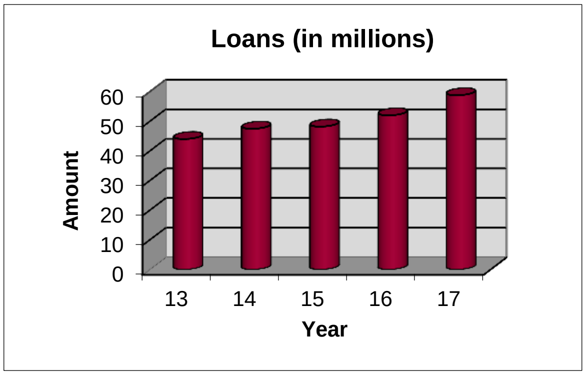
Central Murray
CREDIT UNION LIMITED

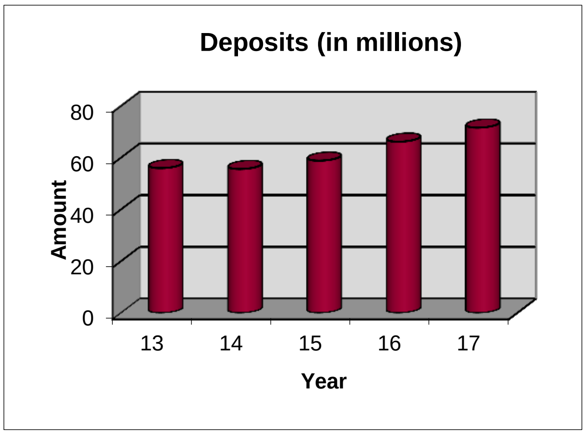
Customer
Owned
Banking

2017 Annual Report

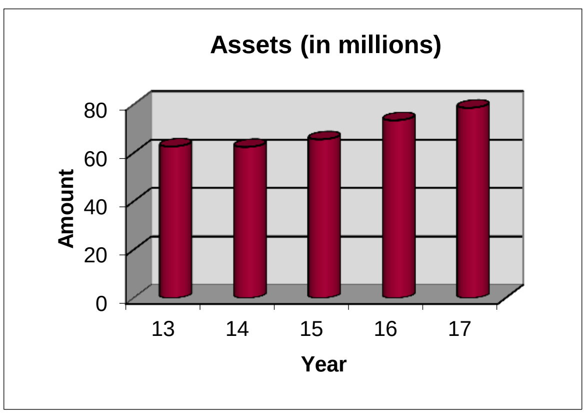
Performance Review Comparison



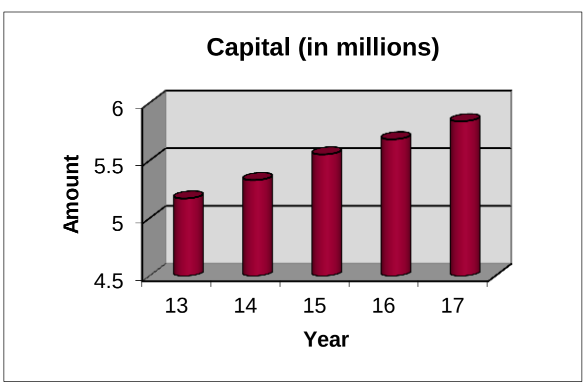
2010	$41,144,394	growth	
2011	$44,707,289	growth	8.66%
2012	$44,554,820	loss	-0.34%
2013	$44,091,650	loss	-1.04%
2014	$47,563,235	growth	7.87%
2015	$48,295,439	growth	1.54%
2016	$52,080,020	growth	7.84%
2017	$58,857,579	growth	13.01%



2010	$48,937,139	growth	
2011	$51,092,711	growth	4.40%
2012	$53,299,401	growth	4.32%
2013	$55,994,082	growth	5.06%
2014	$55,651,104	loss	-0.61%
2015	$58,889,216	growth	5.82%
2016	$66,224,383	growth	12.46%
2017	$71,643,723	growth	8.18%



2010	$54,656,183	growth	
2011	$57,410,145	growth	2.07%
2012	$59,887,194	growth	5.04%
2013	$62,706,860	growth	4.31%
2014	$62,497,350	growth	4.71%
2015	$65,652,726	loss	-0.33%
2016	$73,525,908	growth	11.99%
2017	$78,692,940	growth	7.03%



2010	$4,584,967	growth	
2011	$4,880,492	growth	6.45%
2012	$5,077,082	growth	4.03%
2013	$5,173,494	growth	1.90%
2014	$5,332,689	growth	3.08%
2015	$5,555,099	growth	4.17%
2016	$5,686,408	growth	2.36%
2017	$5,842,175	growth	2.74%

Contents

Directors

John Gorman LL.B,B.Juris	Michael Forster-Knight
Michael O'Dwyer	Steve Cusack
Linda Douglas	Joshua Vagg
Faith McCallum	

Company Secretary

John Edward Pattison

Management

Chief Executive Officer:	John Pattison
Finance Manager:	Julie Barnes
Operations Manager:	Sally Eales
Branch Manager (Cobram)	Rosalind Anthony

Staff

Assistant Accountant:	Bree Williams
Senior Loans Officer	Amanda Seccull
Loans Officer:	Jessica Westwood

Member Services Staff

Member Services Supervisor Yarrwonga:	Stephanie Ferguson
Senior Member Services Officer (Cobram)	Leeanne Williams
Member Services Officers:	Jade Barany
	Allison Lewis
	Emma Horne
	Dean Machin

Registered Office

58 Belmore Street
Yarrawonga Vic 3730 Australia
Ph: (03) 5744 3713
Fax: (03) 5744 1926
Website: www.cmcu.com.au
Email: info@cmcu.com.au

Solicitor

Purcell Partners Pty Ltd, Level 1 (East) 327 Police Road, Mulgrave Vic 3170

Bankers

Credit Union Services Corporation (Australia) Limited

Auditors

External - Crowe Howarth, 491 Smollett Street Albury NSW 2640
Internal – AFS & Associates Pty Ltd, 61 Bull Street, Bendigo Vic 3550

Notice of the Forty Fifth Annual General Meeting

An invitation is extended to members of Central Murray Credit Union Limited to join us at the 45th Annual General Meeting.

When: Wednesday 8th November 2017 at 5:30pm registration for start at 6pm

Where: Club Mulwala, Melbourne Street, Mulwala.

For members attending the meeting in person it will be necessary to register your name for voting purposes prior to the commencement of the meeting. Registration will commence at 5:30pm.

Members who wish to raise any queries or seek information at the AGM about the Financial Statements or about the overall performance of CMCU are asked to give the CEO notice in writing of their queries or request at least 7 days prior to the meeting. This will enable properly researched replies to be prepared for the benefit or members'.

By Order of the Board

John Pattison

Secretary

AGENDA

1. **Apologies**
2. **Minutes** - To confirm the minutes of the Forty Fourth Annual General Meeting held on Wednesday 16th November 2016.
3. **Business Arising** – To consider any business arising from the above Minutes.
4. **Reports** - To receive and consider and adopt the following reports for the year ended 30th June 2017
   a. Directors Report;
   b. Financial Statements; and
   c. Auditors report.
5. **Directors Remuneration** - To consider the honorarium for Directors on the Board of Directors of the Central Murray Credit Union Limited for the current year.
6. **Election of Director** – To elect three (3) directors. The following directors retire in accordance with the constitution of the Central Murray Credit Union Limited: Mr John Gorman, Mr Michael O'Dwyer and Mr Joshua Vagg.
7. **Any business for which due notice has been given**
8. **General Business.**

Notes

Copies of all Financial Statements and the Directors' and Auditors reports are available by visiting our website www.cmcu.com.au or from any Credit Union offices or by calling 03 5744 3713.

Should a member be unable to attend the AGM, the member may vote by proxy. Proxy forms, together with instruction for completion and return are available on application to Julie Barnes on (03) 5744 3713 or jbarnes@cmcu.com.au. Please note that proxy forms must be received by the Secretary no later than 5:00pm on 1st November 2017.

Chairman's Report

I present the 2017 Annual Report on the operations and performance of the Central Murray Credit Union Limited for the past financial year.

The Credit Union has achieved a solid financial result during what could be described as a period of challenging and difficult economic times. A pre-tax operating profit of $207,422 resulting in a net operating profit of $155,767 was recorded. This amount when added to our existing surplus brings the Total Reserves of the Credit Union to $5,842.175.

Even though market condition throughout the financial year continued to be challenging as in recent past years the Credit Union again recorded strong growth in its Balance Sheet, with Total Assets now $78,692,940 being an increase of 7.03% on the previous year.

The Credit Union maintained its budgeted forecast surplus throughout the financial year, aware that domestic circumstances would prompt the Reserve Bank (RBA) to announce a further Official Interest Rate reduction of 25 basis points in August 2017 taking the Cash Rate to an all-time low of just 1.50%.

In achieving this result some pleasing positives did occur in spite of the actions of the Reserve Bank (RBA) in reducing rates. Targets set in operational areas were still achieved and in most areas surpassed. Total Assets, Deposit and Loans surpassed predicted growth targets.

Importantly for the Credit Union strong customer demand for our loan products remained high. For the past three years monthly loan funding has averaged $1 million, and pleasingly the level of loan enquiries throughout the financial year resulted in total loan growth for the year of 14.80%.

Low interest rates will remain for some time and will continue to have an impact on our business model and profitability. The Board of Directors are focused on cost-control wherever possible and are constantly looking at areas for increasing non-interest income revenue to ensure stronger future financial results.

The Board of Directors are committed to ensure financial products available to Central Murray Credit Union customers are comparable to all other financial services providers operating within our communities and include Loans, Savings and Access products as well as the latest technology for our members to access their accounts. What is beyond comparison is our service. No other financial institution provides customer service levels to the standard of the Credit Union.

Central Murray Credit Union is the only customer owned banking institution where all benefits remain within the community. No other banking institution operating within our communities support local clubs, schools and local events to the equivalent level as the Credit Union. The amount donated and sponsorships for the 2017 year totaled $51,969.

Central Murray Credit Union Limited continues to comply with all Regulatory Authorities in particular ASIC (Australian Securities & Investments Commission) and APRA (Australian Prudential Regulatory Authority). The Credit Union as an ADI (Authorised Deposit-Taking Institution) is required to maintain minimum specific standards. As shown below the Credit Union maintains levels well in excess of the required minimum standards.

Liquidity:	Standard Requirement 9%	Central Murray Credit Union actual 17.10%
Capital:	Standard Requirement 8%	Central Murray Credit Union actual 14.40%

Chairman's Report (continued)

The Board of Directors are required and remain focused in maintaining Prudential Compliance in accordance with the regulatory governing bodies APRA and ASIC. Director responsibility has continually increased over the years and will continue to do so each year. The introduction of APRA Prudential Standard APS510 Fit and Proper details the message from the regulators what is expected of senior members associated with ADI'S (Authorised Deposit-Taking Institutions). APS510 places greater challenges and expectations upon each director in order to fulfil their role as a director of the Credit Union. New regulation CPS220 Risk Management requires the formation of a Risk Committee. The new committee will see a reassignment of duties between the Audit and Risk committees.

On behalf of my fellow Directors I would like to thank John and his entire staff. Without dedicated staff we would not be able to excel in the service levels provided to our customers and owners.

To my fellow Directors I would like to acknowledge my appreciation for their support and dedication during the past year in overseeing the Credit Unions operations on behalf of all our customers and owners.

In closing, I would like to thank all Central Murray Credit Union customers and owners for their continued support

Directors' report

The Directors present their report together with the financial statements of Central Murray Credit Union Limited (the 'Credit Union') for the year ended 30 June 2017 and the auditor's report thereon.

Directors

The names and details of the Directors of the Credit Union in office during the financial year and until the date of this report are:

J Gorman
Board Chairperson
Occupation: Solicitor
Director since 1984

M O'Dwyer
Board Vice Chairperson
Occupation: Marketing Manager
Director since 2002

J Guest
Occupation: Accountant
Director since 1997
Resigned December 2016

L Douglas
Occupation: Human Resource Officer
Director since 2003

M Forster-Knight
Board Audit Committee Chairman
Board Risk Committee Chairman
Occupation: Business Manager
Director since 2004

F McCallum
Occupation: Bookkeeper
Director since 2010

S Cusack
Occupation: Marketing Consultant
Director since 2011

J Vagg
Occupation: Accountant
Appointed March 2017

All Directors were in office from the beginning of the financial year until the date of this report, unless otherwise indicated. All Directors are considered independent, non-executive directors.

Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Board of Directors	Board Audit Committee	Board Risk Committee
Number of meetings held	12	7	12
Number of meetings attended:			
J Gorman	10		
J Guest*	5	2	5
M O'Dwyer	10		
L Douglas	11	6	10
M Forster-Knight	12	7	11
F McCallum	12	6	7
S Cusack	10		
J Vagg**	3	2	3

*J Guest resigned as a Director in December 2016
**J Vagg appointed as a Director in March 2017

Directors' report (continued)

Company Secretary

Mr John Pattison, the Credit Union's Chief Executive Officer, was appointed to the position of Company Secretary in February 1996 and continues to act in this capacity as at and since the end of the financial year.

Principal activities

The principal activity of the Credit Union is to raise funds from the Credit Union's members for the purpose of making loans to members. No significant change in the nature of the activity has occurred during the year.

Trading results

The operating profit for the financial year before income tax was $207,422 (2016: $178,688). Income tax expense was $51,655 (2016: $47,379).

Operating and financial review

Net loans for the year have increased by $6,777,559 to $58,857,579.
Member deposits increased during the year by $5,419,340 to $71,643,723.
Members' equity during the year has increased by $155,767 to $5,842,175.

Dividends

The Credit Union does not have a permanent share capital and has therefore not paid or declared any dividends for the financial year.

State of affairs

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

Events subsequent to balance date

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

Likely developments

No material likely developments are foreseen at this time that may affect the Credit Union's operations.

Further information about likely developments in the operations of the Credit Union and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Credit Union.

Directors' report (continued)

Environmental regulation

The Credit Union's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Credit Union has adequate systems in place for the management of its environmental requirements.

Directors' benefits

During or since the end of the financial year, no Director of the Credit Union has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration paid or payable to the Directors as shown in the general purpose financial statements) by reason of a contract entered into by the Credit Union (or an entity that the Credit Union controlled, or a body corporate that was related to the Credit Union when the contract was made, or when the Director received, or became entitled to receive, the benefit) with:

- a Director,
- a firm of which a Director is a member, or
- an entity in which a Director has a substantial financial interest,

except for those outlined in Note 24 to the financial statements.

Public Prudential Disclosure

In accordance with the APS 330 Public Disclosure requirements, the Credit Union is to publicly disclose certain information in respect of:

- details on the composition and features of capital and risk weighted assets; and
- both qualitative disclosure and quantitative disclosures for Senior Managers and material risk-takers.

These disclosures can be viewed on the Credit Union's website:
http://www.cmcu.com.au/about_cmcu/aps330_public_disclosure_of_prudential_information (under About Us section).

Indemnification and insurance of Directors and Officers

During the year, a premium was paid in respect of a contract insuring Directors and Officers of the Credit Union against liability. The Officers of the Credit Union covered by the insurance contract include the Directors, Executive Officers, Secretary and employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the Credit Union.

Lead auditor's independence declaration

The Lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 10 of the financial report.

Signed in accordance with a resolution of the Directors.

J Gorman	M O'Dwyer
Chairperson	*Vice Chairperson*

Dated at Yarrawonga this 20th day of September 2017.

Crowe Horwath Albury
ABN 16 673 023 918
Member Crowe Horwath International

Audit and Assurance Services
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Albury NSW 2640 Australia
PO Box 500
Albury NSW 2640 Australia

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Auditor Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Central Murray Credit Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017 there have been no contraventions of:

(1) The auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(2) Any applicable code of professional conduct in relation to the audit.

Crowe Horwath

CROWE HORWATH ALBURY

BRADLEY D BOHUN
Partner

Dated at Albury this 20th day of September 2017.

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017

	Note	2017 $	2016 $
Interest revenue	2	3,250,295	3,125,582
Interest expense	2	(1,246,299)	(1,178,568)
Net interest income		2,003,996	1,947,014
Non-interest revenue	3	543,573	536,208
Other income	4	3,944	-
		2,551,513	2,483,222
Impairment charge	11	(23,207)	(14,569)
Other expenses	5	(2,320,884)	(2,289,965)
Profit from operations before income tax		207,422	178,688
Income tax expense	6	(51,655)	(47,379)
Profit after tax		155,767	131,309
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		155,767	131,309

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes set out on pages 15 to 59.

Statement of Changes in Equity
For the year ended 30 June 2017

	Retained profits $	Member share redemption reserve $	Lending risk reserve $	Asset revaluation reserve $	General reserve $	Total $
Year ended 30 June 2016						
Opening balance at 1 July 2015	4,354,767	35,766	178,799	435,767	550,000	5,555,099
Profit after tax	131,309	-	-	-	-	131,309
Other comprehensive income for the period	-	-	-	-	-	-
Total recognised income and expense for the period	131,309	-	-	-	-	131,309
Transfer to member share redemption reserve	(5,836)	5,836	-	-	-	-
Transfer to lending risk reserve	-	-	-	-	-	-
Closing balance at 30 June 2016	4,480,240	41,602	178,799	435,767	550,000	5,686,408
Year ended 30 June 2017						
Opening balance at 1 July 2016	4,480,240	41,602	178,799	435,767	550,000	5,686,408
Profit after tax	155,767	-	-	-	-	155,767
Other comprehensive income for the period	-	-	-	-	-	-
Total recognised income and expense for the period	155,767	-	-	-	-	155,767
Transfer to member share redemption reserve	(2,910)	2,910	-	-	-	-
Transfer to lending risk reserve	-	-	-	-	-	-
Closing balance at 30 June 2017	4,633,097	44,512	178,799	435,767	550,000	5,842,175

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes set out on pages 15 to 59.

Statement of Financial Position
As at 30 June 2017

	Note	2017 $	2016 $
ASSETS			
Cash and cash equivalents	8	17,558,532	19,207,567
Other receivables	9	68,375	67,801
Loans and advances	10	58,857,579	52,080,020
Other financial assets	12	130,089	130,089
Property, plant and equipment	13	1,737,567	1,774,507
Intangible assets	14	98,975	68,061
Income tax receivable	7	2,500	-
Deferred tax assets	7	65,601	72,744
Other assets	15	173,722	125,119
TOTAL ASSETS		78,692,940	73,525,908
LIABILITIES			
Member deposits	16	71,643,723	66,224,383
Trade and other payables	17	987,828	1,369,959
Employee benefits	18	147,709	159,252
Deferred tax liabilities	7	71,505	60,492
TOTAL LIABILITIES		72,850,765	67,839,500
NET ASSETS		5,842,175	5,686,408
EQUITY			
Reserves		1,209,078	1,206,168
Retained profits		4,633,097	4,480,240
TOTAL EQUITY		5,842,175	5,686,408

The Statement of Financial Position is to be read in conjunction with the accompanying notes set out on pages 15 to 59.

Statement of Cash Flows
For the year ended 30 June 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Interest received		3,252,006	3,107,970
Interest paid		(1,276,652)	(1,262,551)
Dividends received		20,987	20,766
Other non-interest income received		608,153	499,260
Income tax paid/(refund received)		(61,413)	(50,463)
Payments to employees and suppliers		(2,687,368)	(1,683,212)
		(144,287)	631,770
Net (increase)/decrease in loans and advances		(6,800,765)	(3,799,150)
Net increase/(decrease) in deposits		5,419,340	7,335,167
Net cash from operating activities	19	(1,525,712)	4,167,787
Cash flows from investing activities			
Proceeds from disposal of other financial assets		-	-
Acquisition of property, plant and equipment		(71,755)	(132,372)
Proceeds from sale of property, plant and equipment		29,802	-
Acquisition of intangible assets		(81,370)	(61,637)
Net cash from investing activities		(123,323)	(194,009)
Net increase/(decrease) in cash and cash equivalents		(1,649,035)	3,973,778
Cash and cash equivalents at 1 July		19,207,567	15,233,789
Cash and cash equivalents at 30 June	8	17,558,532	19,207,567

The Statement of Cash Flows is to be read in conjunction with the accompanying notes set out on pages 15 to 59.

Notes to the Financial Statements
For the year ended 30 June 2017

1 Significant accounting policies

Central Murray Credit Union Limited (the "Credit Union") is a company domiciled in Australia.

The financial statements were authorised for issuance by the Directors on 20th September 2017.

(a) Statement of compliance

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

Not-for-profit status
Under AIFRS, there are requirements that apply specifically to not-for-profit entities that are not consistent with International Financial Reporting Standards (IFRS) requirements. The Credit Union has analysed its purpose, objectives and operating philosophy and determined that it does not have profit generation as a prime objective. Consequently where appropriate the Credit Union has elected to apply options and exemptions within AIFRS that are applicable to not-for-profit entities.

(b) Basis of preparation

The financial statements are presented in Australian dollars.

The financial statements have been prepared on the basis of historical costs except that the following assets and liabilities (if applicable) are stated at their fair value: derivative financial instruments, financial instruments classified as available-for-sale and land and buildings.

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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.

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

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

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

1. Significant accounting policies (continued)

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, at call deposits and deposits with a maturity of 6 months or less from balance date.

(d) Loans and advances

Loans and advances are stated at their amortised cost less impairment losses (see Note 1(f)).

All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described below:

Non-accrual loans - are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful, and hence provisions for impairment are recognised.

Restructured loans - arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms, and the revised terms are not comparable to new facilities. Loans with revised terms are included in non-accrual loans when impairment provisions are required.

Assets acquired through the enforcement of security - are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

Past-due loans - are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected. If a provision for impairment is required, the loan is included in non-accrual loans.

(e) Full time equivalent employees

The Credit Union employed 12.8 (2016:12) full time equivalent staff at the end of the financial year.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

1. Significant accounting policies (continued)

(f) Impairment

The carrying amounts of the Credit Union's assets, other than deferred tax assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's 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 the Statement of Profit or Loss and Other Comprehensive Income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the Statement of Profit or Loss and Other Comprehensive Income.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

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

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

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

If the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in the Statement of Profit or Loss and Other Comprehensive Income.

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.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

1. Significant accounting policies (continued)

(g) Property, plant and equipment & intangible assets

(i) *Owned assets*
Items of plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see Note 1(f)).

Land and Buildings have been revalued to fair value at the date of the revaluation as outlined in Note 13.

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

(ii) *Leased assets*
Leases in terms of which the Credit Union assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see Note 1(f)). Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis.

(iii) *Subsequent recognition*
The Credit Union recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Credit Union and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income as an expense as incurred.

(iv) *Depreciation*
Depreciation is charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- Buildings — 40 years
- Plant & equipment — 2 to 20 years
- Leasehold improvements — 3 to 50 years

The residual value, if not insignificant, is reassessed annually.

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

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

- Computer software — 3 years

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

1. Significant accounting policies (continued)

(h) Employee entitlements

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

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

(i) Income recognition

Interest revenue
Loan interest is calculated on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

Fees and commissions
Fees and commissions are recognised as revenue on an accrual basis.

Dividend income
Dividend income is taken into revenue as received.

(j) Leases

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

Operating leases
Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

1. Significant accounting policies (continued)

(k) Income tax

The Credit Union was classified for income tax purposes as large for both the year ended 30 June 2017 and 30 June 2016 and subject to income tax at the rate of 27.5% (2016: 30%), the general company tax rate.

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

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

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date.

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

(l) Goods and services tax

As a financial institution, the Credit Union is input taxed on all income except for income from commissions, rents and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits (‘RITC’), of which 75% of the GST paid is recoverable.

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

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

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

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

1. Significant accounting policies (continued)

(m) Off balance sheet funding

The Credit Union has facilitated the funding of Integris Securitisation Services Pty Ltd (Perpetual Trustees) securitised loans totalling $929,710 at 30 June 2017 (2016: $1,038,609) whereby the Credit Union has acted as an agent to promote and complete loans on their behalf for on-sale to an investment trust. The Credit Union receives a management fee in relation to each separate loan funded via this method. The Credit Union bears no credit risk exposure in respect of these loans.

(n) Reserves

Member share redemption reserve
The Credit Union has, in accordance with ASIC Compliance Note 2001.84, complied with Section 254K of the *Corporations Act 2001* via the creation of a member share redemption reserve. At the conclusion of each financial year the Credit Union establishes the number of members that resigned during the financial year and transfers the equivalent monetary amount to a member share redemption reserve from retained profits as the law requires that the redemption of the shares be made out of profits. The balance represents the amount of redeemable preference shares redeemed by the Credit Union since 1 July 1999. The reserve has a balance of $44,512 as at 30 June 2017 (2016: $41,602).

Lending risk reserve
AIFRS precludes the Credit Union from holding a general provision for doubtful debts in its Statement of Financial Position. The balance of the general provision must now be carried in a suitably styled reserve account in equity as an allocation from retained profits.

The Credit Union has a lending risk reserve of $178,799 as at 30 June 2017 (2016: $178,799). This reserve is calculated at a minimum rate of 0.5% of risk weighted assets.

Asset revaluation reserve
The asset revaluation reserve relates to the revaluation of owner occupied land and buildings. The asset revaluation reserve as at 30 June 2017 is $435,767 (2016: $435,767).

General reserve
The general reserve represents a carry forward from a prior year equity transaction relating to the Credit Union. The general reserve as at 30 June 2017 is $550,000 (2016: $550,000).

(o) Accounting estimates and judgments

Management has been involved in the development, selection and disclosure of the Credit Union's critical accounting policies and estimates and the application of these policies and estimates. In particular, information about areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 11 –Impairment of Loans and Advances.
- Note 13 – Property, Plant and Equipment – fair value assessment and estimation of useful life.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

1. Significant accounting policies (continued)

(o) Accounting estimates and judgments (continued)

Loan impairment – specific provision
Losses for impaired loans are recognised where there is objective evidence that the impairment of a loan has occurred. Impairment losses are calculated on individual loans in arrears. The amount provided for impaired loans is determined by management and the
Board to recognise the probability of loan amounts not being collected in accordance with the terms of the loan agreement.

Loan impairment – collective provision
APRA Prudential Standards require a collective provision to be maintained, based on specific percentages of the loan balance which are contingent upon the length of time the repayments are in arrears.

Determination of fair values
A number of the Credit Union's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value measurement hierarchy
The Credit Union is required to classify all asset and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in the active markets for identical assets or liabilities that the Credit Union can access at the measurement dated; Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as Level 3 is determined by the use of valuation models these include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Property, plant and equipment
The fair value of land and buildings is based on market values. The market value of property
is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Credit Union's land and buildings.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

1. Significant accounting policies (continued)

(p) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principle market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurement, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant external valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(q) Provisions

A provision is recognised in the Statement of Financial Position when the Credit Union has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, 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, where appropriate, the risks specific to the liability.

(r) Member deposits

Basis for determination
Member savings and term investments are quoted at the aggregate amount of money owing to depositors.

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

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

1. Significant accounting policies (continued)

(s) Financial instruments

Recognition & initial measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Credit Union becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

Classification & subsequent measurement

(i) Loans & receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Credit Union's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(iv) Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment
At each reporting date, the Credit Union assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

1. Significant accounting policies (continued)

(t) New accounting standards and interpretations

Certain accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period. The Credit Union's assessment of the impact of these new standards and interpretations is set out below. Changes that are not likely to materially impact the financial report of the Credit Union have not been reported.

AASB Reference	Nature of Change	Application date	Impact on Initial Application
AASB 9 *Financial Instruments*	AASB 9 replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, as well as the general hedge accounting requirements. Furthermore, AASB 9 introduces a new 'expected' credit loss model for calculating impairment on financial assets. This moves away from the current 'incurred' loss model required under AASB 139. Under the expected credit loss model, the Credit Union will be required to consider a broader range of information when assessing credit risk and measuring expected credit losses including past experience of historical losses for similar financial instruments.	Periods beginning on or after 1 January 2018.	The Credit Union has conducted a high-level diagnostic on the impact of this standard. This highlighted that the move to an expected credit loss model for impairment will likely have a material impact, with more timely recognition of expected credit losses. This is expected to impact the level of the provision for impairment (at Notes 10 & 11) and the lending risk reserve (at Note 1(n)). APRA released guidance in July 2017 highlighting the prudential reporting approach with regards to AASB 9. The quantitative impact of the expected credit loss model has not yet been determined by the Credit Union. Based on the nature of the Credit Union's financial assets, the classification and measurement of financial assets are not expected to have a material change. The Credit Union does not conduct any hedge accounting, so these changes are not applicable. Management are developing an implementation project to quantify the impact of this standard during the 2018 financial year. To date, management have focused on analysing past history of credit losses to enable a starting point for this implementation project.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

1. Significant accounting policies (continued)

(t) New accounting standards and interpretations (continued)

AASB Reference	Nature of Change	Application date	Impact on Initial Application
AASB 15 *Revenue from Contracts with Customers*	AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces most of the existing standards and interpretations relating to revenue recognition including AASB 118 *Revenue*. The standard shifts the focus from the transaction level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to, while measurement encompasses estimation by the Credit Union of the amount expected to be entitled for performing under the contract.	Periods beginning on or after 1 January 2018.	Based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted, as most of the Credit Union's revenue arises from the provision of financial services which will be governed by AASB 9 *Financial Instruments*. AASB 9 continues the effective interest rate method for financial instruments carried at amortised cost. This is the method currently required under AASB 139. There are limited revenue transactions of the Company that are impacted by AASB 15.
AASB 16 *Leases*:	AASB 16 requires all leases to be accounted for 'on-balance sheet' by lessees, other than short term and low value asset leases. It also provides new guidance on the application of the definition of lease and on sale and lease back accounting and requires new and different disclosures about leases.	Periods beginning on or after 1 January 2019.	Based on the Credit Union's preliminary assessments, the likely impact on the transactions and balances recognised will be: • an increase in property, plant and equipment and a corresponding increase in financial liabilities; • the assets will be depreciated over the life of the leases; and • lease payments will be split between interest and principal reduction, rather than being included in operating expenses. Currently the Credit Union leases a number of properties. The quantitative impact of this standard has not yet been determined by the Credit Union. Management are developing an implementation project to quantify the impact of this standard during the 2018 financial year.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

2. Interest revenue and interest expense

	2017 $	2016 $
Interest Revenue		
Investment securities	310,651	292,778
Loans and advances	2,939,644	2,832,804
	3,250,295	3,125,582
Interest Expense		
Member deposits	1,246,299	1,178,568
	1,246,299	1,178,568

3. Non-interest revenue

Dividends	20,987	20,766
Fees and commissions		
• Loan fee income	93,496	80,153
• Other fee income	291,166	303,514
• Commissions	98,389	91,752
Bad debts recovered	3,808	2,911
Other income	35,727	37,112
Total non-interest revenue	543,573	536,208

4. Other income

Gain on disposal of property, plant and equipment	3,944	-

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

5. Other expenses

	2017 $	2016 $
Amortisation		
• Leasehold improvements	9,102	12,133
• Intangible assets	50,456	60,790
Depreciation		
• Buildings	12,170	12,170
• Plant and equipment	61,566	57,254
Loss on disposal of property, plant and equipment	-	-
Fees and commissions	8,669	10,370
General and administration	1,187,589	1,131,321
Personnel costs		
• Wages and salaries	839,646	812,306
• Other associated personnel expenses	23,848	30,493
• Contributions to defined contribution superannuation plans	100,473	109,934
• Annual leave expense	(5,807)	7,565
• Long service leave expense	(5,737)	8,410
Rental on operating leases	38,909	37,219
Total other expenses	2,320,884	2,289,965

6. Income tax

	2017 $	2016 $
Profit before tax	207,422	178,688
Prima facie income tax expense calculated at effective rate of 27.5% (2016: 30%) on net profit	57,041	53,606
Increase/(decrease) in income tax due to:		
Imputation credits	(6,521)	(6,230)
Other items	1,135	3
Prior year adjustments	-	-
Income tax expense	51,655	47,379
Current tax expense	33,500	64,629
Deferred tax expense	18,155	(17,250)
Income tax expense	51,655	47,379

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

7. Recognised deferred tax assets & liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
	$	$	$	$	$	$
Loans & advances	3,427	8,162	-	-	3,427	8,162
Other financial assets	-	-	(866)	(942)	(866)	(942)
Prepayments	-	-	(16,425)	(1,363)	(16,425)	(1,363)
Other receivables	-	-	-	-	-	-
Property, plant & equipment (1)	-	-	(54,214)	(58,187)	(54,214)	(58,187)
Accrued expenses	21,555	16,806	-	-	21,555	16,806
Employee benefits	40,619	47,776	-	-	40,620	47,776
	65,601	72,744	(71,505)	(60,492)	(5,903)	12,252

(1) The Credit Union's land and buildings includes some property that is exempt from Capital Gains Tax ('CGT'). As such, a deferred tax liability in relation to the revaluation has only been recognised on the property that is subject to CGT.

Income tax payable:

The current tax receivable for the Credit Union of $2,500 (2016: payable $25,414) represents the amount of income taxes payable in respect of current and prior periods.

	2017	2016
	$	$
Income tax payable / (receivable)	(2,500)	25,414
Movement in Taxation Provision		
Balance at beginning of the year	25,414	11,248
Current year's income tax expense on profit before tax	33,500	64,629
Income tax paid – current year	(36,000)	(39,215)
Income tax paid – prior year	25,414	11,248
Balance at the end of the year	(2,500)	25,414

8. Cash and cash equivalents

	2017	2016
Cash on hand and at bank	2,165,506	2,742,249
Deposits at call	6,190,000	8,490,000
Term deposits and Negotiable Certificates of Deposits	9,203,026	7,975,318
	17,558,532	19,207,567
Maturity Analysis		
Remaining maturity not longer than 3 months	17,058,532	18,707,567
Remaining maturity longer than 3 months and less than 6 months	500,000	500,000
	17,558,532	19,207,567

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

8. Cash and cash equivalents (continued)

	2017 $	2016 $
Credit rating of cash & cash equivalents		
Cuscal Limited – rated A-1	7,872,865	10,528,047
ADI's rated A-1+	500,000	500,000
ADI's rated A-1	1,000,000	3,981,857
ADI's rated A-2	4,475,925	993,461
ADI's rated B	497,100	-
Unrated	2,000,000	2,000,000
Cash on hand – N/A	1,212,642	1,204,202
	17,558,532	19,207,567

9. Other receivables

	2017 $	2016 $
Accrued income	54,493	56,204
Other	13,882	11,597
	68,375	67,801

10. Loans and advances

	2017 $	2016 $
Overdrafts	1,186,120	1,096,804
Term loans	57,683,924	51,010,423
Gross loans and advances	58,870,044	52,107,227
Provision for impairment	(12,465)	(27,207)
Net loans and advances	58,857,579	52,080,020
Maturity Analysis		
Overdrafts	1,186,120	1,096,804
Not longer than 3 months	752,166	654,587
Longer than 3 and not longer than 12 months	2,044,018	1,776,542
Longer than 1 and not longer than 5 years	9,688,115	8,333,417
Longer than 5 years	45,199,625	40,245,877
	58,870,044	52,107,227
Security held against loans		
Secured by mortgage over residential property	52,359,126	47,454,617
Secured by mortgage over commercial property	2,342,572	1,639,938
Total loans secured by real estate	54,701,698	49,094,555
Secured by funds	174,423	134,275
Partly secured by goods mortgage	3,684,687	2,734,871
Wholly unsecured	309,236	143,526
	58,870,044	52,107,227

It is not practicable to value all collateral as at the balance date due to the variety of assets and condition. A breakdown of the quality of the residential mortgage security on a portfolio basis is as follows:

	2017 $	2016 $
Loan to value ratio of 80% or less	44,022,721	40,731,227
Loan to value ratio of more than 80% but mortgage insured	6,628,785	4,070,685
Loan to value ratio of more than 80% not mortgage insured	4,050,192	4,292,643
	54,701,698	49,094,555

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

10. Loans and advances (continued)

Concentration of risk

	2017 $	2016 $
Significant individual exposures		
- Individual credit facilities greater than 10% of capital in aggregate	3,927,905	2,131,685

Geographical concentrations

The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to the geographical areas of North Eastern Victoria.

	2017 $	2016 $
- Victoria	48,310,355	42,147,136
- New South Wales	10,032,399	9,211,449
- Other	527,290	748,642
	58,870,044	52,107,227

11. Impairment of loans and advances

	2017 $	2016 $
Total provision comprises of		
Collective provisions	12,465	21,000
Additional specific provisions	-	6,207
Total provision	12,465	27,207
Movement in the provision for impairment		
Balance at beginning of year	27,207	13,035
Expensed during the year	23,207	14,569
Bad debts written off provision	(37,949)	(397)
Balance at end of year	12,465	27,207
Impairment charge comprises of		
Impairment provision adjustment	23,207	14,569
Bad debts recognised directly to Statement of Profit or Loss and Other Comprehensive Income	-	-
Total impairment charge	23,207	14,569

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

11. Impairment of loans and advances (continued)

	2017 $	2016 $
Ageing analysis of loans and advances past due		
Loans and advances past due and not impaired		
Up to 30 days	2,333,093	1,209,976
More than 30 days, but less than 90 days	5,998	42,722
More than 90 days, but less than 180 days	-	-
More than 180 days, but less than 270 days	-	-
More than 270 days, but less than 365 days	-	-
More than 365 days	-	-
Over limit facilities less than 14 days	2,295	2,362
	2,341,386	1,255,060
Loans and advances past due and impaired		
Up to 30 days	-	-
More than 30 days, but less than 90 days	-	-
More than 90 days, but less than 180 days	204,787	483,697
More than 180 days, but less than 270 days	21,580	-
More than 270 days, but less than 365 days	-	-
More than 365 days	-	115,369
Over limit facilities more than 14 days	-	-
	226,367	599,066
Security analysis of loans and advances past due		
Loans and advances past due and not impaired		
Secured by mortgage over real estate	2,204,968	1,192,520
Secured by funds	-	-
Partly secured by goods mortgage	133,988	59,595
Wholly unsecured	2,430	2,945
	2,341,386	1,255,060
Loans and advances past due and impaired		
Secured by mortgage over real estate	204,787	557,328
Secured by funds	-	-
Partly secured by goods mortgage	-	41,738
Wholly unsecured	21,580	-
	226,367	599,066

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

11. Impairment of loans and advances (continued)

	2017 $	2016 $
Assets acquired through enforcement of security		
Real Estate acquired through enforcement of security held at the end of the financial year	-	115,370
Specific provision for impairment	-	(20,761)
Balance at the end of the financial year	-	94,609
Net fair value of real estate assets acquired through the enforcement of security during the financial year	-	90,000
Net fair value of other assets acquired through the enforcement of security during the financial year	-	-

In the event that the Credit Union takes possession of an asset that is not readily convertible to cash, the Credit Union may sell the asset at auction or by private treaty with the objective of obtaining maximum value. The Credit Union also has discretion to retain the asset for its use in operations.

12. Other financial assets

	2017	2016
Unlisted shares – Shares in Cuscal Limited – at cost (a)	125,516	125,516
Other investments – Shares in TransAction Solutions Pty Ltd - at cost (b)	4,573	4,573
	130,089	130,089

(a) Cuscal Limited

The shareholding in Cuscal Limited is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the member credit unions. These shares are held to enable the Credit Union to receive essential banking services – refer to Note 23. The shares are not able to be traded and are not redeemable.

The financial statements of Cuscal Limited record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of Cuscal Limited, any fair value determination of these shares is likely to be greater than their cost value, but due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily.

The Credit Union is not intending to dispose of these shares.

(a) TransAction Solutions Pty Ltd

The shareholding in TransAction Solutions Pty Ltd is measured at cost as its fair value could not be measured reliably.

The financial statements of TransAction Solutions Pty Ltd record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of TransAction Solutions Pty Ltd, any fair value determination of these shares is likely to be greater than their cost value, but due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily.

The Credit Union is not intending to dispose of these shares.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

13. Property, plant and equipment

	2017 $	2016 $
Land		
At fair value	1,025,000	1,025,000
	1,025,000	1,025,000
Buildings on freehold land		
At fair value	486,793	486,793
Accumulated depreciation	(32,155)	(19,985)
	454,638	466,808
Plant and equipment		
At cost	831,960	820,456
Accumulated depreciation	(621,485)	(592,962)
	210,475	227,494
Leasehold improvements		
At cost	170,853	169,503
Accumulated amortisation	(123,399)	(114,298)
	47,454	55,205
Total property, plant and equipment at written down value	1,737,567	1,774,507

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

13. Property, plant & equipment (continued)

a) Reconciliations

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

	Land	*Buildings*	*Plant and equipment*	*Leasehold improvements*	*Total*
	$	**$**	**$**	**$**	**$**
Balance at 1 July 2015	1,025,000	478,978	152,376	67,338	1,723,692
Additions	-	-	132,372	-	132,372
Revaluations	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation	-	(12,170)	(57,254)	-	(69,424)
Amortisation	-	-	-	(12,133)	(12,133)
Balance at 30 June 2016	1,025,000	466,808	227,494	55,205	1,774,507
Balance at 1 July 2016	1,025,000	466,808	227,494	55,205	1,774,507
Additions	-	-	70,404	1,351	71,755
Revaluations	-	-	-	-	-
Disposals	-	-	(25,857)	-	(25,857)
Depreciation	-	(12,170)	(61,566)		(73,736)
Amortisation	-	-	-	(9,102)	(9,102)
Balance at 30 June 2017	1,025,000	454,638	210,475	47,454	1,737,567

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

13. Property, plant and equipment (continued)

(b) Valuations

The basis of land and buildings is fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The freehold land and buildings located at 58 Belmore Street and 60 Belmore Street, Yarrawonga were independently valued on 22nd May 2015 by Roger M Porter, AVLE (Val) and applied by the Credit Union as at 30th June 2015. This valuation does not include the property located at Barr Street Tungamah, which was last independently valued in 2010. The Directors do not believe that there has been a material movement in fair value since the latest valuation in 2015 and 2010 for these properties. Refer to Note 1 (o), Note 1 (p) and Note 29 for further information on fair value measurement.

	2017 $	2016 $
14. Intangible assets		
Computer and software licenses		
At cost	571,715	490,345
Accumulated amortisation	(472,740)	(422,284)
	98,975	68,061

Reconciliations

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

Computer software & licences

	2017 $	2016 $
Balance at beginning of the year	68,061	67,214
Additions	81,370	61,637
Amortisation	(50,456)	(60,790)
Balance at end of the year	98,975	68,061

15. Other assets

	2017 $	2016 $
Prepayments	173,722	125,119

16. Member deposits

	2017 $	2016 $
Call deposits	32,178,644	28,549,549
Term deposits	39,465,079	37,674,834
	71,643,723	66,224,383
Maturity analysis		
At call	32,178,644	28,549,549
Not longer than 3 months	16,448,339	17,967,404
Longer than 3 and not longer than 12 months	19,766,028	18,827,319
Longer than 1 and not longer than 5 years	3,250,712	880,111
	71,643,723	66,224,383

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

16. Member deposits (continued)

	2017 $	2016 $

Concentration of deposits

Geographical concentrations
The Credit Union operates in the geographic areas of North Eastern Victoria and Southern New South Wales and member deposits at balance date were principally received from members employed in these areas.

The geographical segment details are below:

	2017 $	2016 $
- Victoria	50,187,909	47,414,996
- New South Wales	21,058,389	18,551,831
- Other	397,425	257,556
	71,643,723	66,224,383

Significant individual member deposits
As at 30 June 2017 the Credit Union's deposit portfolio included $nil deposit exposures which represented 5% or more of total liabilities (2016: $nil).

17. Trade and other payables

	2017 $	2016 $
Accrued interest payable	391,714	338,085
Sundry creditors and accruals	596,114	1,031,874
	987,828	1,369,959

18. Employee benefits

	2017 $	2016 $
Current		
Liability for long service leave	62,539	62,055
Liability for annual leave	65,837	71,643
Non-current		
Liability for long service leave	19,333	25,554
	147,709	159,252

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

19. Reconciliation of cash flows from operating activities

(a) Cash flow from operating activities

	2017 $	2016 $
Profit after income tax	155,767	131,309
Non cash flows in operating surplus/(deficit):		
Impairment charge	23,207	14,569
Depreciation and amortisation	133,294	142,346
Loss/(gain) on disposal of non-current assets	(3,944)	-
Changes in assets and liabilities:		
(Increase)/Decrease in receivables	(575)	(16,043)
(Increase)/Decrease in other assets	(48,603)	(29,353)
(Increase)/Decrease in deferred tax asset	7,143	(17,622)
Increase/(Decrease) in payables and accruals	(382,132)	376,050
Increase/(Decrease) in income tax payable	(27,914)	14,167
Increase/(Decrease) in employee benefits	(11,543)	15,975
Increase/(Decrease) in deferred tax liability	11,013	372
Net cash from revenue activities	(144,287)	631,770
Add/(deduct) non revenue operations		
(Increase)/decrease in loans and advances	(6,800,765)	(3,799,150)
Increase/(decrease) in deposits	5,419,340	7,335,167
Cash flow from operating activities	(1,525,712)	4,167,787

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

(i) member deposits to and withdrawals from deposit accounts;
(ii) borrowings and repayments on loans, advances and other receivables;
(iii) investment securities, including shares in special service providers.

(c) Bank overdraft facility

As at 30 June 2017, the Credit Union does not have a bank overdraft facility. This is consistent with 2016.

(d) Special finance line – standby facility

As at 30 June 2017, the Credit Union does not have a standby facility. This is consistent with 2016.

(e) CUSCAL – Settlement Security Deposit

During the financial year, CUSCAL held an equitable mortgage charge over all of the assets of the Credit Union as security against loan and overdraft amounts drawn under a facility arrangement. In March 2017 the Credit Union signed a variation to the agreement with CUSCAL that removed the equitable mortgage charge over all of the assets of the Credit Union and established a Settlement Security Deposit ("SSD") held with CUSCAL. The SSD is a security deposit of $1,730,000 held in a standard term deposit account with CUSCAL.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

19. Reconciliation of cash flows from operating activities (continued)

(e) CUSCAL – Settlement Security Deposit (continued)

In accordance with the agreement between CUSCAL and the Credit Union, CUSCAL need not repay the SSD:

(a) until CUSCAL have received all money the Credit Union owe them at any time or which CUSCAL determine the Credit Union will or may owe them in the future; and
(b) until CUSCAL are satisfied that they will not be asked to refund any such money (or any part of it) to a trustee in bankruptcy, a liquidator or any other person; and
(c) other than in accordance with the terms applying to each deposit.

Further, the Credit Union irrevocably authorised CUSCAL at any time to apply all or any part of any credit balance in any other deposits that the Credit Union may have with them at that time by way of set-off or counterclaim in or towards payment of any liability (whether due now or later and whether actual or contingent) which the Credit Union may owe to CUSCAL at that time.

The Credit Union has classified the SSD as cash and cash equivalents in the statement of financial position and Note 8 on the basis of a determination made by the prudential regulator (APRA) that the Settlement Security Deposit is for the purpose of facilitating or securing settlement obligations, deposits relating to industry support schemes are to be utilised for a prudential purpose and thus can be included as part of the Credit Union's prudential liquidity holding. The Credit Union has therefore included the SSD in its calculation of MLH disclosed in Note 27 Risk Management Objectives and Policies.

The Credit Union has also treated the SSD in accordance with its accounting policy for cash and cash equivalents for the purpose of interest rate risk and the maturity profile of financial assets in Note 28 Financial Instruments notwithstanding the existence of these specific contractual encumbrances.

20. Expenditure commitments

	2017 $	2016 $
Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date but not provided for:		
- payable not later than one year	67,800	20,000
Operating leases (non-cancellable)		
- not later than one year	28,107	37,921
- later than one and not later than five years	-	6,930
Aggregate expenditure contracted for at balance date	95,907	64,851
Operating leases receivable		
- not later than one year	-	19,180
- later than one and not later than five years	-	-
Aggregate income contracted for at balance date	-	19,180

Commitments existing as at balance date are inclusive of Goods and Services Tax.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

21. Superannuation

During the year the Credit Union contributed on behalf of its employees to 14 superannuation funds under the Super Choice legislation.

Under the Superannuation Guarantee (Administration) Act 1995 the Credit Union is required to provide minimum levels of Superannuation support for employees. This obligation is legally enforceable. In accordance with the award, employees up until 30 June 2017 receive 9.5% paid directly to one of the above funds.

The funds are defined contribution funds where benefits are based on the amount of contributions made to the fund plus an allocated share of the earnings of the fund.

22. Contingent liabilities and credit commitments

In the normal course of business the Credit Union enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of customers. The Credit Union uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets.

	2017 $	2016 $
Credit related commitments		
Approved but undrawn loans and credit limits	4,314,294	5,864,257
Security analysis of credit-related commitments		
Secured by mortgage over real estate	3,882,869	5,402,555
Secured by funds	29,151	26,427
Partly secured by goods mortgage	175,626	136,731
Wholly unsecured	189,071	241,558
Guarantee	37,577	56,986
	4,314,294	5,864,257
Financial guarantees		
Guarantees	33,651	53,731
Security analysis of credit-related commitments		
Secured by mortgage over real estate	10,000	10,000
Secured by funds	15,000	15,000
Partly secured by goods mortgage	-	23,631
Wholly unsecured	8,651	5,100
	33,651	53,731

Other contingent liabilities

With effect from 1 July 1999, Central Murray Credit Union Limited is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme that all Credit Unions who are affiliated with Cuscal Limited have agreed to participate in.

CUFSS is a company limited by guarantee with each credit union’s guarantee being $100.

As a member of CUFSS, the Credit Union:

- May be required to advance funds of up to 3% (excluding permanent loans) of total assets to another credit union requiring financial support;

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

22. Contingent liabilities and credit commitments (continued)

- May be required to advance permanent loans of up to 0.2% of total assets per financial year to another credit union requiring financial support; and
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

Other commitments
The Credit Union has a number of Service Agreements with external parties for the supply of services into the future.

23. Outsourcing arrangements

The Credit Union has outsourcing arrangements with the National Australia Bank and Cuscal Limited for the provision of corporate banking services and facilities, settlement services with bankers for member cheques and access to the direct entry system.

The Credit Union has outsourcing arrangements with Cuscal Limited for the provision of network transactions for automatic teller facilities and the provision of debit cards and personal identification numbers.

The Credit Union has outsourcing arrangements with TransAction Solutions Pty Ltd for the provision of computer data processing services and Cuscal Limited for computer software services, rights to visa cards and the provision of central banking facilities.

Ultradata Australia provides and maintains the application software (Ultracs) utilised by the Credit Union.

The Credit Union has an outsourcing arrangement with AFS & Associates for the provision of internal audit services.

24. Key management personnel

The following were key management personnel of the Credit Union at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Non-executive directors	
J Gorman	Chairperson
M O'Dwyer	Vice-Chairperson
L Douglas	
M Forster-Knight	
F McCallum	
S Cusack	
J Vagg	Appointed March 2017
J Guest	Resigned December 2016
Executive	
J Pattison	Chief Executive Officer

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

24. Key management personnel (continued)

Transactions with key management personnel
In addition to their salaries, the Credit Union also provides banking services and products to key management personnel as outlined below.

Key Management personnel compensation
The key management personnel compensation included in "personnel costs" (see Note 5) are as follows:

	2017 $	2016 $
Short-term employee benefits	220,500	214,243
Other long term benefits	5,704	2,711
Post employment benefits	42,553	52,738
	268,757	269,692

Public disclosure of remuneration
In accordance with the APS 330 *Public Disclosure* requirements, the Credit Union is required to include both qualitative disclosure and quantitative disclosures for senior managers and material risk-takers in the Regulatory Disclosure section on their website.

Loans and advances to key management personnel and other related parties
Details regarding the aggregate of loans and advances made, guaranteed or secured by the Credit Union to key management personnel and their related parties as at balance date are as follows:

Loans and advances to key management personnel	1,971,359	1,593,307
Loans and advances to other related parties	-	-
	1,971,359	1,593,307

All loans to Directors by the Credit Union have been made in the normal course of business and on the normal commercial terms and conditions. A concessional loan rate facility is available to all staff.

Revolving credit facilities totalling $50,000 (2016: $5,000) were made available to Directors and key management personnel during the year. The aggregate amount receivable at 30 June 2017 was $22,204 (2016: $46,366). Key management personnel who are not Directors receive a concessional rate of interest on their facilities. These benefits, where subject to fringe benefits tax, are included in the remuneration above. All other revolving credit facilities are at normal commercial terms and conditions.

There was $129,292 concessional loan rate facilities funded during 2017 (2016: $51,337), excluding those disclosed separately as key management personnel loans.

Loans totalling $1,318,737 (2016: $20,000) were made to key management personnel and other related parties during the year. As at 30 June 2017 there was nil (2016: nil) of loans approved but not yet funded in relation to key management personnel.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

24. Key management personnel (continued)

Loans to key management personnel and other related parties (continued)
During the year, Mr M O'Dwyer, Ms L Douglas, Mr J Vagg, Mr M Forster-Knight, Mrs F McCallum, and Mr J Pattison (2016: Mr M O'Dwyer, Ms L Douglas Ms J Guest, Mr M Forster-Knight, Mrs F McCallum, and Mr J Pattison) repaid $1,459,639 (2016: $492,089) of the balances outstanding on their loans and revolving credit facilities.

The Credit Union's policy for lending to Key Management Personal and their related parties is that all loans are approved on the same terms and conditions as is applied to members of each class of loan. Interest is payable monthly. All loans are secured by either a registered first mortgage over the borrowers' residences, or by goods mortgages, over security provided by the borrower.

This note excludes loans and advances through the use of the Integris securitisation program, as outlined in Note 1(m).

Interest received on the loans to key management personnel and other related parties totalled $85,672 (2016: $85,092). No amounts have been written down or recorded as allowances, as all balances outstanding are considered fully collectable.

There were no other amounts receivable at 30 June 2017 (2016: nil).

	2017 $	2016 $
Deposits from key management personnel and other related parties as at balance date		
Total value term and savings deposits from key management personnel	98,694	16,248
Total value term and savings deposits from other related parties	-	-
Total interest paid on deposits to key management personnel	30	16
Total interest paid on deposits to other related parties	-	-

The Credit Union's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted on the same terms and conditions which applied to members for each type of deposit.

Other key management personnel transactions with the Credit Union
From time to time the key management personnel of the Credit Union and their related parties may conduct banking related transactions with the Credit Union. These transactions are on the same terms and conditions as those entered into by other members.

No members of the key management personnel of the Credit Union, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

Each Director would hold at least 1 share in the Credit Union.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

25. Concentration of assets and liabilities

The Credit Union has cash and cash equivalents exposures in excess of 10% of member's equity in regards to a number of investment institutions. At 30 June 2017, these holdings are in accordance with the requirements of APS 221 *Large Exposures*.

One of the entities is Cuscal Limited, a Special Services Provider (SSP). The net investment totalling $7,998,381 (2016: $10,653,563) represents shares held in Cuscal Limited of $125,516 (2016: $125,516) and cash and investments with Cuscal Limited of $7,872,865 (2016: $10,528,047).

Other cash investments in excess of 10% of shareholders equity were also placed in APRA regulated deposit taking institutions at 30 June 2017.

Concentration of loans and advances and member deposits are detailed in Notes 10 and 16 respectively.

26. Auditor's remuneration

	2017 $	2016 $
Amounts received or due and receivable by the External Auditor of Central Murray Credit Union (including GST) for:		
- audit of the financial statements of the Credit Union	33,396	31,900
- other regulatory assurance services:	15,213	15,180
- other services – taxation:	6,265	6,050
	54,874	53,130

All audit and related services were provided by Crowe Horwath Albury. The above amounts exclude out of pocket expenses recovered.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

27. Risk management objectives and policies

Introduction
The Board of the Credit Union has overall responsibility for the establishment and oversight of the risk management framework. The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union.

The Credit Union's risk management focuses on the major areas of market risk, credit risk and operational risk. Authority flows from the Board of Directors to the Board Risk Committee and Board Audit Committee from there to the Management Risk Committee and from there to Internal Audit which are integral to the management of risk.

The main elements of risk governance are as follows.

- *Board:* This is the primary governing body. It approves the level of risk which the Credit Union is exposed to and the framework for reporting and mitigating those risks.
- *Board Audit Committee:* Its key role in risk management is to consider and confirm that the significant risks and controls are to be assessed within the internal audit plan. The Committee receives the internal audit reports to assess compliance with the controls, and provides feedback to the Board for their consideration.
- *Board Risk Committee:* Its key role in risk management is the overview of the Credit Union's internal control framework and risk management systems.
- *Management Risk Committee:* Its key role is to provide independent and objective challenge, oversight, monitoring and reporting to material risk arising from the Credit Union's operations.
- *Internal Audit:* Internal audit has responsibility for implementing the controls testing and assessment as required by the Board Audit Committee:

Key risk management policies encompassed within the overall risk management framework include:
- Market risk management system;
- Liquidity risk management system;
- Credit risk management system;
- Large exposures risk management system;
- Operational risk management system;
- Business continuity management policy; and
- Outsourcing policy.

The Credit Union has undertaken the following strategies to minimise the risks arising from financial instruments:

(a) Market risk

The objective of the Credit Union's market risk management is to manage and control market risk exposures in order to optimise risk and return.

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the Credit Union's financial condition or results. The Credit Union is exposed only to interest rate risk arising from changes in market interest rates within its own banking book. The Credit Union is not exposed to currency risk or other significant price risk. The Credit Union does not trade in the financial instruments it holds on its books.

The management of market risk is the responsibility of the Chief Executive Officer, who reports directly to the Board.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

27. Risk management objectives and policies (continued)

(a) Market risk (continued)

(i) Interest rate risk

Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to the changes of interest rates.

Most financial institutions are exposed to interest rate risk within its treasury operations. The Credit Union does not have a treasury operation and does not trade its financial instruments.

Interest rate risk in the banking book

The Credit Union is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities.

The interest rate risk on the banking book is monitored and measured on a regular basis, including via the quarterly APRA reporting.

In the banking book the most common risk the Credit Union faces arises from fixed rate assets and liabilities. This exposes the Credit Union to the risk of sensitivity should the interest rate change.

The level of mismatch on the banking book is set out in Note 28 below. The table set out in Note 28 displays the period that each asset and liability will reprice as at the balance date. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

Method of managing risk

The Credit Union manages its interest rate risk by the use of interest rate sensitivity analysis. The details and assumptions used are set out below.

Interest rate sensitivity

The policy of the Credit Union to manage the risk is to maintain a balanced 'on book' strategy by ensuring that the net interest gap between assets and liabilities (the Gap) is not excessive.

The Gap is measured regularly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposit liabilities to rectify the imbalance to within acceptable levels. The policy of the Credit Union is not to undertake derivatives to match the interest rate risks.

Based on the calculations as at 30 June 2017 and 30 June 2016, the net profit impact for a 2% increase in interest rates would be $739,270 increase in profit (2016: $672,799). A decrease of 2% in interest rates would have an equal but opposite effect.

The Credit Union performs a sensitivity analysis to measure market risk exposures on an annual basis, as part of the annual budgeting process. The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing on the banking book of the Credit Union for the next 12 months using a variety of assumptions.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

27. Risk management objectives and policies (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Credit Union will not be able to meet its financial obligations as they fall due. It is the policy of the Credit Union that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flow needs;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, and
- Monitoring the prudential ratio daily.

The liquidity strategy requires the holding of surplus funds in liquid assets which meet APRA's criteria for classification as eligible Minimum Liquidity Holdings ("MLH") the availability of appropriate standby lines of funding; maintenance of reliable sources of funding and daily liquidity projections.

The Credit Union has a contractual arrangement with the Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support for the Credit Union in times of need. Further details of the CUFSS arrangements are included at Note 22.

APRA Prudential Standards place specific management and reporting requirements on ADIs in relation to liquidity risk. The Credit Union uses the MLH basis to calculate liquidity. Under this calculation the Credit Union is required to maintain at least 9% of total adjusted liabilities in specified eligible assets at all times. The Credit Union maintains a required minimum liquidity level of at least 13% (2016: 13%) to meet adequate operational cash flow requirements. The ratio is monitored daily. Should the liquidity ratio fall below this level, management and the Board are to address the matter and ensure that liquid funds are obtained from new deposits.

The maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms are set out in the notes to the financial statements.

As at 30 June 2017, the Credit Union held 17.10% of total adjusted liabilities as liquid assets (2016: 21.38%). The average during the financial year was 18.84% (2016: 19.55%), with the minimum reaching 17.07% during the year (2016: 16.54%).

The Credit Union also maintains additional liquid assets which are not MLH eligible. After taking into consideration these assets the total liquidity of the Credit Union at 30th June 2017 is 21.35% (2016: 24.58%).

In order to ensure compliance with APS 210 *Liquidity*, the Credit Union has set up an Austraclear Proxy and Settlement Services agreement with FIIG Securities Limited. This facility ensures that the Credit Union has the ability to liquidate MLH assets within 48 hours as required by APS 210.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

27. Risk management objectives and policies (continued)

(c) Credit risk

Credit risk is the risk that members, financial institutions and other counterparties are unable to meet their obligations to the Credit Union which may result in financial losses. Credit risk arises principally from the Credit Union's loan book and investment assets.

(i) Credit risk – loans & advances:
All loans and facilities are within Australia. The geographic distribution is monitored and analysed, with details of the concentration detailed in Note 10.

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved and close monitoring of defaults in the repayment of loans thereafter on a weekly basis. The credit risk management policy has been endorsed by the Board to ensure that loans are only made to members that are creditworthy and capable of meeting loan repayments.

The Credit Union has established policies over the:
- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value of individual borrowers, non mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Debt recovery procedures where appropriate; and
- Establishing appropriate provisions to recognise the impairment of loans and facilities.

A regular review of the Credit Union's compliance with the credit risk management policy and associated policies and procedures is conducted as part of the internal audit program.

Past due and impaired
A financial asset is past due when the counterparty has failed to make a payment when contractually due. A past due classification can trigger various actions such as a renegotiation, enforcement of covenants or legal proceedings. Once the past due exceeds 90 days the loan is regarded an impaired, unless other factors indicate the impairment should be recognised sooner.

The Credit Union's exposures to losses arise predominately in the personal loans and facilities not secured by registered mortgages over real estate.

In the current financial year, the Credit Union entered into an arrangement with a third party mutual Authorised Deposit-taking Institution ('ADI) to become a joint mortgagee on a credit exposure with a single secured commercial property. The total credit exposure to Central Murray Credit Union is $1,003,500 at 30 June 2017. A Deed of Agreement was signed between the Credit Union and the third party mutual that established:
- equal security interest over the secured property by common mortgage to be apportioned between the two interested parties;
- that the Credit Union would not increase the security interest over the secured property without written express consent of the other interested party; and
- that the Credit Union may separately enforce its rights in relation to its security interest against the common mortgage as if it were the sole mortgagee, but only after giving 10 business days' notice to the other interested party and consulting on good faith to determine what action is appropriate.

All other credit risk associated with the joint mortgage are consistent with Credit Union's Credit Risk Management Policy and associated policies and procedures referred to above.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

27. Risk management objectives and policies (continued)

(c) Credit risk (continued)

The estimated recoverable amount of that asset is determined based on the net present value of future anticipated cash flows and the net loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income. In estimating these cash flows, management makes judgement about a counterparty's financial situation and the net realisable value of any underlying collateral.

A provision for incurred losses is established on all past due loans after a specified period of repayment default where it is probable that some of the principal will not be repaid or recovered. Specific loans and facilities are provided against depending on a number of factors including environmental factors, changes in a counterparty's industry, technological developments and identified structural weaknesses or deterioration in cash flows.

Details on the impairment of loans and advances are set out in Note 11.

Bad Debts

Amounts are written off when collection of the loan or advance is considered to be remote. All write offs are on a case by case basis, taking account of the exposure at the date of the write off.
On secured loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lenders mortgage insurance.

A reconciliation in the movement of both past due and impaired exposure provisions is provided in Note 11.

Collateral securing loans

A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the Credit Union is exposed to risks in the reduction to Loan to Valuation Ratio (LVR) cover should the property market be subject to a substantial decline.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken.

The Credit Union maintains a general policy to attract residential mortgages which carry an 80% loan to valuation ratio or less. Note 10 details the nature and extent of the security held against the loan held as at balance date.

Concentration risk

Concentration risk is a measurement of the Credit Unions' exposure to an individual borrower or industry.

The Credit Union has in place a large exposure policy limit of 10% of regulatory capital. The Credit Union can lend above 10% of capital, however APRA must be consulted prior to undertaking the loan or facility. APRA may impose additional capital requirements on the Credit Union if the aggregate of large exposures is deemed to be higher than prudentially acceptable.
Details of the Credit Union's large exposures at balance date are set out in Note 10.

(ii) Credit risk – liquid investments:

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss.

The risk of losses from the liquid investments undertaken is mitigated by the nature and quality of the independent rating of the investment bodies and the limits to concentration as approved by APRA from time to time.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

27. Risk management objectives and policies (continued)

(c) Credit risk (continued)

(ii) Credit risk – liquid investments (continued)

The Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA prudential guidance AGN 112. The credit quality assessment scale within this standard has been compiled with.

Given the high quality of these investments, the Credit Union does not expect any counterparty to fail to its obligations. The exposure values associated with each credit quality investment body are detailed in Notes 8 and 25.

External Credit Assessment for Institution Investments

The Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA prudential guidance AGN 112. The credit quality assessment scale within this standard has been compiled with.

The exposure values associated with each credit quality step are detailed in Note 8.

(d) Operational risk

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

The Company's objective is to manage operational risk so as to balance the evidence of financial losses through implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of policies and systems to monitor the likelihood of the events and minimise the impact.

(e) Regulatory and Compliance risk

Regulatory and Compliance risk is the risk of failing to comply with regulatory requirements.

The Credit Union's compliance program identifies the key legislative and regulatory obligations that impact the Credit Union and identifies the measures in place to ensure compliance with them.

(f) Strategic risk

Strategic risk is the risk to current or prospective earnings and capital, resulting from unexpected or adverse changes in the business environment with respect to the economy, the political landscape, regulation, technology, social morals, the actions of competitors and business decisions.

Strategic risk is constantly considered through business strategy, i.e. planning and, where applicable, monitored via the quarterly risk report with additional commentary on emerging issues included in the monthly report.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

27. Risk management objectives and policies (continued)

(g) Capital risk

Capital risk is the risk that there is insufficient capital available to protect against unexpected loss.

The Credit Union's policy is to maintain a strong capital base and to maintain a balance between profitability and benefits provided to members by way of better interest rates, lower fees, convenient locations and superior service.

The Credit Union's capital management objectives are to:
- Ensure there is sufficient capital to support the Credit Union's operational requirements;
- Maintain sufficient capital to exceed internal and externally imposed capital requirements; and
- Safeguard the Credit Union's ability to continue as a going concern in all types of market conditions.

The Credit Union is subject to minimum capital requirements imposed by APRA based on the guidelines developed by the Basel Committee on Banking Supervision. The Credit Union reports to APRA under Basel III capital requirements and uses the standardised approach for credit and operational risk.

APRA requires Authorised Deposit-taking Institutions ("ADIs") to have a minimum ratio of capital to risk weighted assets of 8%. In addition, APRA imposes ADI specific minimum capital ratios which may by higher than these levels.

The Board approved internal capital assessment process requires capital to be well above the regulatory required levels.

The Credit Union's capital contains tier 1 and tier 2 capital. Tier 1 capital can contain both common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital comprises the highest quality components of capital that fully satisfy all of the following characteristics:
a) provide a permanent and unrestricted commitment of funds;
b) are feely available to absorb losses;
c) do not impose any unavoidable servicing charge against earnings; and
d) rank behind the claims of depositors and other creditors in the event of winding-up of the issuer.

Common equity tier 1 capital consists of retained earnings, realised reserves and the asset revaluation reserve. Deductions from tier 1 capital are made for intangible assets, certain capitalised expenses, deferred tax assets and equity investments in other ADI's.

Tier 2 capital includes the reserve for credit losses and tier 2 capital instruments including subordinated debt. Tier 2 capital instruments combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption features of equity.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

27. Risk management objectives and policies (continued)

(g) Capital risk (continued)

	2017 $	2016 $
Capital adequacy calculation		
Tier 1 capital		
Common equity tier 1 capital		
Retained earnings & member share redemption reserve – per APRA requirement	4,677,073	4,509,785
General reserve	550,000	550,000
Asset revaluation reserve	435,767	435,767
	5,662,840	5,495,552
Less prescribed deductions to tier 1 capital	(229,063)	(202,240)
Net tier 1 capital	5,433,776	5,293,312
Tier 2 Capital		
Lending risk reserve – net per APRA requirement	175,371	170,637
Net tier 2 capital	175,371	170,637
Total Capital	5,609,147	5,463,949

	2017 $	2016 $
Capital adequacy calculation (continued)		
Risk profile		
Credit Risk	34,835,685	31,972,774
Operational Risk	4,118,808	3,847,778
Total risk weighted assets	38,954,494	35,820,552
Capital adequacy ratio	14.40%	15.25%

The Capital Adequacy Ratio as at the end of financial year over the past 5 years is as follows:

2017	2016	2015	2014	2013
14.40%	15.25%	16.62%	16.86%	17.00%

The level of capital ratio can be affected by growth in assets relative to growth in capital and by changes in the mix of financial assets managed by the Credit Union.

To manage the Credit Union's capital, the Credit Union reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the Board if the capital ratio falls below the internal trigger point of 14% and APRA if the capital ratio falls below 13%. Further a 3 year budget projection of the capital levels is prepared annually to address how strategic decisions or trends may impact on the capital level.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

27. Risk management objectives and policies (continued)

(g) Capital risk (continued)

Operational Risk Capital Charge
The Credit Union uses the Standardised approach which is considered to be most suitable for its business given the nature of its transaction activities. The operational risk capital charge is calculated by mapping the Credit Union's three year average net interest income and net non interest income to the Credit Union's various business lines.

Internal capital adequacy assessment process
The Credit Union manages its internal capital levels for both current and future activities through the Board in its capacity as the primary governing body. The capital required for any change in the Credit Union's strategic direction, forecasts, or unforeseen circumstances, are assessed by the Board.

Public disclosure of capital
In accordance with the APS 330 *Public Disclosure* requirements, the Credit Union is required to include details on the composition and features of capital and risk weighted assets in the Regulatory Disclosure section on their website.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

28. Financial instruments

(a) Terms, conditions and accounting policies

The Credit Union's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Note	Accounting Policies	Terms and Conditions
Financial assets			
Loans and advances	10	Loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month. Loans and advances are recorded at their recoverable amount. For further details on the classification of loans refer to Note 1(d).	Details of maturity terms are set out in Note 10. Details of security against loans and advances is set out in Note 10.
Cash and cash equivalents	8	Cash and cash equivalents are stated at the lower of cost and net realisable value. Interest revenue is recognised when earned.	Details of maturity terms are set out in Note 8.
Other financial assets	12	Other financial assets are carried at the lower of cost or recoverable amount. Restrictions apply to the repayment of deposits held with Cuscal Limited for other regulatory purposes.	
Financial liabilities			
Members deposits	16	Deposits are recorded at the principal amount. Interest is calculated on the daily balance outstanding or the minimum monthly balance.	Details of maturity terms are set out in Note 16.
Trade and other payables	17	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Credit Union.	Trade liabilities are normally settled on 30-day terms.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

28. Financial instruments

(b) Interest rate risk

The Credit Union's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial instruments	Floating (variable) interest rate		Fixed interest rate maturing in: 1 year or less		Fixed interest rate maturing in: Over 1 to 5 years		Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 %	2016 %
Financial assets:												
Cash and cash equivalents	7,143	10,028	9,203	7,976	-	-	1,213	1,204	17,559	19,208	1.91%	1.83%
Other receivables	-	-	-	-	-	-	68	68	68	68	N/A	N/A
Loans and advances (gross)	51,775	48,753	553	2,993	6,542	361	-	-	58,870	52,107	5.29%	5.42%
Other investments	-	-	-	-	-	-	130	130	130	130	N/A	N/A
Total financial assets	58,918	58,781	9,756	10,969	6,542	361	1,411	1,402	76,627	71,513		
Financial liabilities:												
Members deposits	32,138	28,509	36,214	36,795	3,251	880	41	40	71,644	66,224	1.85%	1.94%
Trade and other payables	-	-	-	-	-	-	988	1,370	988	1,370	N/A	N/A
Total financial liabilities	32,138	28,509	36,214	36,795	3,251	880	1,029	1,410	72,632	67,594		

N/A - not applicable for non-interest bearing financial instruments.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

28. Financial instruments

(c) Maturity profile of financial assets and liabilities

Monetary assets and liabilities have differing maturity profiles depending on the contractual terms, and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal and future interest will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event repayment conditions are varied. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly, these values will not agree to the carrying amounts of the Statement of Financial Position.

Financial instruments	Within 3 months		From 3 to 12 months		From 1 to 5 years		More than 5 years		No maturity		Total cash flows		Total carrying amount as per the Statement of Financial Position	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial assets:														
Cash and cash equivalents	8,735	7,527	511	514	-	-	-	-	8,364	11,243	17,610	19,284	17,559	19,208
Other Receivables	-	-	-	-	-	-	-	-	14	12	14	12	68	68
Loans and advances (gross)	1,524	1,367	4,265	3,828	20,004	17,868	71,250	63,356	-	-	98,229	86,419	58,870	52,107
Other investments	-	-	-	-	-	-	-	-	130	130	130	130	130	130
Total financial assets	10,259	8,894	4,776	4,342	20,004	17,868	71,250	63,356	8,508	11,385	114,797	105,845	76,627	71,513
Financial liabilities:														
Members deposits	16,706	18,239	20,282	19,261	3,400	929	-	-	32,179	28,550	72,567	66,979	71,644	66,224
Trade and other payables	-	-	-	-	-	-	-	-	596	1,032	596	1,032	988	1,370
Total financial liabilities	16,706	18,239	20,282	19,261	3,400	929	-	-	32,775	29,582	73,163	68,011	72,632	67,594

28. Financial instruments (continued)

(d) Net fair values

The fair value is required to be disclosed where the financial instruments are not measured at fair value in the Statement of Financial Position. Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

Assets where the fair value is lower that the book value have not been written down in the accounts of the Credit Union on the basis that they are held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

The Credit Union has assessed that at balance date, the carrying amount of all financial instruments approximates fair value. The description of the valuation techniques and assumptions are detailed below:

Recognised financial instruments

Cash and cash equivalents
The carrying amounts approximate fair value because of their short-term to maturity (i.e. less than six months) or are receivable on demand.

Other receivables
The carrying amount approximates fair value as they are short term in nature.

Loan and advances
The majority of the Credit Union's loans are variable rate loans. The carrying amount of these loans is considered to appropriate fair value. The net fair value of any non-variable rate loans are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by using a method not materially different from discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows. The carrying amount of loans at 30 June 2017 approximates net fair value.

Member deposits
The fair value of call deposits and fixed rate deposits repricing within 12 months, is the amount shown in the Statement of Financial Position. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related period to maturity. The maximum term for fixed term deposits accepted by the Credit Union is two years.

The Credit Union has assessed its own credit risk in regards to the fair value of deposits, and has assessed that no material valuation adjustment based on the capital management system utilised by the Credit Union as outlined in Note 27 (g).

Trade and other payables
The carrying amount approximates fair value as they are short term in nature.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

28. Financial instruments (continued)

(e) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	2017 $	2016 $
Financial assets		
Loans and receivables – carried at amortised cost		
Cash and cash equivalents	17,558,532	19,207,567
Other receivables	68,375	67,800
Loans and advances (gross)	58,870,044	52,107,227
	76,496,951	71,382,594
Available for sale investments – carried at cost		
Other financial assets	130,089	130,089
	130,089	130,089
TOTAL FINANCIAL ASSETS	76,627,040	71,512,683
Financial liabilities		
Carried at amortised cost		
Trade and other payables	987,827	1,369,959
Member deposits	71,643,723	66,224,383
	72,631,550	67,594,342
TOTAL FINANCIAL LIABILITIES	72,631,550	67,594,342

29. Fair value measurement

Fair value hierarchy

The following tables detail the Credit Union's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Notes to the Financial Statements
For the year ended 30 June 2017 (continued)

29. Fair value measurement (continued)

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets measured at fair value				
Land and buildings	-	1,491,808	-	1,491,808
TOTAL ASSETS	-	1,491,808	-	1,491,808

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets measured at fair value				
Land and buildings	-	1,479,638	-	1,479,638
TOTAL ASSETS	-	1,479,638	-	1,479,638

The Credit Union has assessed that at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Note 28(d).

Valuation techniques for fair value measurements categorised as level 2
Land and buildings have been valued based on similar assets, location and market conditions.

30. Corporate information

The Credit Union is a company registered under the Corporations Act.

The address of the registered office is 58 Belmore Street, Yarrawonga Vic 3730.

Head office of the business is located in Yarrawonga Vic 3730.

The nature of the operations and its principal activities are the provision of deposit taking facilities and loan facilities to members of the Credit Union.

31. Subsequent Events

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

Directors' declaration

In the opinion of the Directors of Central Murray Credit Union Limited:-

1. the financial statements and notes, set out on pages 11 to 59, are in accordance with the *Corporations Act 2001*, including:
   (a) giving a true and fair view of the Credit Union's financial position as at 30 June 2017 and of its performance as for the year ended on that date; and
   (b) complying with the Accounting Standards and the *Corporations Regulations 2001*; and

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

Signed in accordance with a resolution of the Directors:

J Gorman	M O'Dwyer
Chairperson	*Vice Chairperson*

Dated at Yarrawonga this 20th day of September 2017.

Crowe Horwath Albury
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Independent Auditor's Report to the Members of Central Murray Credit Union Limited

Opinion

We have audited the financial report of Central Murray Credit Union Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of the Company.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the directors report included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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 objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

Crowe Horwath

CROWE HORWATH ALBURY

BRADLEY D BOHUN

Partner

Dated at Albury this 20th day of September 2017.