,062
Income received in advance		20	139	20	139
Income tax payable	7	280	572	280	572
Provisions	20	2,459	2,658	2,459	2,658
Total liabilities		**1,089,723**	**1,081,480**	**1,362,699**	**1,175,323**
Net assets		**108,795**	**105,788**	**108,795**	**105,788**
Equity					
Retained earnings	21	105,233	103,280	105,233	103,280
Fair value reserves	21	1,818	1,677	1,818	1,677
Cash flow hedge reserve	21	426	-	426	-
General reserve for credit losses	21	1,259	774	1,259	774
Redeemed member shares	21	59	57	59	57
Trust issued Units	21	-	-	-	-
Total equity		**108,795**	**105,788**	**108,795**	**105,788**

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

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 30 June

	Notes	Consolidated 2020 $'000	Consolidated 2019 $'000	Credit Union 2020 $'000	Credit Union 2019 $'000
Income					
Interest revenue	4	37,315	43,009	39,132	45,499
Interest expense	4	(13,540)	(17,494)	(18,018)	(21,290)
Net interest revenue		23,775	25,515	21,114	24,209
Non-interest revenue	5	5,326	5,442	7,926	6,676
Share of profit of equity accounted investees	5, 14	501	271	501	271
Total income		**29,602**	**31,228**	**29,541**	**31,156**
Expenses					
Impairment losses on loans and advances	12	(1,162)	(214)	(1,162)	(214)
Other expenses	6	(25,396)	(25,687)	(25,335)	(25,615)
Total expenses		**(26,558)**	**(25,901)**	**(26,497)**	**(25,829)**
Profit before tax		3,044	5,327	3,044	5,327
Income tax expense	7	(715)	(1,513)	(715)	(1,513)
Profit for the year		**2,329**	**3,814**	**2,329**	**3,814**
Items that are or may be reclassified to profit or loss					
Cash flow hedge reserve		426	-	426	-
Equity investments at FVOCI		9	1,167	9	1,167
Due from other financial institutions at FVOCI		132	259	132	259
Other comprehensive income for the year, net of tax		**567**	**1,426**	**567**	**1,426**
Total comprehensive income for the year		**2,896**	**5,240**	**2,896**	**5,240**

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
2020							
Opening equity		**103,280**	**1,677**	**774**	**-**	**57**	**105,788**
Adjustments on Initial application of AASB 16 (after tax)		111	-	-	-	-	111
Restated opening Equity		**103,391**	**1,677**	**774**	**-**	**57**	**105,899**
Profit for the year		2,329	-	-	-	-	2,329
Changes to the fair value of cash flow hedges		-	-	-	426	-	426
Other comprehensive income for the year		-	141	-	-	-	141
General Reserve for Credit Losses	12	(485)	-	485	-	-	-
Transfer (to)/from redeemed member shares		(2)	-	-	-	2	-
Closing equity	21	**105,233**	**1,818**	**1,259**	**426**	**59**	**108,795**
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**

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
2020							
Opening equity		**103,280**	**1,677**	**774**	**-**	**57**	**105,788**
Adjustments on Initial application of AASB 16 (after tax)		111	-	-	-	-	111
Restated opening Equity		**103,391**	**1,677**	**774**	**-**	**57**	**105,899**
Profit for the year		2,329	-	-	-	-	2,329
Changes to the fair value of cash flow hedges		-	-	-	426	-	426
Other comprehensive income for the year		-	141	-	-	-	141
General Reserve for Credit Losses	12	(485)	-	485	-	-	-
Transfer (to)/from redeemed member shares		(2)	-	-	-	2	-
Closing equity	21	**105,233**	**1,818**	**1,259**	**426**	**59**	**108,795**
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**

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 2020 $'000	Consolidated 2019 $'000	Credit Union 2020 $'000	Credit Union 2019 $'000
Cash flows from operating activities					
Interest received		37,558	43,062	39,355	45,567
Decrease/(increase) in members loans and advances		35,418	(80,962)	35,418	(80,962)
Interest paid		(15,631)	(16,258)	(20,109)	(20,193)
Increase in member deposits	18	6,747	119,799	6,747	119,799
Decrease in due to other financial institutions		(8,000)	(3,500)	(8,000)	(3,500)
Non-interest income received		5,719	5,312	8,206	6,729
Non-interest expenses paid		(22,431)	(25,880)	(22,575)	(25,881)
Income tax paid	7(c)	(1,238)	(1,282)	(1,238)	(1,282)
Net cash flow used in operating activities	8(b)	**38,142**	**40,291**	**37,804**	**40,277**
Cash flow from investing activities					
Increase in due from other financial institutions	9	(17,265)	(51,772)	(17,265)	(51,772)
Net Increase in Notes receivable		-	-	(194,100)	-
Dividends received from equity accounted investees	14	94	88	94	88
Dividends from Equity Investments		183	-	183	-
Payments for property, plant, equipment and intangibles	15,16	(1,131)	(1,888)	(1,131)	(1,888)
Net cash from investing activities		**(18,119)**	**(53,572)**	**(212,219)**	**(53,572)**
Cash flow from financing activities					
Payment of lease liabilities	23	(696)	-	(696)	-
Proceeds from term funding facility	27	6,003	-	6,003	-
Increase/(decrease) in notes receivable from securitisation		-	-	179,342	(550)
Net cash from financing activities		**5,307**	**-**	**184,649**	**(550)**
Net increase/(decrease) in cash equivalents		**25,330**	**(13,281)**	**10,234**	**(13,845)**
Cash and cash equivalents at beginning of the year		22,572	35,853	18,989	18,989
Cash and cash equivalents at end of the year	8(a)	**47,902**	**22,572**	**29,223**	**5,144**

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 2020 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.

The financial report was authorised for issue by the Directors on 26 August 2020.

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.

This is the Group's first annual financial report in which AASB 16 Leases has been applied. The related changes to significant accounting policies are described in Note 3(a).

(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 14 - Equity Accounted Earnings
- Note 20(a) - Provisions for Employee Entitlements
- Note 23 - Leases

(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 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.

Note 3. Statement of Significant Accounting Policies

(a) New Standards and Interpretations Adopted

AASB 16 Leases

The Group initially applied AASB16 *Leases* from 1 July 2019. The Group applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information for 2019 is not restated, i.e. it is presented, as previously reported, under AASB 117 and related interpretations.

The Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 23. On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee, the Group leases property. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly off of the risks and rewards incidental to ownership of the underlying asset to the Group. Previously, the Group classified property leases as operating leases under AASB 117.

For its lease of property, the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

Right-of-Use asset

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at the amount equal to the lease liability, adjusted by the amount of any direct establishment costs, prepaid or accrued lease payments.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Sub-lease

The Group sub-leases its property. Under AASB 117, the head lease and sub-lease contracts were classified as operating leases. On transition to AASB 16, the right-of-use assets recognised from the head leases are presented under leases as lessor, and measured at fair value at the transition date. The Group assessed the classification of the sub-lease contract with reference to the right-of-use asset rather than the underlying assets and concluded that it is a finance lease under AASB 16.

Note 3. Statement of Significant Accounting Policies continued

Impact on transition

On transition to AASB 16, the Group recognised right-of-use assets and lease liabilities, presented in Property, plant and equipment and Trade and other payables, respectively, recognising the difference in retained earnings. The impact on transition is summarised below:

	Note	1 July 2019 $'000
Right-of-use assets	15	5,331
Net Investment in Sublease		831
Deferred tax asset	7	(42)
Lease liabilities	19	(6,073)
Retained earnings (net of tax)		(111)

For the impact of AASB 16 on profit or loss for the period, see Note 23. For the details of accounting policies under AASB 16 and AASB 117, see Note 23.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The incremental borrowing rate applied is 1.88%

The following table reconciles the operating lease commitment disclosure reported at 30 June 2019 to the lease liabilities recognised at 1 July 2019.

	1 July 2019 $'000
Operating lease commitments at 30 June 2019 as disclosed under AASB 117 in the groups consolidated financial statements	7,015
Discounted using the incremental borrowing rate at 1 July 2019	(942)
Lease liabilities recognised at 1 July 2019	6,073

No other material adjustments were identified.

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	%
2020						
Interest revenue						
Cash and cash equivalents	35,494	154	0.43%	28,498	104	0.36%
Due from other financial institutions	160,825	2,674	1.66%	160,825	2,674	1.66%
Loans and advances	955,758	34,437	3.60%	955,758	34,437	3.60%
Notes Receivable	-	-	0.00%	130,153	1,867	1.43%
Derivatives	31,639	50	0.16%	31,639	50	0.16%
	1,183,716	**37,315**	**3.15%**	**1,306,873**	**39,132**	**2.99%**
Interest expense						
Payables due to other financial institutions	3,364	59	1.75%	3,364	59	1.75%
Member deposits	1,066,501	13,439	1.26%	1,066,501	13,439	1.26%
Borrowings	-	-	-	125,200	4,478	3.58%
Derivatives	31,639	42	0.13%	31,639	42	0.13%
	1,101,504	**13,540**	**1.23%**	**1,226,704**	**18,018**	**1.47%**
Interest margin		**23,775**	**1.92%**		**21,114**	**1.52%**
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	-	-	2.64%	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%**

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.
- Income from sub-leasing right-of-use assets is recognised in accordance with AASB 16. Lease payments received under operating leases are recognised as income 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	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Non-interest revenue				
Distribution from Trust	-	-	2,480	1,147
Loan fees	1,113	922	1,113	922
Bad debts recovered	90	119	90	119
Dividends received	183	69	183	69
Rental revenue from property	-	1	-	1
Income from sub-leasing right-of-use assets	16	-	16	-
Other fee revenue	451	782	451	782
Other commission revenue	3,419	3,533	3,419	3,533
Other revenue	54	16	174	103
Total non-interest revenue	**5,326**	**5,442**	**7,926**	**6,676**
Investments in Associates				
Share of profit in associates before income tax	715	388	715	388
Income tax expense	(214)	(117)	(214)	(117)
Total share of profit in Associates	**501**	**271**	**501**	**271**
Total non-interest revenue	**5,827**	**5,713**	**8,427**	**6,947**

Contract Balances

The Group holds receivables to the value of $0.024 million (2019: $0.054 million) for referral commission recognised in accordance with AASB 15 Contracts with Customers as at 30 June 2020 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	
	2020 $'000	**2019** $'000	**2020** $'000	**2019** $'000
Administration expenses				
Staff				
Employee benefits	11,000	11,623	11,000	11,623
Contributions to defined contribution plans	1,011	1,049	1,011	1,049
Occupancy				
Operating lease expenses	134	1,474	134	1,474
Occupancy expenses	243	394	243	394
Information technology				
Information technology expenses	2,706	2,309	2,706	2,309
Finance costs				
Interest on Lease Liabilities	114	-	114	-
Other				
Administrative expenses	1,886	2,103	1,834	2,042
Depreciation property, plant & equipment	1,541	509	1,541	509
Amortisation intangibles	601	520	601	520
Distribution channel costs	3,508	3,465	3,508	3,465
Impairment losses	222	-	222	-
Marketing expenses	1,511	1,167	1,511	1,167
Loss on disposal of property, plant & equipment	17	33	17	33
Other	902	1,041	893	1,030
Total non-interest operating expenses	**25,396**	**25,687**	**25,335**	**25,615**

Following the adoption of AASB 16 on 1 July 2019, with the exception of low value leases and leases of less than 12 months, expenses associated with operating leases are shown as depreciation of the right-of-use asset and interest expense associated with the lease liability (comparatives not restated).

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	**2020**	**2020**	**2019**	**2019**
	%	$'000	%	$'000
(a) Reconciliation between tax expense and pre-tax profit				
Profit before tax		3,044		5,327
Income tax expense	27.50%	837	30.00%	1,598
Increase/(decrease) in income tax expense due to:				
Non allowable expenses	0.23%	7	0.33%	17
Non assessable income	(6.95%)	(212)	(1.92%)	(102)
Tax expense reflecting change in corporate tax rate	-	83	-	-
Income tax expense on pre-tax net profit	**20.78%**	**715**	**28.41%**	**1,513**
(b) Tax expense recognised in profit or loss comprises:				
Current tax expense in respect of the current year		989		1,524
Adjustments to prior years		-		-
		989		1,524
Deferred tax expense relating to the origination and reversal of temporary differences		(357)		(11)
Tax expense reflecting change in corporate tax rate		83		-
Total tax expense		**715**		**1,513**
(c) Income tax payable / (Current tax asset)				
Movements during the year were as follows:				
Balance at beginning of the year		572		329
Income tax paid (net of refund)		(1,281)		(1,282)
Current year income tax liability on operating profit		989		1,524
Under provision in prior years		-		1
Income tax payable		**280**		**572**

Note 7. Income Tax continued

Credit Union	**2020** %	**2020** $'000	**2019** %	**2019** $'000
(a) Reconciliation between tax expense and pre-tax profit				
Profit before tax		3,044		5,327
Income tax expense	27.50%	837	30.00%	1,598
Increase/(decrease) in income tax expense due to:				
Non allowable expenses	0.23%	7	0.33%	17
Non assessable income	(6.95%)	(212)	(1.92%)	(102)
Tax expense reflecting change in corporate tax rate	-	83	-	-
Income tax expense on pre-tax net profit	**20.78%**	**715**	**28.41%**	**1,513**
(b) Tax expense recognised in profit or loss comprises:				
Current tax expense in respect of the current year		989		1,524
Adjustments to prior years		-		-
		989		1,524
Deferred tax expense relating to the origination and reversal of temporary differences		(357)		(11)
Tax expense reflecting change in corporate tax rate		83		-
Total tax expense		**715**		**1,513**
(c) Income tax payable / (Current tax asset)				
Movements during the year were as follows:				
Balance at beginning of the year		572		329
Income tax paid (net of refund)		(1,281)		(1,282)
Current year income tax liability on operating profit		989		1,524
Under provision in prior years		-		1
Income tax payable		**280**		**572**

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
2020				
Employee benefits	767	(99)	-	668
Loans and advances	204	259	-	463
Property, plant and equipment	454	(35)	-	419
Prepaid lease incentive	33	(33)	-	-
Leases	(42)	147	-	105
Undeducted capital expenditure	18	(2)	-	16
Other	28	(6)	-	22
Deferred tax assets	**1,462**	**231**	**-**	**1,693**
Equity accounted investees	(509)	42	-	(467)
Deferred tax liabilities	**(509)**	**42**	**-**	**(467)**
Net deferred tax assets (liabilities)	**953**	**273**	**-**	**1,226**
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**

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
2020				
Employee benefits	767	(99)	-	668
Loans and advances	204	259	-	463
Property, plant and equipment	454	(35)	-	419
Prepaid lease incentive	33	(33)	-	-
Leases	(42)	147	-	105
Undeducted capital expenditure	18	(2)	-	16
Other	28	(6)	-	22
Deferred tax assets	**1,462**	**231**	**-**	**1,693**
Equity accounted investees	(509)	42	-	(467)
Deferred tax liabilities	**(509)**	**42**	**-**	**(467)**
Net deferred tax assets (liabilities)	**953**	**273**	**-**	**1,226**
2019				
Employee benefits	767	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**

The opening balance of the Deferred Tax Assets for 30 June 2020 recognised on leases reflects the application of AASB 16 which resulted in an increase in deferred tax liability of $0.42 million.

(e) Unrecognised deferred tax asset

Credit Union SA has carried forward capital losses of $0.787 million (2019: $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	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
(a) Reconciliation of cash for statements of cash flows				
Cash and cash equivalents	24,779	6,921	6,100	3,338
Investments with other financial institutions	23,123	15,651	23,123	15,651
Total Cash for statement of cash flows	**47,902**	**22,572**	**29,223**	**18,989**

(b) Reconciliation of Profit for the year to net cash flow from operating activities

Profit for the year	**2,329**	**3,814**	**2,329**	**3,814**
Add/(deduct) non-cash items				
Provisions for impairment	1,001	47	1,001	47
Depreciation of property, plant and equipment	1,541	509	1,541	509
Amortisation of intangible assets	601	520	601	520
Impairment losses	222	-	222	-
Net loss on disposal of property, plant and equipment	17	33	17	33
Share of profit of equity accounted investments	(501)	(271)	(501)	(271)
Total adjustments for non-cash items	**2,881**	**838**	**2,881**	**838**
Add/(deduct) changes in assets or liabilities during the financial year				
Decrease/(increase) in loans and advances	35,579	(80,795)	35,579	(80,795)
Increase in member deposits	6,748	119,799	6,747	119,799
Decrease in amounts due to other financial institutions	(8,000)	(3,500)	(8,000)	(3,500)
Decrease in accrued interest receivable	244	53	225	68
(Decrease)/increase in accrued interest payable	(2,091)	1,236	(2,091)	1,097
Decrease/(increase) in other assets	455	(199)	347	(13)
Increase/(decrease) in other liabilities	520	(1,187)	310	(1,263)
(Decrease)/increase in income tax payable	(292)	243	(292)	243
(Increase) in deferred tax assets	(231)	(11)	(231)	(11)
Total changes in assets or liabilities	**32,932**	**35,639**	**32,594**	**35,625**
Net cash used in operating activities	**38,142**	**40,291**	**37,804**	**40,277**

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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Deposits held to maturity				
Deposits with Cuscal Ltd	15,250	15,250	15,250	15,250
Deposits with other financial institutions - at amortised cost	52,472	55,154	52,472	55,154
Deposits with other financial institutions - FVOCI	115,635	95,556	115,635	95,556
	183,357	**165,960**	**183,357**	**165,960**
Not longer than 3 months until maturity	54,705	62,883	54,705	62,883
Longer than 3 months not longer than 12 months until maturity	45,785	33,568	45,785	33,568
Longer than 1 year and not longer than 5 years until maturity	82,867	69,509	82,867	69,509
	183,357	**165,960**	**183,357**	**165,960**

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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Interest receivable	296	541	389	613
Net Investment in Sub-Lease	695	-	695	-
Other	543	982	616	943
	1,534	**1,523**	**1,700**	**1,556**

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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Loans and advances carried at amortised cost				
Revolving credit facilities	31,637	39,020	31,637	39,020
Term loans - secured	899,608	926,815	899,608	926,815
Term loans - unsecured	19,236	20,225	19,236	20,225
Gross Loans and advances	**950,481**	**986,060**	**950,481**	**986,060**
Specific provision for impairment	(149)	(181)	(149)	(181)
Collective provision for impairment	-	-	-	-
Expected credit loss provision for impairment	(1,533)	(500)	(1,533)	(500)
Net Loans and advances	**948,799**	**985,379**	**948,799**	**985,379**
Loans and advances by maturity				
Lines of credit (including unsecured overdrafts)	31,637	39,020	31,637	39,020
Not longer than 3 months	11	344	11	344
Longer than 3 months not longer than 12 months	358	235	358	235
Longer than 1 year and not longer than 5 years	16,740	16,413	16,740	16,413
Longer than 5 years	901,735	930,048	901,735	930,048
Gross Loans and advances	**950,481**	**986,060**	**950,481**	**986,060**
Loans and advances by security				
Secured by mortgage	917,653	947,046	917,653	947,046
Secured by other	1,570	3,702	1,570	3,702
Unsecured	31,258	35,312	31,258	35,312
Gross Loans and advances	**950,481**	**986,060**	**950,481**	**986,060**
Loans and advances by purpose				
Residential	917,565	946,807	917,565	946,807
Personal	32,367	38,149	32,367	38,149
Commercial	549	1,104	549	1,104
Gross Loans and advances	**950,481**	**986,060**	**950,481**	**986,060**
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	919,495	958,654	919,495	958,654
Other residents	30,986	27,406	30,986	27,406
Gross Loans and advances	**950,481**	**986,060**	**950,481**	**986,060**

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 2020, loans to members of the education community of South Australia totalled $348.066 million (2019: $355.801 million). This represents approximately 36.6% of the total loan portfolio (2019: 36.1%).

As at 30 June 2020, the Group had no loan facilities with an outstanding balance in excess of 10% of its total capital (2019: nil).

Note 12. Impairment of Loans and Advances

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.

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.

In the preparation of the ECL provisioning the Group considered the impact of the COVID-19 pandemic on the Credit Union's measurement of ECL. The COVID-19 pandemic represents a material downside risk to the economy and has generated an expected deterioration of significant risk factors within the Group's ECL model. The Group incorporated estimates, assumptions and judgments including an event risk overlay to account for forecast changes to account for these significant risk factors in the portfolio.

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 the 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 credit policy.

Note 12. Impairment of Loans and Advances continued

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 which takes into account the current and forecast economic environment. 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.

ECL Sensitivity Analysis

The uncertainty of the impact of COVID-19 introduced significant estimation uncertainty in relation to the measurement of the Group's expected credit losses. The rapidly evolving consequences of COVID-19 could result in significant adjustments to the allowance within the current and next financial years.

The Credit Union's ECL was calculated with a probability weighting of 50% for the base scenario, 5% for the upside scenario and 45% for the downside scenario.

The table below illustrates the sensitivity of ECL to key factors.

	Unemployment Rate	**Increase (Decrease) in ECL** $'000
100% upside scenario	5.52% to 8.35%	(127)
100% base scenario	7.35% to 9.35%	(45)
100% downside scenario	8.35% to 12.81%	64

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 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 the proceeds from collateral will not be sufficient to pay back the entire exposure. Any subsequent recoveries of these loan write-offs are recognised through profit or loss.

Note 12. Impairment of Loans and Advances continued

	Notes	Consolidated 2020 $'000	Consolidated 2019 $'000	Credit Union 2020 $'000	Credit Union 2019 $'000
(a) Provisions for impairment					
Specific provision	11	149	181	149	181
Expected credit loss provision					
Stage 1: 12 Months ECL - not credit impaired	11	825	497	825	497
Stage 2: Lifetime ECL - not credit impaired	11	19	3	19	3
Stage 3: Lifetime ECL - credit impaired	11	689	-	689	-
Total provision for impairment		1,682	681	1,682	681
General reserve for credit losses recognised in equity	21	1,259	774	1,259	774
Total of provisions for impairment and general reserve for credit losses recognised in equity		**2,941**	**1,455**	**2,941**	**1,455**
(b) Impairment losses on loans and advances					
Individually assessed provisions for impairment increase		(32)	10	(32)	10
Expected credit loss provision for impairment increase		1,033	37	1,033	37
Bad debts written off directly to profit and loss		161	167	161	167
Charge to profit and loss		**1,162**	**214**	**1,162**	**214**
(c) Impaired loans and assets acquired					
Non-accrual loans					
Balance		5,401	1,633	5,401	1,633
Restructured loans					
Balance		17,436	5,088	17,436	5,088
Assets acquired through security enforcement					
Net fair value of assets acquired through enforcement of security during the financial year		449	3	449	3

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

	Consolidated 2020	Consolidated 2019	Credit Union 2020	Credit Union 2019
Interest revenue on non-accrual and restructured loans	-	-	-	-
Interest foregone on non-accrual and restructured loans	(50)	(54)	(50)	(54)
Net interest recognised / (foregone)	**(50)**	**(54)**	**(50)**	**(54)**

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	Specific provision Lifetime ECL	Total
Balance at 30 June 2019	**497**	**3**	**0**	**181**	**681**
Changes due to financial assets recognised in the opening balance that have:					
Transferred to 12-month ECL	2	-	-	5	7
Transferred to Collective provision Stage 2	(28)		28	-	-
Transferred to Collective provision Stage 3	-		84	-	84
Transferred to Specific provision Lifetime ECL	-	-	-	-	-
New loans and advances originated	140	3	-		143
Bad debts written off	(114)	(3)	(112)	(5)	(234)
Charge to income statement	328	16	689	(32)	1,001
Balance at 30 June 2020	**825**	**19**	**689**	**149**	**1,682**

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 2020 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 $1.001m compared to the balance at the beginning of the year. This net increase was driven by an increase in collective provisioning to account for shortfalls that could arise in the presence of COVID-19. Specific provisions decreased by $0.032m primarily due to lower individually assessed impairment in unsecured loans.

Collective provisions increased by $1.033m, comprised of:

- 12 months ECL (Stage 1) - ECL increased by $0.328m during the year due to collective provisions associated with increased credit risk.
- Lifetime ECL not credit impaired (Stage 2) - ECL increased by $0.016m primarily due to loans migrating from Stage 1 as a result of changes in credit quality.
- Lifetime ECL credit impaired (Stage 3) - ECL increased by $0.689m to account for shortfalls that could arise in the presence of COVID-19.

Note 13. Other Financial Assets

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	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Unlisted Shares at Fair Value				
Cuscal Ltd	2,838	2,828	2,838	2,828

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 $0.183 million for the year ended 30 June 2020 (2019: $0.069 million).

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	**2020** $'000	**2019** $'000
Investment in Data Action Pty Ltd	28	4,137	3,698
Investment in Blackwood Nominees Pty Ltd	28	562	747
		4,699	**4,445**

Investment in Data Action Pty Ltd

The Group holds a 15.90% ownership interest (2019:15.90%) 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:

	2020 $'000	2019 $'000
Current assets	22,396	16,404
Non-current assets	22,488	15,360
Total Assets	**44,884**	**31,764**
Current liabilities	7,000	5,687
Non-current liabilities	11,868	2,820
Total Liabilities	**18,868**	**8,507**
Net Assets	**26,016**	**23,257**
Group's Share of Net Assets	4,137	3,698
	15.90%	**15.90%**
Income	41,420	36,873
Expenses	(38,612)	(36,473)
Profit after tax	**2,808**	**400**
Group's share of profit and total comprehensive income (15.9%)	446	64
Dividends received by the Group	-	-
Group's share of net profit	**446**	**64**

Note 14. Equity Accounted Investees continued

Investment in Blackwood Nominees Pty Ltd

The Group holds a 50.00% (2019: 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.

At 30 June 2020, the Group reassessed the carrying amount of its investment in Blackwood Nominees Pty Ltd for indicators of impairment. As a result, the recoverable amount of the investment was formally reassessed.

Estimates of recoverable amounts are based on the assets' value-in-use, determined by discounting each asset's estimated future cash flows at asset specific discount rates. The post-tax discount rates applied were 20.00% (2019: 17.50%). As the recoverable amount for the investment was determined to be lower than the carrying amount at 30 June 2020, an impairment loss of $0.153m (2019: nil) was recognised in profit or loss.

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

	2020 $'000	2019 $'000
Current assets	87	158
Non-current assets	117	131
Total Assets	**204**	**289**
Current liabilities	89	95
Non-current liabilities	42	55
Total Liabilities	**131**	**150**
Net Assets	73	139
Group's Share of Net Assets	36	69
	50.00%	**50.00%**
Income	551	514
Expenses	(428)	(324)
Profit after tax	**123**	**190**
Group's share of profit and total comprehensive income (50.00%)	62	95
Dividends received by the Group	(95)	(88)
Group's share of net profit	**(33)**	**7**

Note 15. Property Plant and Equipment and Right of Use Assets

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.

Please refer to Note 3(g) for the recognition and measurement accounting policy for Right-of-Use Asset.

Depreciation

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

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

Depreciable Assets

Building works	2.50%
Office furniture and fittings	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 18.4%

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

Please refer to Note 3(a) for the depreciation accounting policy for Right-of-Use Asset.

Note 15. Property Plant and Equipment and Right of Use Assets continued

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

Consolidated	**Freehold land** $'000	**Buildings** $'000	**Right-of-Use Asset** $'000	**Plant & equipment** $'000	**Work in Progress** $'000	**Total** $'000
2020						
Opening	**275**	**245**	**-**	**4,317**	**11**	**4,848**
Recognition of right-of-use asset on initial application of AASB 16	-	-	5,331	-	-	5,331
Opening (adjusted)	**275**	**245**	**5,331**	**4,317**	**11**	**10,179**
Additions	-	-	-	407	-	407
Transfers	-	-	-	11	(11)	-
Disposals/ Derecognition	-	-	-	(190)	-	(190)
Closing	**275**	**245**	**5,331**	**4,545**	**-**	**10,396**
Less: Accumulated depreciation/impairment						
Opening	(162)	(119)	-	(2,827)	-	(3,108)
Disposals/ Derecognition	-	-	-	175	-	175
Depreciation expense	-	(3)	(984)	(554)	-	(1,541)
Closing	**(162)**	**(122)**	**(984)**	**(3,206)**	**-**	**(4,474)**
Net book value 30 June 2020	**113**	**123**	**4,347**	**1,339**	**-**	**5,922**

	Freehold land $'000	**Buildings** $'000	**Right-of-Use Asset** $'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**

Note 15. Property Plant and Equipment and Right of Use Assets continued

Credit Union	Freehold land $'000	Buildings $'000	Right-of-Use Asset $'000	Plant & equipment $'000	Work in Progress $'000	Total $'000
2020						
Opening	**275**	**245**	**-**	**4,317**	**11**	**4,848**
Recognition of right-of-use asset on initial application of AASB 16	-	-	5,331	-	-	5,331
Opening (adjusted)	**275**	**245**	**5,331**	**4,317**	**11**	**10,179**
Additions	-	-	-	407	-	407
Transfers	-	-	-	11	(11)	-
Disposals/ Derecognition	-	-	-	(190)	-	(190)
Closing	**275**	**245**	**5,331**	**4,545**	**-**	**10,396**
Less: Accumulated depreciation/impairment						
Opening	(162)	(119)	-	(2,827)	-	(3,108)
Disposals/ Derecognition	-	-	-	175	-	175
Depreciation expense	-	(3)	(984)	(554)	-	(1,541)
Closing	**(162)**	**(122)**	**(984)**	**(3,206)**	**-**	**(4,474)**
Net book value 30 June 2020	**113**	**123**	**4,347**	**1,339**	**-**	**5,922**

	Freehold land $'000	Buildings $'000	Right-of-Use Asset $'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**

As at 30 June 2020, property, plant and equipment includes right-of-use assets with a carrying value of $4.347million related to the head office lease (Note 3(a)).

The Group's property comprising of land and buildings was independently valued on 20 March 2020 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 property, land and buildings, were valued at an aggregate $0.250million as at valuation date.

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	3-4 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
2020			
Cost			
Balance at 1 July 2019	1,496	457	1,953
Additions	87	669	756
Transfers	970	(970)	-
Disposals/ Derecognition	(158)	(100)	(258)
Closing balance as at 30 June 2020	**2,395**	**56**	**2,451**
Amortisation and Impairment			
Balance at 1 July 2019	(532)	-	(532)
Amortisation	(601)	-	(601)
Disposals/ Derecognition	156	-	156
Closing balance as at 30 June 2020	**(977)**	**-**	**(977)**
Net book value as at 30 June 2020	**1,418**	**56**	**1,474**

	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**

Note 16. Intangible Assets continued

Credit Union	Intangible Software $'000	Work in progress $'000	Total $'000
2020			
Cost			
Balance at 1 July 2019	1,496	457	1,953
Additions	87	669	756
Transfers	970	(970)	-
Disposals/ Derecognition	(158)	(100)	(258)
Closing balance as at 30 June 2020	**2,395**	**56**	**2,451**
Amortisation and Impairment			
Balance at 1 July 2019	(532)	-	(532)
Amortisation	(601)	-	(601)
Disposals/ Derecognition	156	-	156
Closing balance as at 30 June 2020	**(977)**	**-**	**(977)**
Net book value as at 30 June 2020	**1,418**	**56**	**1,474**

	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**

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	
	2020 $'000	**2019** $'000	**2020** $'000	**2019** $'000
Prepayments	298	342	287	335
Set up costs CUSA MTG Trust – net	43	63	43	63
	341	**405**	**330**	**398**

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	
	2020 $'000	**2019** $'000	**2020** $'000	**2019** $'000
Withdrawable shares	**77**	**80**	**77**	**80**
Deposits carried at amortised cost:				
At call deposits	628,834	548,858	628,834	548,858
Term deposits	443,145	516,371	443,145	516,371
Total member deposits	**1,072,056**	**1,065,309**	**1,072,056**	**1,065,309**

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 2020, deposits from members of the education community of South Australia totalled $176.427 million (2019: $175.196 million). This represents approximately 16.5% of total deposits (2019: 16.4%).

As at 30 June 2020 deposits from members currently residing in South Australia totalled $1,020.496 million (2019: $1,010.865 million). This represents approximately 95.2% of total deposits (2019: 94.9%).

As at 30 June 2020, the Group has no individual or group of deposit facilities with an outstanding balance in excess of 10.0% of its total liabilities (2019: 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	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Trade creditors	736	358	736	358
Accrued interest payable on deposits	2,131	4,222	2,131	4,222
Lease Liability	5,377	-	5,377	-
Other creditors and accruals	661	222	712	482
	8,905	**4,802**	**8,956**	**5,062**

Opening balance of Lease Liability at transition date to AASB 16, 1 July 2019 was $6.073 million (Note 3)

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. On transition to AASB 16 Leases, the 30 June 2019 closing balance was transferred to Retained Earnings.

Note 20. Provisions continued

	Consolidated		Credit Union	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Provision for Leases				
Opening balance	-	53	-	53
Provision created	46	-	46	-
Provision utilised	-	(53)	-	(53)
Closing Balance	**46**	**-**	**46**	**-**
Provision for future rent				
Opening balance	109	168	109	168
Provision created	-	189	-	189
Provision utilised	(109)	(248)	(109)	(248)
Closing Balance	**-**	**109**	**-**	**109**
Provision for long service leave				
Opening balance	1,717	1,743	1,717	1,743
Provision created	255	139	255	139
Provision utilised	(327)	(165)	(327)	(165)
Closing Balance	**1,645**	**1,717**	**1,645**	**1,717**
Provision for annual leave				
Opening balance	832	792	832	792
Provision created	96	124	96	124
Provision utilised	(160)	(84)	(160)	(84)
Closing Balance	**768**	**832**	**768**	**832**
Total Provisions	**2,459**	**2,658**	**2,459**	**2,658**
Number of employees				
Number of full time equivalent employees at year end	121	136	121	136

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	
	2020 $'000	**2019** $'000	**2020** $'000	**2019** $'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 2020 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 (AASB 16)

The Group leases its head office and branch. The lease term for the head office building and branch is 6 years. The Group does not have an option to purchase the leased asset at the expiry of the lease period. Previously, these leases were classified as operating leases under AASB 117.

The Group's lease of head office and branch contains extension options. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Information about leases for which the Group is a lessee is presented below.

(a) Right-of-Use Assets

Right-of-use assets relate to leased branch and office premises that are presented within property and equipment (see Note 15).

	2020 $'000
Opening Balance as at 1 July 2019	5,331
Depreciation Charge for the year	(984)
Balance as at 30 June 2020	**4,347**

At 30 June 2019, the future minimum lease payments under non-cancellable operating lease were payable as follows:

Maturity analysis – Contractual undiscounted cash flows

	2019 $'000
Less than one year	1,188
Between one and five years	5,240
More than five years	587
Total undiscounted lease liabilities at 30 June 2019	**7,015**

See Note 25 for maturity analysis of lease liabilities as at 30 June 2020.

(b) Amounts recognised in Profit or Loss

	2020 $'000
Interest Expense on Lease Liabilities	114
Interest Income on Net Investment in Sub-Lease	16

Note 23. Commitments, Contingent Liabilities and Contingent Assets continued

(c) Amounts recognised in Statement of Cash Flows

	2020 $'000
Principal portion of lease liability	810
Interest portion of lease liability	(114)
Total cash outflow for leases	**696**

Principal portion of sub-lease	(152)
Interest portion of sub-lease	16
Total cash inflow from sub-lease	**(136)**

Leases as lessor (AASB 16)

The Group sub-lets office space relating to the lease it holds as a lessee presented above as right-of-use asset.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

Operating Leases under AASB 16

	2020 $'000
Less than one year	157
Between one and two years	162
Between two and three years	167
Between three and four years	173
Between four and five years	73
More than five years	-
Total undiscounted lease receivables	**732**
Unearned finance income	37
Net investment in the Sub-Lease	**695**

Operating Leases under AASB 117

	2019 $'000
Less than one year	152
Between one and five years	731
More than five years	-
Total undiscounted lease receivables	**883**

Note 23. Commitments, Contingent Liabilities and Contingent Assets continued

(b) Capital commitments

	Consolidated		Credit Union	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Capital expenditure commitments	69	66	69	66

(c) Outstanding loan commitments

	Consolidated		Credit Union	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Loans approved but not yet funded				
Residential	6,995	7,067	6,995	7,067
Personal	218	184	218	184
	7,213	**7,251**	**7,213**	**7,251**

(d) Members' unused credit facilities

	Consolidated		Credit Union	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Revolving credit and redraw facilities	**203,182**	**200,177**	**203,182**	**200,177**

(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 (2019: $0.057 million). The unsecured balance of these guarantees totals $0.032 million (2019: $0.032 million). No loss on these guarantees is anticipated.

Note 24. Key Management Personnel

(a) Key management personnel

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

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

Non-executive Directors -

C.A. Mitchell, A. Cannon, J.A. Cooper, P.C. Dewsnap, K.A. Jordan, N.S. Rantanen Reynolds, P.L.F. Riquier.

Executive Management Committee -

G.S. Strawbridge (until 24 April 2020), T.M. Roberts (from 29 June 2020) J.W. Koerber (until 7 February 2020), C.A. Ryan, T.M.E. Prowse, I. Karounos, D.P Boddington (Acting from 14 February 2020), K.L. Beard (Acting from 24 April 2020).

(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:

	2020 $	2019 $
Short-term employee benefits	1,705,963	1,711,500
Payments to defined contribution plans	153,947	147,160
Other long-term benefits	141,184	94,805
Termination benefits	193,708	117,885
	2,194,802	**2,071,350**

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

Note 24. Key Management Personnel continued

(c) Loans to key management personnel

	2020 $	2019 $
Aggregate loans to key management personnel outstanding at reporting date;		
Mortgage and personal loans	2,991,865	1,546,714
Lines of credit (including unsecured overdrafts)	-	-
	2,991,865	**1,546,714**
Aggregate amount of loans made during the year to key management personnel:		
Total loans made during the year	1,208,101	150,000
Aggregate amount of interest charged during the year to key management personnel:		
Mortgage and personal loans	90,701	63,635
Aggregate amount of repayments made during the year to key management personnel:		
Mortgage and personal loans	425,738	184,728
Net movement in lines of credit (including unsecured overdrafts) including interest charged	-	-

The key management personnel who held loan accounts with the Group during the year were K.A.Jordan, N.S. Rantanen Reynolds, T.M.E. Prowse and K. L. Beard.

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 financial risk management policies are established to identify and analyse the financial 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 and associated risks 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% (2019: 9%) of adjusted liabilities as a minimum liquidity holding (MLH). The Credit Union prudently, under its liquidity risk policy, has an MLH of 10% (2019: 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.

The Group's liquidity risk management practices remain unchanged in the presence of the COVID-19 pandemic however the Group increased the size of its self-securitisation program in response to APRA's COVID-19 response requirement (refer to Note 27).

In addition to the liquidity portfolio, the Credit Union also has a $5.000 million (2019: $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	
	2020	**2019**	**2020**	**2019**
	%	%	%	%
As at 30 June:				
Liquidity holding - MLH	19.72	17.13	19.72	17.13
Liquidity holding - Total	**19.72**	**17.13**	**19.72**	**17.13**

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
2020							
Financial Liabilities							
Member deposits	1,072,056	1,072,056	628,910	209,978	181,201	51,967	-
Due to other financial institutions	6,003	6,003	-	-	-	6,003	-
Interest payable	2,131	7,567	-	3,376	2,855	1,336	-
Lease Liabilities	5,377	5,682	-	214	641	4,827	-
Trade and other payables	1,397	1,397	-	1,397	-	-	-
	1,086,964	**1,092,705**	**628,910**	**214,965**	**184,697**	**64,133**	**-**
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**	**-**

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
2020							
Financial Liabilities							
Member deposits	1,072,056	1,072,056	628,910	209,978	181,201	51,967	-
Due to other financial institutions	6,003	6,003	-	-	-	6,003	-
Borrowings	272,925	272,925	-	-	-	-	272,925
Interest payable	2,131	7,567	-	3,376	2,855	1,336	-
Lease Liabilities	5,377	5,682	-	214	641	4,827	-
Trade and other payables	1,449	1,449	-	1,449	-	-	-
	1,359,941	**1,365,682**	**628,910**	**215,017**	**184,697**	**64,133**	**272,925**
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**

(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	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Exposure to credit risk				
Individually impaired				
Gross amount	5,401	1,628	5,401	1,628
Less Allowance for impairment	(149)	(181)	(149)	(181)
Carrying amount	**5,252**	**1,447**	**5,252**	**1,447**
Stage 1: 12-Months ECL				
Current	923,659	971,437	923,659	971,437
1-29 days	7,881	11,336	7,881	11,336
30-59 days	20	-	20	-
60-89 days	2	-	2	-
90 days or greater	-	-	-	-
	931,562	**982,773**	**931,562**	**982,773**
Less Stage 1 ECL	(825)	(498)	(825)	(498)
Stage 2: Lifetime ECL				
1-29 days	70	-	70	-
30-59 days	5,264	1,659	5,264	1,659
60-89 days	8,190	-	8,190	-
90 days or greater	-	-	-	-
	13,524	**1,659**	**13,524**	**1,659**
Less Stage 2 ECL	(19)	(3)	(19)	(3)
Stage 3: Lifetime ECL				
1-29 days	-	-	-	-
30-59 days	-	-	-	-
60-89 days	-	-	-	-
90 days or greater	(6)	-	(6)	-
	(6)	-	(6)	-
Less Stage 3 ECL	(689)	-	(689)	-
Carrying amount	**943,547**	**983,931**	**943,547**	**983,931**
Total Carrying Amount	**948,799**	**985,378**	**948,799**	**985,378**

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, Derivative assets 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	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Cash and cash equivalents	8	47,902	22,572	29,223	22,572
Due from other financial institutions	9	183,357	165,960	183,357	165,960
Trade and other receivables	10	1,534	1,523	1,700	1,523
Loans and advances	11, 12	948,799	985,379	948,799	985,379
Notes Receivable	27	-	-	291,500	97,400
Derivative assets	26	426	-	426	-
Total maximum exposure		**1,182,018**	**1,175,434**	**1,455,005**	**1,272,834**

(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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Revenue Sensitivity:				
As at 30 June	890	1,599	890	1,599
Average for the period	756	437	756	437
Maximum for the period	1,438	1,599	1,438	1,599
Minimum for the period	405	202	405	202

	2020 %	2019 %	2020 %	2019 %
Revenue Sensitivity as a percentage of total capital:				
As at 30 June	0.95%	1.75%	0.95%	1.75%
Average for the period	0.81%	0.48%	0.81%	0.48%
Maximum for the period	1.56%	1.75%	1.56%	1.75%
Minimum for the period	0.44%	0.23%	0.44%	0.23%

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	%
2020							
Financial Assets							
Cash and cash equivalents	23,123	-	-	-	24,779	47,902	0.43%
Due from other financial institutions	56,489	126,868	-	-	-	183,357	1.66%
Loans and advances	764,654	75,763	103,276	6,512	276	950,481	3.60%
Other financial assets	-	-	-	-	2,838	2,838	-
Trade and other receivables	-	-	-	-	1,534	1,534	-
Derivative assets	231	195	-	-	-	426	-
	844,497	**202,826**	**103,276**	**6,512**	**29,427**	**1,186,538**	**3.15%**
Financial Liabilities							
Member Deposits	506,029	323,645	51,967	-	190,415	1,072,056	1.26%
Due to other financial institutions	-	-	6,003	-	-	6,003	1.75%
Trade & other payables	-	-	-	-	8,905	8,905	-
	506,029	**323,645**	**57,970**	**-**	**199,320**	**1,086,964**	**1.47%**
Interest Rate Swaps assets/ (liabilities)	**(30,000)**	**(20,000)**	**50,000**	**-**	**-**	**-**	**-**
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%**

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 %
2020							
Financial Assets							
Cash and cash equivalents	23,123	-	-	-	6,101	29,223	0.36%
Due from other financial institutions	56,489	126,868	-	-	-	183,357	1.66%
Loans and advances	764,654	75,763	103,276	6,512	276	950,481	3.60%
Other financial assets	-	-	-	-	2,838	2,838	-
Trade and other receivables	-	-	-	-	1,700	1,700	-
Notes receivable	284,320	-	-	-	-	284,320	1.43%
Derivative assets	231	195	-	-	-	426	0.16%
	1,128,817	**202,826**	**103,276**	**6,512**	**10,914**	**1,452,345**	**2.99%**
Financial Liabilities							
Member Deposits	506,029	323,645	51,967	-	190,415	1,072,056	1.26%
Due to other financial institutions	-	-	6,003	-	-	6,003	1.75%
Borrowings	272,925	-	-	-	-	272,925	3.58%
Trade & other payables	-	-	-	-	8,956	8,956	-
	778,954	**323,645**	**57,970**	**-**	**199,371**	**1,359,941**	**1.47%**
Interest Rate Swaps assets/ (liabilities)	**(30,000)**	**(20,000)**	**50,000**	**-**	**-**	**-**	**-**
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	**154,038**	**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%**

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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Total qualifying capital	93,522	91,891	93,522	91,891
Risk Weighted Assets	505,931	511,016	505,931	511,016

	2020 %	2019 %	2020 %	2019 %
Capital adequacy ratio				
As at 30 June	18.49	17.98	18.49	17.98

(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.

	Consolidated		Credit Union	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Opening balance	-	-	93,583	94,133
Movement	-	-	179,342	(550)
Closing balance	**-**	**-**	**272,925**	**93,583**

(g) Derivatives held for risk management purposes

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

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

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

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

The Credit Union uses interest rate swaps to hedge its exposure to interest rate risks arising from operational and financing activities. The Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates. The Group enters into interest rate swap contracts for the sole purpose of managing interest rate exposures in the Statements of Financial Position and not for speculative purposes.

The notional vale of the derivatives held as cash flow hedges as at 30 June 2020 is $50.000 million (2019: nil).

The following table details the Group's net fair values and notional principal amounts at the remaining terms of interest rate swap contracts outstanding as at the reporting date:

	Net Fair Value		Notional Principal Amount	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Less than 1 year	-	-	-	-
1 to 2 years	171	-	30,000	-
2 to 5 years	255	-	20,000	-
Closing balance	**426**	**-**	**50,000**	**-**

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 Due from other financial institutions held at FVOCI is estimated using discounted cash flow analysis, based on current market rates for similar arrangements. 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.

Derivatives:

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

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

(a) Fair values

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

Consolidated	**Total carrying amount as per Statements of Financial Position**		**Aggregate net fair value**		**Fair value hierarchy**
	2020	**2019**	**2020**	**2019**	
	$'000	$'000	$'000	$'000	
Financial Assets					
Cash and cash equivalents	47,902	22,572	47,902	22,572	Level 1
Due from other financial institutions	183,357	165,960	183,357	165,961	Level 2
Net loans and advances	948,799	985,379	948,301	985,670	Level 3
Other financial assets	2,838	2,828	2,838	2,828	Level 3
Trade and other receivables	1,534	1,523	1,534	1,523	Level 1
Derivative assets	426	-	426	-	Level 2
	1,184,856	**1,178,262**	**1,184,358**	**1,178,554**	
Financial Liabilities					
Members' deposits	1,072,056	1,056,309	1,071,638	1,055,210	Level 2
Due to other financial institutions	6,003	8,000	6,003	8,000	Level 2
Accounts payable and other liabilities	8,905	4,802	8,905	4,802	Level 1
	1,086,964	**1,069,111**	**1,086,546**	**1,068,012**	

Credit Union	**Total carrying amount as per Statements of Financial Position**		**Aggregate net fair value**		**Fair value hierarchy**
	2020	**2019**	**2020**	**2019**	
	$'000	$'000	$'000	$'000	
Financial Assets					
Cash and cash equivalents	29,223	18,989	29,223	18,989	Level 1
Due from other financial institutions	183,357	165,960	183,357	165,961	Level 2
Net loans and advances	948,799	985,379	948,301	985,670	Level 3
Other financial assets	2,838	2,828	2,838	2,828	Level 3
Trade and other receivables	1,700	1,556	1,700	1,556	Level 1
Other Investments	284,320	97,400	284,320	97,400	Level 2
Derivative assets	426	-	426	-	Level 2
	1,450,663	**12,727,112**	**1,450,165**	**1,272,404**	
Financial Liabilities					
Members' deposits	1,072,056	1,056,309	1,071,638	1,055,210	Level 2
Due to other financial institutions	6,003	8,000	6,003	8,000	Level 2
Accounts payable and other liabilities	8,956	5,062	8,956	5,062	Level 1
Borrowings	272,925	93,583	272,925	93,583	Level 2
	1,359,940	**1,162,954**	**1,359,522**	**1,161,855**	

Note 26. Fair Value of Financial Instruments continued

(b) Fair value hierarchy

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

The different levels have been identified as follows:

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

Consolidated Entity	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2020				
Due from Other Financial Institutions - FVOCI	-	115,635	-	115,635
Other financial assets	-	-	2,838	2,838
Derivative assets	-	426	-	426
2019				
Due from Other Financial Institutions - FVOCI	-	95,556	-	95,556
Other financial assets	-	-	2,828	2,828

Credit Union	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2020				
Due from Other Financial Institutions - FVOCI	-	115,635	-	115,635
Other financial assets	-	-	2,838	2,838
Derivative assets	-	426	-	426
2019				
Due from Other Financial Institutions - FVOCI	-	95,556	-	95,556
Other financial assets	-	-	2,828	2,828

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 (2019: nil).

Note 27. Securitisation and Repurchase Agreement

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 $214.316 million (2019: $15.666 million) during the financial year as part of its ongoing self-securitisation program. In accordance with APRA's COVID-19 response requirement, the Credit Union has extended its self-securitisation programme to 25% of total deposits. As at 30 June 2020, a total of $7.180m self-securitisation notes were pledged in a repurchase agreement with the RBA to access a $6.003m tranche of the RBA Term Funding Facility.

The outstanding balance of the loans transferred as at 30 June 2020 was $272.925 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.

Repurchase Agreement

In March 2020, in response to the COVID-19 pandemic, the Reserve Bank of Australia (RBA) established a term funding facility (TFF) allowing authorised deposit-taking institutions (ADIs) to access funding for three (3) years at a fixed interest rate of 0.25%. Securities sold under this agreement to repurchase are retained on the Statement of Financial Position when the majority of the risk and rewards of ownership remain with the Group. The related liability is included within Due to other financial institutions on the Statement of Financial Position when cash consideration is received.

The Group participated in the TFF for an amount of $6.003m.

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.

d) The Credit Union entered into a Consultancy Agreement with Origin8 Enterprises Pty Ltd, a company owned by Mr Paul Carl Dewsnap, to provide the services of an interim nominee Director for the Credit Union on the Board of Directors of Data Action Pty Ltd on terms equivalent to an arm's length transaction. The Credit Union engaged these services from March until September 2020, for an aggregate fee of $0.030m per annum.

Ownership interest

	Note	2020 %	2019 %
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:

	2020 $	2019 $
Technology services	2,468,574	2,202,471
Management fee	4,200	4,200
Interest expense	59,545	43,244
Aggregate amounts payable to non-key management personnel related party:		
At call deposits	173	289
Term deposits	2,000,000	2,000,000

Note 29. Auditors' Remuneration

	Consolidated		Credit Union	
	2020	2019	2020	2019
	$	$	$	$
Audit services				
Auditors of the Credit Union				
KPMG Australia:				
- Audit of financial statements	132,420	118,687	132,420	118,687
- Other regulatory audits	30,346	27,311	30,346	27,311
	162,766	**145,998**	**162,766**	**145,998**
Other services				
Auditors of the Credit Union				
KPMG Australia:				
- In relation to tax and other services	62,130	27,673	62,130	27,673
Total auditor remuneration	**224,896**	**173,671**	**224,896**	**173,671**

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 $27.395 million (2019: $25.995 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 financial services 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

As a result of the evolving nature of the COVID-19 pandemic and the rapidly evolving government policies of restrictive measures put in place to contain it, as at the date of these financial statements, the Group is not in a position to reasonably estimate the financial effects of the COVID-19 pandemic on the future financial performance and financial position of the Group.

Other than the current disclosures, there have been no events subsequent to reporting date which would have a material impact on the Group's 30 June 2020 financial statements.

Credit Union SA Ltd

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Annual General Meeting
Wednesday 18 November 2020
5.30pm, Adelaide Pavilion Conference Centre
Corner South Terrace and Peacock Road, Adelaide
Details may change if required for the safety of attendees.

Bankers
Cuscal Limited
National Australia Bank Limited

Auditors
KPMG

Tax Agent
KPMG

Solicitors
Wallmans Lawyers
Fisher Jefferies
Piper Alderman
Jones Harley Toole

CEO
Todd Roberts
FCA, FAICD, FGLF

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