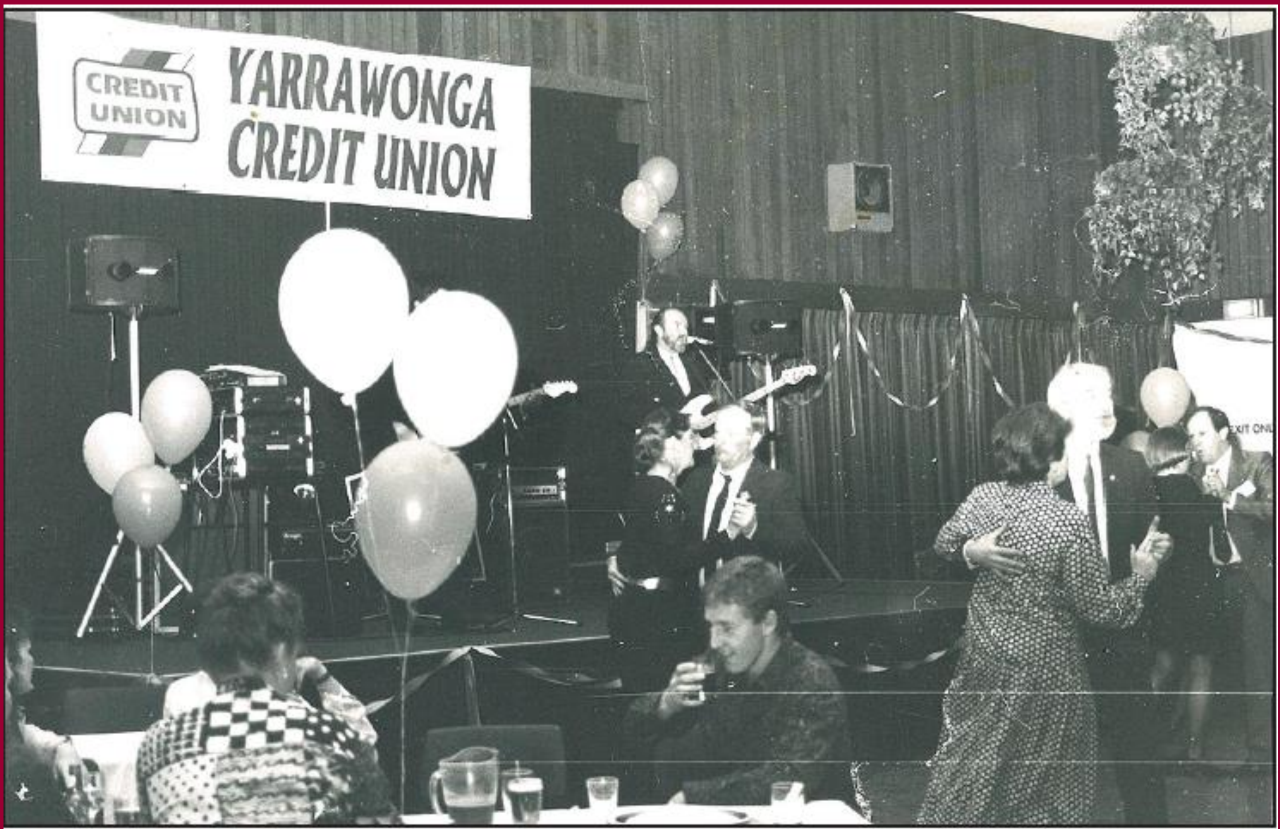

The credit union's 21st anniversary celebrations in 1993.

CENTRAL MURRAY
CREDIT UNION
ANNUAL REPORT 2022

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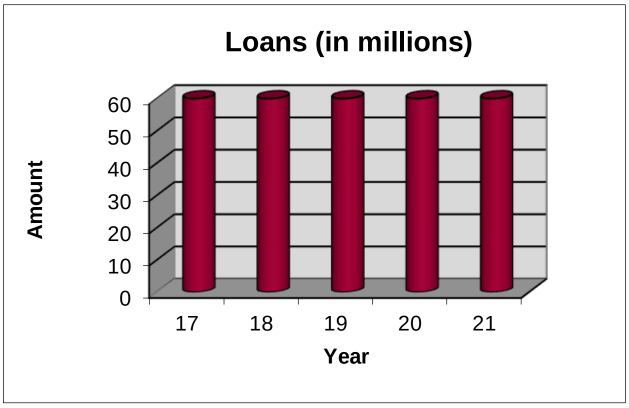
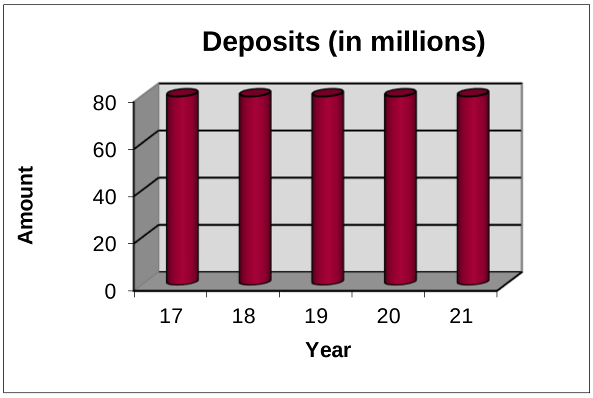
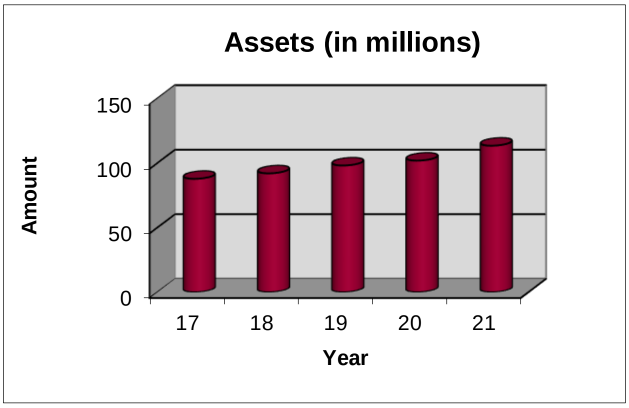
PERFORMANCE REVIEW COMPARISON



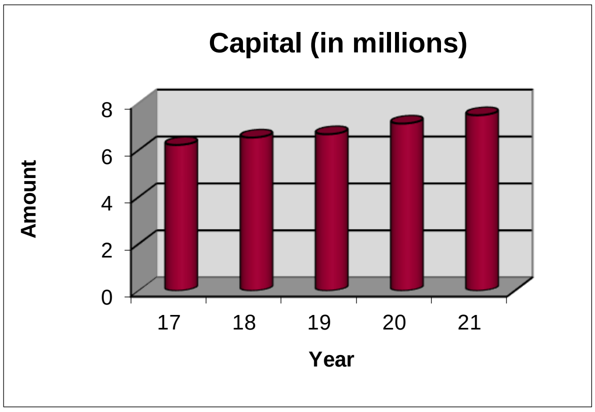
2015	$48,295,439		
2016	$52,080,020	growth	7.84%
2017	$58,857,579	growth	13.01%
2018	$63,116,177	growth	7.24%
2019	$67,745,196	growth	7.33%
2020	$62,504,645	loss	-7.74%
2021	$68,989,545	growth	10.38%
2022	$70,356,509	growth	1.98%



2015	$58,889,216		
2016	$66,224,383	growth	12.46%
2017	$71,643,723	growth	8.18%
2018	$80,107,351	growth	11.81%
2019	$83,885,309	growth	4.72%
2020	$90,040,837	growth	7.34%
2021	$93,586,982	growth	3.94%
2022	$104,499,675	growth	11.66%



2015	$65,652,726		
2016	$73,525,908	growth	11.99%
2017	$78,692,940	growth	7.03%
2018	$87,841,693	growth	11.63%
2019	$92,093,850	growth	4.84%
2020	$98,172,334	growth	6.60%
2021	$101,945,508	growth	3.84%
2022	$113,514,491	growth	11.35%



2015	$5,555,099	growth	
2016	$5,686,408	growth	2.36%
2017	$5,842,175	growth	2.74%
2018	$6,217,440	growth	6.42%
2019	$6,534,954	growth	5.11%
2020	$6,676,372	growth	2.16%
2021	$7,130,144	growth	6.80%
2022	$7,484,964	growth	4.98%

COMPANY INFORMATION

Directors

John Gorman LL.B,B.Juris

Michael O'Dwyer

Linda Douglas

Michael Forster-Knight (resigned 20th July 2022)

Faith McCallum

Josh Vagg

Bernadette Skinner

Company Secretary

John Edward Pattison

Management

Chief Executive Officer: John Pattison

Finance Manager: Julie Barnes

Operations Manager: Sally Eales

Staff

Senior Loans Officer: Amanda Seccull
Operations Officer: Emma Horne

Member Services Staff

Member Services Supervisor: Allison Lewis

Senior Member Services Officer: Shantal Spencer

Member Services Officers:

Kayla Moffitt

Melissa Pitches

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, 491 Smollett Street Albury NSW 2640

Internal – AFS & Associates Pty Ltd, 61 Bull Street, Bendigo Vic 3550

Chair's Report

The 2021/22 financial year has continued to be a challenging one for financial institutions with low interest rates, increased regulation and Covid restrictions.

Despite these challenges CMCU has had a very successful year with increases in loans and deposits resulting in a profit after tax of $346,181.

This result was made possible by the leadership of our CEO John Pattison and the professionalism of all our staff throughout the organisation.

Even though Covid cases in the area were not significant, we were subject to lockdowns and restrictions which did affect the financial status of some of our members. Our loans staff acted quickly to help those members to offer hardship and loan repayment deferrals. Initially this assistance was taken up by our members but thankfully things have stabilised to the point where this relief is no longer required.

The fact that our members are meeting their loan commitments during the last two years highlights the responsible lending practices that CMCU have implemented for the benefit of our members. In the competitive lending environment that we are currently in it can be tempting to lower lending standards to attract business. CMCU have made the decision to not go down this path which resulted in our very low levels of bad debt.

Risk management is an area in which CMCU devotes considerable resources to minimise any internal or external threats. The Risk Committee which is made up of the majority of the Board is responsible to monitor and assess the many risks faced by CMCU.

Cyber security represents the greatest risk we currently face. This risk does not discriminate, impacting business across the board. Our staff are very diligent in checking member's transactions looking for unusual entries and keeping up to date on the latest software and types of cyber risks that are out there. We do ask that members help in this fight by continually checking their statements for any unusual transactions.

The Finance Industry is going through a period of unprecedented change and consolidation. In the Mutual Sector the number of credit unions have halved through amalgamation between 2010 to 2022 from 116 to 57. The way we undertake transactions has also changed with the introduction of digital banking and Tap and Go which has impacted the way CMCU does business. But the biggest threats are the costs of these new technologies and the ever-increasing regulatory burden imposed by numerous statutory bodies.

The Board considers that CMCU has a strong and promising future. Being a small financial institution, we believe this provides us the opportunity to take advantage of the changes that are occurring within the industry.

CMCU is a customer owned banking institution where all benefits remain within the community. During the financial year we have given over $20,000 in sponsorships to a variety of schools, community groups and sporting clubs

Our business ethos of face-to-face member service will continue to fill the void being created by the withdrawal of services by the big four banks in regional areas. Our flexibility enables us to continue to explore and introduce new products with the emphasis on digital banking giving access to a wider geographical area and customer base.

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 CMCU operations on behalf of all our customers and owners.

In closing, I would like to thank all CMCU customers and owners for their continued support.

FINANCIALS

Regulatory Disclosures

The Credit Union is required by APRA to publicly disclose certain information on its risk profile, risk management, capital adequacy, capital instruments and remuneration practices to contribute to the transparency of financial markets and to enhance market discipline.

These disclosures can be found on the Credit Union's website under the About Us tab: Prudential Disclosures or via the following link:

https://www.cmcu.com.au/about_cmcu/regulatory_disclosures/

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 2022 and the auditor's report thereon.

Information on 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:

John Gorman
- Independent Non-Executive
- Chair of the Board
- Director of CMCU from 1984 until current
- Solicitor

Michael O'Dwyer
- Independent Non-Executive
- Deputy Chair of the Board
- Chair of Innovation and Strategy group
- Director of CMCU from 2002 until current
- Marketing Manager (Retired)

Linda Douglas
- Independent Non-Executive
- Member of Risk Committee
- Member of Audit Committee
- Director of CMCU from 2003 until current
- Legal Assistant

Faith McCallum
- Independent Non-Executive
- Member of Risk Committee
- Member of Audit Committee
- Director of CMCU from 2010 until current
- Business Owner

Joshua Vagg
- Independent Non-Executive
- Chair of Risk Committee
- Member of Audit Committee
- Director of CMCU from 2017 until current
- Accountant

Bernadette Skinner
- Independent Non-Executive
- Member of Innovation and Strategy group
- Director of CMCU from 2020 until current
- Business Manager

Michael Forster-Knight
- Independent Non-Executive
- Member of Risk Committee (until July 2022)
- Chair of Audit Committee (until July 2022)
- Director of CMCU from 2004 until 20th July 2022
- Business Manager

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	Period of Appointment
Number of meetings held	12	5	12	
Number of meetings attended:				
J Gorman	12	-	-	3 years (2020-2023)
M O'Dwyer	11	-	-	3 years (2020-2023)
L Douglas	11	4	11	3 years (2021-2024)
F McCallum	11	3	10	3 years (2019-2022)
J Vagg	12	5	12	3 years (2020-2023)
B Skinner	9	-	-	3 years (2021-2024)
M Forster-Knight	11	4	8	3 years (2019-2022)

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 $440,748 (2021: $168,344). Income tax expense was $94,567 (2021: $23,592).

Operating and financial review

Net loans and advances for the year have increased by $1,366,964 to $70,356,509.

Member deposits increased during the year by $10,912,693 to $104,499,675.

Members' equity during the year has increased by $354,820 to $7,484,964.

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.

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 23 to the financial statements.

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.

Auditor's independence declaration

The Lead auditor's independence declaration for the year ended 30 June 2022 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 21 September 2022.

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

PO Box 500
Albury NSW 2640 Australia

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

Auditor Independence Declaration Under S307C 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 2022 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 Albury

CROWE ALBURY

David Munday

DAVID MUNDAY
Partner

21 September 2022
Melbourne

Statement of Profit and Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Note	2022 $	2021 $
Interest revenue	2	2,619,883	2,731,232
Interest expense	2	(218,757)	(507,630)
Net interest income		2,401,126	2,223,602
Non-interest revenue	3	505,817	512,773
Other income	4	91,241	181
		2,998,184	2,736,556
Net impairment loss on financial assets		(13,538)	(15,111)
Other expenses	5	(2,543,898)	(2,553,101)
Profit from operations before income tax		**440,748**	**168,344**
Income tax expense	6	(94,567)	(23,592)
Profit after tax		**346,181**	**144,752**
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss			
Gain/(loss) on the revaluation of land and buildings, net of tax		-	216,758
Gain/(loss) on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		95,820	92,262
Total comprehensive income for the year		**442,001**	**453,772**

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 52.

Statement of Changes in Equity

For the year ended 30 June 2022

	Retained profits $	Member share redemption reserve $	Lending risk reserve $	Asset revaluation reserve $	General reserve $	Financial asset reserve $	Total $
Year ended 30 June 2021							
Opening balance at 1 July 2020	5,183,251	51,119	193,799	643,148	550,000	55,055	6,676,372
Profit after tax	144,752	-	-	-	-	-	144,752
Other comprehensive income for the period	-	-	-	216,758	-	92,262	309,020
Total comprehensive income for the year	**144,752**	**-**	**-**	**216,758**	**-**	**92,262**	**453,772**
Transfer to member share redemption reserve	(3,074)	3,074	-	-	-	-	-
Transfer to lending risk reserve							
Closing balance at 30 June 2021	**5,324,929**	**54,193**	**193,799**	**859,906**	**550,000**	**147,317**	**7,130,144**
Year ended 30 June 2022							
Opening balance at 1 July 2021	5,324,929	54,193	193,799	859,906	550,000	147,317	7,130,144
Profit after tax	346,181	-	-	-	-	-	346,181
Other comprehensive income for the period	-	-	-	-	-	95,820	95,820
Total recognised income and expense for the period	**346,181**	**-**	**-**	**-**	**-**	**95,820**	**442,001**
Transfer between reserves	(6,851)	1,650	5,201	-	-	-	-
Sale of Assets	-	-	-	(87,181)	-	-	(87,181)
Closing balance at 30 June 2022	**5,664,259**	**55,843**	**199,000**	**772,725**	**550,000**	**243,137**	**7,484,964**

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes set out on pages 15 to 52.

Statement of Financial Position

As at 30 June 2022

	Note	2022 $	2021 $
ASSETS			
Cash and cash equivalents	8	20,814,494	18,727,985
Other receivables	9	55,863	33,302
Loans and advances	10	70,356,509	68,989,545
Other financial assets	12	18,424,560	10,328,740
Property, plant and equipment	13	1,931,916	2,127,447
Intangible assets	14	383,609	300,571
Deferred tax assets	7	70,428	108,633
Current tax asset	7	-	45,187
Other assets	15	1,477,112	1,284,098
TOTAL ASSETS		**113,514,491**	**101,945,508**
LIABILITIES			
Member deposits	16	104,499,675	93,586,982
Trade and other payables	17	866,450	662,742
Employee benefits	18	217,566	209,984
Income tax payable	7	67,261	-
Deferred tax liabilities	7	378,575	355,656
TOTAL LIABILITIES		**106,029,527**	**94,815,364**
NET ASSETS		**7,484,964**	**7,130,144**
EQUITY			
Reserves		1,820,705	1,805,215
Retained profits		5,664,259	5,324,929
TOTAL EQUITY		7,484,964	7,130,144

The Credit Union presents its statement of financial position showing assets and liabilities in their broad order of liquidity because this presentation provides reliable and more relevant information than separate current and non-current classifications.

For each asset and liability line item that combines amounts expected to be recovered and settled within:

- No more than 12 months after the reporting date; and
- More than 12 months after the reporting rate.

The Credit Union discloses in the notes the amount expected to be recovered or settled after more than 12 months.

The Statement of Financial Position is to be read in conjunction with the accompanying notes set out on pages 15 to 52.

Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Interest received on loans and advances		2,600,386	2,751,116
Interest paid on member deposits		(262,824)	(650,180)
Dividends received		43,767	7,510
Interest paid – lease liability		-	(2,182)
Other non-interest income received		471,609	510,134
Income tax paid/(refund received)		(79,005)	(32,089)
Payments to employees and suppliers		(2,157,472)	(3,576,853)
		616,461	(992,544)
Net (increase) in loans and advances		(1,366,964)	(6,484,900)
Net increase in deposits		10,912,693	3,546,145
Net cash from (used in) operating activities	**20**	**10,162,191**	**(3,931,299)**
Cash flows from investing activities			
Acquisition of investment securities		(8,000,000)	(10,000,000)
Acquisition of property, plant and equipment		(5,180)	(75,985)
Proceeds from sale of property, plant and equipment		110,590	16,226
Acquisition of intangible assets		(181,092)	(283,806)
Net cash from (used in) investing activities		**(8,075,682)**	**(10,343,565)**
Cash flows from financing activities			
Repayment of lease liabilities		-	(7,651)
Net cash from/(used in) financing activities		**-**	**(7,651)**
Net increase/(decrease) in cash and cash equivalents		**2,086,509**	**(14,282,515)**
Cash and cash equivalents at 1 July		18,727,985	33,010,500
Cash and cash equivalents at 30 June	**8**	**20,814,494**	**18,727,985**

The Statement of Cash Flows is to be read in conjunction with the accompanying notes set out on pages 15 to 52.

Notes to Financial Statements
For the year ended 30 June 2022

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 21 September 2022.

(a) Statement of compliance

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

Not-for-profit status

The Credit Union has analysed its purpose, objectives and operating philosophy and determined that it does not have profit generation as its prime objective.

(b) Basis of preparation

The financial statements are presented in Australian dollars.

The financial statements have been prepared on the basis of historical costs except that the following assets and liabilities (if applicable) are stated at their fair value: land and buildings and other financial assets.

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Credit Union.

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

The Credit Union presents its statement of financial position showing assets and liabilities in their broad order of liquidity because this presentation provides reliable and more relevant information than separate current and non-current classifications.

For each asset and liability line item that combines amounts expected to be recovered and settled within:

- No more than 12 months after the reporting date; and
- More than 12 months after the reporting rate.

The Credit Union discloses in the notes the amount expected to be recovered or settled after more than 12 months.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits at call and other short-term deposits with Approved Deposit-taking Institutions that can be readily converted into cash. This includes negotiable certificates of deposits and floating rate note securities (FRNS). Negotiable certificates of deposits and floating rate note securities are held via the Austraclear system with the Reserve Bank of Australia, to enable conversion to cash. Cash and cash equivalents are recognised at the gross value of the outstanding balance.

(d) Receivables due from other financial institutions

Receivables due from other financial institutions are financial assets with fixed or determinable payments that are held within a business model whose objective is to hold assets to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are recognised initially at cost plus any directly attributable transaction costs.

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

1. Significant accounting policies (continued)

(e) Loans and advances

Loans and advances are financial assets with fixed or determinable payments that are held within a business model whose objective is to hold assets to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are recognised initially at cost plus any directly attributable transaction costs.

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

Loan origination fees

Loan establishment fees, discounts and other fees that are deemed to be an integral part of the effective

interest rate are initially deferred as part of the loan balance and are brought to account as income over the expected life of the loan or other relevant period. The amounts brought to account are included as part of interest revenue.

Transaction costs

Transaction costs are expenses which are direct and incremental to the establishment of the loan. These costs are initially deferred as part of the loan balance, and are brought to account as a reduction to income over the expected life of the loan. The amounts brought to account are included as part of interest revenue.

An analysis of the Credit Union's loan origination fees and associated cost structure indicated that the net amount of fee revenue required to be deferred is not material, and accordingly no deduction from loans has been made.

(f) Provision for impairment / expected credit loses of financial assets

AASB 9's impairment requirements use forward-looking information to recognise expected credit losses – the "expected credit loss model" (ECL).

The Credit Union considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial asset. In applying this forward-looking approach, a distinction is made between:

- Financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans) ('Stage 1'); and
- Financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' does cover financial assets that have objective evidence of impairment (loans in default) at the reporting date.

Measurement of ECL

The Credit Union applies a three-stage approach to measuring expected credit losses (ECLs) for financial assets that are not measured at fair value through profit or loss.

- 12-months ECL (Stage 1) - The portion of lifetime ECL associated with the probability of default events occurring within the next 12 months.
- Lifetime ECL – not impaired (Stage 2) - ECL associated with the probability of default events occurring throughout the life of an instrument.
- Lifetime ECL – impaired (Stage 3) - Lifetime ECL, but interest revenue is measured based on the carrying amount of the instrument net of the associated ECL.

Exposures are assessed on a collective basis in Stage 1, and on individual basis in Stage 2 and Stage 3.

At each reporting date, the Credit Union assesses the credit risk of exposures in comparison to the risk at initial recognition, to determine the stage that applies to the associated ECL measurement. If the credit risk of an exposure has increased significantly since initial recognition, the asset will migrate to Stage 2. If no significant increase in credit risk is observed, the asset will remain in Stage 1. Should an asset become credit-impaired it will be transferred to Stage 3.

1. Significant accounting policies (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost of effort at the reporting rate about past events, current conditions and forecasts of future economic conditions.

Critical accounting estimates and judgments in the ECL

A number of significant judgments are required in applying the accounting requirements for measuring ECL, which are detailed below:

Assumptions used for estimating impairment

In assessing the impairment of financial assets under the expected credit loss model, the Credit Union defines default as occurring when a loan obligation is past 90 days due. The definition of default largely aligns with that applied by APRA for regulatory reporting purposes, and the criteria used for internal credit risk management purposes.

Assessment of significant increase in credit risk

In determining whether the risk of default has increased significantly since recognition, the Credit Union considers both quantitative and qualitative factors. These include:

- When a loan reaches 30 days past due;
- Loan with approved hardship or modified terms.

Calculation of expected credit losses

Expected credit losses (ECLs) are calculated using three main parameters i.e. a probability of default (PD), a loss given default (LGD) and an exposure at default (EAD). These parameters are derived from industry standards and historical loss models.

For accounting purposes, the 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date.

The LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral and its expected value when realised.

The EAD represents the expected exposure at default.

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

Incorporation of forward looking information

The Credit Union has taken into consideration several macro-economic factors including unemployment rate, gross domestic product, housing price index and interest rates. The affects these data points have on ECL are reviewed regularly.

The Credit Union considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by the Credit Union for other purposes, such as strategic planning and budgeting. Periodically, the Credit Union carries out stress testing of more extreme shocks to calibrate its determination of other potential scenarios.

1. Significant accounting policies (continued)

Grouping of loans for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous. The Credit Union has elected to use the following segments when assessing credit risk for Stage 1 of the ECL model:

- Mortgage loans – over 80% loan-to-valuation ratio, and no lenders mortgage insurance;
- Mortgage loans – under 80% loan-to-valuation ratio or loans with lenders mortgage insurance.
- Personal loans – secured and unsecured
- Secured by funds
- Overdrafts / overdrawn

(g) Other financial assets

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

(h) Property, plant and equipment & intangible assets

Land and buildings

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

Plant and equipment

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

Leasehold improvements

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

Depreciation/amortisation

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

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

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

Land is not depreciated.

Disposals

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any Asset Revaluation Reserve surplus relating to the item disposed of is transferred directly to retained profits.

1. Significant accounting policies (continued)

Intangible assets

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

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

- Computer software 3 years

(i) Impairment of non-financial assets

At each reporting date the Credit Union assesses whether there is any indication that individual non-financial assets are impaired. Where impairment indicators exist, recoverable amount is determined, and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount.

(j) Employee entitlements

Long term service benefits

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

Short term benefits

Liabilities for employee benefits for wages, salaries and annual leave expected to be taken within 12 months represent present obligations resulting from employees’ services provided to reporting date, calculated at undiscounted amounts based on remuneration wages and salary rates that the Credit Union expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax. Annual leave expected to be taken after 12 months is discounted back to present value using the rates attached to high quality corporate bond rates at balance date.

(k) Member Deposits

Member deposits are held at amortised cost.

Interest payable

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

(l) Accounts payable and other liabilities

These amounts represent liabilities for goods and services provided to the Credit Union prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Revenue Recognition

Interest revenue

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

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

1. Significant accounting policies (continued)

Fee income

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

Fee income relating to deposit or loan accounts is either:

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

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

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

Commission income

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

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

Dividend income

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

Income from property

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

(n) Leases

Credit Union as a lessee

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

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

At the lease commencement, the Credit Union recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Credit Union believes it is reasonably certain that the option will be exercised.

The right-of-use asset using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured whether there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g., CPI).

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Credit Union's incremental borrowing rate is used. Typically, the Credit Union uses its incremental borrowing rate as the discount rate.

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

The Credit Union has elected to apply the exceptions to lease accounting for both short-term leases (i.e., leases with a term of less than or equal to 12 months) and leases of low-value assets (defined by the Credit Union as $10,000). Credit Union recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

As at 30 June 2022, the Credit Union does not have any leases that require application and recognition under AASB 16 *Leases*. The Credit Union has also not committed to any short-term or low value leases.

1. Significant accounting policies (continued)

Credit Union as a lessor

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

When the Credit Union has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 Revenue from Contracts with Customers. The lease income is recognised on a straight-line basis over the lease term.

(o) Income tax

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

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

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

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

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

(p) Goods and Services Tax

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

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

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

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

(q) Off balance sheet funding

The Credit Union has facilitated the funding of Integris Securitisation Services Pty Ltd (Perpetual Trustees) securitised loans totalling $367,136 at 30 June 2022 (2021: $509,381) 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 risk exposure in respect of these loans.

1. Significant accounting policies (continued)

(r) 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 $55,843 as at 30 June 2021 (2021: $54,193).

Lending risk reserve

The Credit Union has a lending risk reserve of $199,000 as at 30 June 2022 (2021: $193,799). 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 2022 is $772,725 (2021: $859,906).

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 2022 is $550,000 (2021: $550,000).

Financial asset reserve

The financial asset reserve relates to the revaluation of equity investments (other financial assets) classified as fair value through other comprehensive income. The financial assets reserve as at 30 June 2022 is $243,137 (2021: $147,317).

(s) Fair value measurement

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

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

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Fair value measurement hierarchy

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective. The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

1. Significant accounting policies (continued)

(t) Accounting estimates and judgements

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

- Note 1(f) & Note 11 – Impairment of loans and advances with regards to the expected credit loss modelling and judgments, including:
  - Determining criteria for significant increase in credit risk: An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Credit Union takes into account qualitative and quantitative reasonable and supportable forward-looking information;
  - Choosing appropriate models and assumptions for the measurement of expected credit loss; and
  - Establishing groups of similar financial assets for the purposes of measuring expected credit loss: When expected credit loss is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.
- Note 13 - Fair value assumptions used for land and buildings;
- Note 12 – Fair value assumptions used for other financial assets; and

Going Concern

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

(u) New or amended accounting standards adopted

The Credit Union has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. None of the adopted Accounting Standards and Interpretations had a material impact on the financial statements of the Group. Any new or amended Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

(v) New accounting standards and interpretations not yet mandatory

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

2. Interest revenue and interest expenses

	2022 $	2021 $
Interest revenue		
Investment securities	161,611	84,344
Loans and advances	2,458,272	2,646,888
	2,619,883	2,731,232
Interest expense		
Member deposits	218,757	504,818
Lease liabilities	-	2,812
	218,757	507,630

3. Non-interest revenue

Revenue from contracts with customers		
Fees and commissions		
• Loan fee income	88,768	95,153
• Other fee income	289,616	282,029
• Commissions - insurance	32,395	16,703
• Commissions - other	21,659	40,118
Other sources of income		
Dividends	43,767	7,510
Other income	29,612	21,260
Government Grants	-	50,000
Total non-interest revenue	505,817	512,773

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

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

	Nature and timing of satisfaction of performance obligations	**Revenue recognition under AASB 15**
Fee income		
Loan fees	Loan fees and charges includes fees for ongoing loan account management, as well as late repayment fees and other penalty charges. These fees and charges are charged to the customer's account as incurred.	Loan fees and charges are recognised at the point in time when the transaction takes place.
Other fees	The Credit Union provides financial services to members. Fees for ongoing account management are charged to the customer's account on a monthly basis. Transaction-based fees are charged to the customer's account when the transaction takes place.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.
Commission income		
Insurance	Commission income is generated via the issuing of 3rd party insurance policies to members. A marketing allowance is also available to help cover the direct costs of projects and/or campaigns.	Commission income is recognised when the insurance policy is issued. Commission income for renewals is recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of a significant reversal in a subsequent period. The receipt of renewal commission income is outside the control of the Credit Union, and is a key judgement area. Marketing allowances are recognised in the year the campaign occurs.
Other	Other commission includes financial planning, Integris (off balance sheet loans) and Western Union international transactions.	Revenue is recognised at the point in time when it is received as that is when the service has occurred.

4. Other income

	2022 $	2021 $
Gain on disposal of property, plant and equipment	91,241	181

5. Other expenses

	2022 $	2021 $
Amortisation		
• Leasehold improvements	-	5,301
• Intangible assets	98,054	82,635
Depreciation		
• Buildings	18,100	15,458
• Plant and equipment	62,544	56,875
• Right-of-use assets	-	3,775
Fees and commissions	13,179	8,447
General and administration	1,490,948	1,444,995
Personnel costs		
• Wages and salaries	749,875	828,946
• Other associated personnel expenses	6,954	12,646
• Contributions to defined superannuation plans	90,110	85,067
• Annual leave expense	5,034	8,126
• Long service leave expense	2,549	(5,367)
Rental on operating leases	6,551	6,197
Total other expenses	2,543,898	2,553,101

6. Income tax

	2022 $	2021 $
Profit before tax	440,748	168,344
Prima facie income tax expense calculated at effective rate of 25% (2021: 26%) on net profit	110,187	43,769
Increase/(decrease) in income tax due to:		
• Imputation credits	(12,698)	749
• Increase/decrease in DTA/DTL	50,562	(5,761)
• Other adjustments from prior year	6,467	(2,165)
• Non-assessable income	-	(13,000)
• Utlisation of previous unrecognised tax losses	(2,770)	-
• Under/(over) provided for in prior years	(57,181)	-
Income tax expense	94,567	23,592
Current tax expense	101,186	(34,438)
Deferred tax expense	50,562	129,121
Adjustment for DTL on ARR	-	(65,330)
Adjustment to prior year tax	(57,181)	-
Adjustment for change in tax rate	-	(5,761)
Income tax expense	94,567	23,592

7. Recognised deferred tax assets & liabilities

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
	$	$	$	$	$	$
Loans & advances	9,694	21,982	-	-	9,694	21,982
Other financial assets	-	-	(73,618)	(49,663)	(73,618)	(49,663)
Prepayments	-	-	(21,499)	(22,312)	(21,499)	(22,312)
Property, plant & equipment (1)	-	-	(283,458)	(283,681)	(283,458)	(283,681)
Accrued expenses	6,343	3,120	-	-	6,343	3,120
Employee benefits	54,391	52,498	-	-	54,391	52,498
Tax value of loss carried forward	-	31,033	-	-	-	31,033
	70,428	108,633	(378,575)	(355,656)	(308,147)	(247,023)

(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 payable for the Credit Union of $67,261 (2021: receivable $45,187) represents the amount of income taxes payable in respect of current and prior periods.

	2022	2021
	$	$
Income tax payable / (receivable)	67,261	(45,187)
Movement in Taxation Provision		
Balance at beginning of the year	(45,187)	(11,665)
Current year's income tax expense on profit before tax	33,443	-
Income tax paid – current year	(15,275)	(45,187)
Income tax refund/(paid) – prior year	94,280	11,665
Balance at the end of the year	67,261	(45,187)

8. Cash and cash equivalents

	2022 $	2021 $
Deposits at call	3,780,000	700,000
Term deposits and Negotiable Certificates of Deposits	14,726,505	15,188,176
	20,814,494	18,727,985
Maturity Analysis		
No maturity	6,087,989	3,539,809
Remaining maturity not longer than 3 months	14,226,505	12,498,176
Remaining maturity longer than 3 months and less than 6 months	500,000	2,690,000
	20,814,494	18,727,985
Credit rating of cash & cash equivalents		
Cuscal Limited – rated A-1	7,824,494	5,086,481
ADI's rated A-1+	500,000	500,000
ADI's rated A-1	-	-
ADI's rated A-2	5,327,056	5,998,687
ADI's rated A-3	2,497,365	999,489
Unrated	4,000,000	5,500,000
Cash on hand – N/A	665,579	643,328
	20,814,494	18,727,985

9. Other receivables

Accrued income	24,053	11,051
Other	31,810	22,251
	55,863	33,302

10. Loans and advances

	2022 $	2021 $
Overdrafts	816,525	638,514
Term loans	69,578,759	68,438,961
Gross loans and advances	70,395,284	69,077,475
Provision for impairment	(38,775)	(87,930)
Net loans and advances	70,356,509	68,969,545
Maturity Analysis		
Overdrafts	816,525	638,514
Not longer than 3 months	833,271	775,596
Longer than 3 and not longer than 12 months	2,235,171	2,193,276
Longer than 1 and not longer than 5 years	10,689,765	10,810,436
Longer than 5 years	55,820,552	54,659,653
	70,395,284	69,077,475
Security held against loans		
Secured by mortgage over residential property	67,022,199	63,950,931
Secured by mortgage over commercial property	1,112,275	2,183,948
Total loans secured by real estate	68,134,914	66,134,879
Secured by funds	16,375	226,050
Partly Secured by goods mortgage	2,107,034	2,522,122
Wholly secured	136,961	194,424
	70,395,284	69,077,475

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:

	2022 $	2021 $
Loan to value ratio of 80% or less	59,120,861	55,684,299
Loan to value ratio of more than 80% but mortgage insured	8,163,677	9,315,439
Loan to value ratio of more than 80% not mortgage insured	850,376	1,135,141
	68,134,914	66,134,879

Concentration of risk

Significant individual exposures

	2022 $	2021 $
Individual credit facilities greater than 10% of capital in aggregate	7,283,988	7,302,569

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.

	2022 $	2021 $
• Victoria	56,217,315	56,689,234
• New South Wales	13,323,323	11,961,607
• Other	854,646	426,634
	70,395,284	69,077,475

11. Impairment of loans and advances

Total provision comprises of		
Expected credit loss allowance	38,775	87,930
Total provision	38,775	87,930

The loss allowance for 2022 is calculated and disclosed under the expected credit loss regime as per Note 1(f).

Amounts arising from expected credit loss:

An analysis of the Credit Union's credit risk exposure per class of financial asset and "stage" without reflecting the effects of any collateral or other credit enhancements is demonstrated in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Credit risk exposure under expected credit loss - 2022	**Stage 1 12 month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loan category	**2022 $**	**2022 $**	**2022 $**	**2022 $**
Mortgages loans – secured by residential property				
Not in arrears and up to 30 days	66,089,192	170,349	-	66,259,541
More than 30 days, but less than 90 days	-	-	-	-
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	-	-	255,311	255,311
Mortgages loans – secured by commercial property				
Not in arrears and up to 30 days	1,034,287	-	-	1,034,287
More than 30 days, but less than 90 days	-	-	-	-
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	-	-	-	-
Personal loans – secured & under secured				
Not in arrears and up to 30 days	2,019,423	-	-	2,019,423
More than 30 days, but less than 90 days	-	-	-	-
More than 90 days, but less than 180 days	-	-	10,396	10,396
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	-	-
Overdrafts	816,326	-	-	816,326
Total carrying amount – gross	**69,959,228**	**170,349**	**265,707**	**70,395,284**
Less expected credit loss allowance	(28,627)	(934)	(9,214)	(38,775)
Total carrying amount – net	**69,930,601**	**169,415**	**256,493**	**70,356,509**
Security analysis -Stage 2 & Stage 3	**-**	**-**	**-**	**-**
Estimated collateral – after discount	-	-	-	-

11. Impairment of loans and advances (continued)

Credit risk exposure under expected credit loss - 2021	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loan category	**2021 $**	**2021 $**	**2021 $**	**2021 $**
Mortgages loans – secured by residential property				
Not in arrears and up to 30 days	63,536,617	-	-	63,536,617
More than 30 days, but less than 90 days	319,182	-	-	319,182
More than 90 days, but less than 180 days	-	-	131,702	131,702
More than 180 days, but less than 270 days	-	-	105,039	105,039
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	-	-
Mortgages loans – secured by commercial property				
Not in arrears and up to 30 days	2,064,561	-	-	2,064,561
More than 30 days, but less than 90 days	-	-	-	-
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	-	-	-	-
Personal loans – secured & under secured				
Not in arrears and up to 30 days	2,230,064	-	-	2,230,064
More than 30 days, but less than 90 days	-	-	-	-
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	-	-	51,796	51,796
Overdrafts	596,829	-	41,658	638,514
Total carrying amount – gross	**68,747,253**	**-**	**330,222**	**69,077,475**
Less expected credit loss allowance	(9,414)	-	(78,516)	(87,930)
Total carrying amount – net	**68,737,839**	**-**	**251,706**	**68,989,545**
Security analysis -Stage 2 & Stage 3	**-**	**-**	**-**	**-**
Estimated collateral – after discount	-	-	-	-

11. Impairment of loans and advances (continued)

Reconciliation of allowance for impairment

The reconciliations from the opening to the closing balance of the allowance for impairment by class of financial instrument is shown in the table below:

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Movement category	**2022 $**	**2022 $**	**2022 $**	**2022 $**
Balance at 1 July per 2021	**9,414**	**-**	**78,516**	**87,930**
Transfers between stages	-	-	-	-
Movement due to increase in loans & advances	19,213	934	(6,608)	13,539
Movement due to change in credit risk	-	-	-	-
Bad debts written off from provision	-	-	(62,694)	(62,694)
Changes in model/risk parameters	-	-	-	-
Balance at 30 June 2022	**28,627**	**934**	**9,214**	**38,775**

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Movement category	**2021 $**	**2021 $**	**2021 $**	**2021 $**
Balance at 1 July per 2020	**27,094**	**-**	**55,418**	**82,512**
Transfers between stages	-	-	-	-
Movement due to increase in loans & advances	(17,680)		32,461	14,781
Movement due to change in credit risk	-	-	-	-
Bad debts written off from provision	-	-	(9,363)	(9,363)
Changes in model/risk parameters	-	-	-	-
Balance at 30 June 2021	**9,414**	**-**	**78,516**	**87,930**

Sensitivity Analysis and Forward-Looking Information

The volatility in the current environment as the domestic and global economy emerges from the Covid-19 pandemic has resulted in significant estimation uncertainty in relation to the measurement of the Credit Union's allowance for expected credit losses which could result in an understatement or overstatement.

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

The results of the sensitivity analysis performed, taking into consideration a probability weighted average of each different scenario eventuating, showed that the effect was not material compared to the Credit Union's base case allowance for expected credit losses. The Credit Union has elected to use the base case to measure its expected credit loss allowance at 30 June 2021. Given the economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future period, expected credit losses reported by the Credit Union should be considered as a best estimate within a range of possibilities. The rapidly evolving consequences of economic conditions and government, business and consumer responses could result in adjustments to the allowance within the next financial year.

11. Impairment of loans and advances (continued)

	2022 $	2021 $
Loans restructured		
During the year, some loans that were previously past due or impaired, have been restructured by the Credit Union.		
Loans restructured during the financial year - all	289,307	213,314
Balance at the end of the financial year	-	-

12. Financial Assets

	2022 $	2021 $
Investment securities		
Floating Rate Notes with other ADI's	8,000,000	6,000,000
Government Bonds	10,000,000	4,000,000
	18,000,000	10,000,000
Equity investment securities designated as fair value through other comprehensive income (FVOCI) – held at fair value		
• Shares in Cuscal Limited (a)	382,543	291,189
• Shares in TransAction Solutions Pty Ltd	42,017	37,551
	424,560	328,740
	18,424,560	10,328,740
Maturity Analysis of Investment Securities		
No maturity	-	-
Remaining maturity not longer than 12 months	-	-
Remaining maturity longer than 12 months	18,000,000	10,000,000
	18,000,000	10,000,000
Credit rating of Investment Securities		
ADI's and Government Authorities rated A and above	18,000,000	10,000,000
Unrated ADI's and Government Authorities	-	-
	18,000,000	10,000,000

(a) Cuscal Limited

This company supplies services to the member organisations which are all Credit Unions and Mutual Banks. In 2019, these investments were classified as available-for-sale and measured at cost. At 1 July 2018, the Credit Union designated its investment in CUSCAL equity securities as at FVOCI, as the Credit Union considers these investments to be strategic in nature and the shares are only able to be traded within a market limited to other mutual ADI's.

Management have used unobservable inputs to assess the fair value of the shares. Management has determined that the net tangible asset per share (from the latest available financial statement) is a reasonable approximation of fair value based on the likely value available on a sale.

Notes to Financial Statements

For the year ended 30 June 2022

13. Property, plant and equipment

	2022	2021
	$	$
Land		
At fair value	1,200,000	1,260,000
	1,200,000	1,260,000
Buildings on freehold land		
At fair value	646,996	708,790
Accumulated depreciation	(20,125)	(3,752)
	626,871	705,038
Plant and equipment		
At cost	632,530	636,689
Accumulated depreciation	(527,485)	(474,280)
	105,045	162,409
Leasehold improvements		
At cost	-	76,569
Accumulated amortisation	`-	(76,569)
	-	-
Total property, plant and equipment at written down value	1,913,916	2,127,447

(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 2020	1,150,000	541,486	144,939	19,706	1,856,131
Additions	-	-	75,985	-	75,985
Revaluations	110,000	179,010	-	-	289,010
Disposals	-	-	(1,640)	(14,405)	(16,045)
Depreciation	-	(15,458)	(56,875)	-	(72,333)
Amortisation	-	-	-	(5,301)	(5,301)
Balance at 30 June 2021	1,260,000	705,038	162,409	-	2,127,447
Balance at 1 July 2021	1,260,000	705,038	162,409	-	2,127,447
Additions	-	-	5,180	-	5,180
Revaluations	-	-	-	-	-
Disposals	(60,000)	(60,067)	-	-	(120,067)
Depreciation	-	(18,100)	(62,544)	-	(80,644)
Amortisation	-	-	-	-	-
Balance at 30 June 2022	1,200,000	626,871	105,045	-	1,931,916

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 21st June 2021 by Roger M Porter, AAPI (Val) and applied by the Credit Union as at 30 June 2021.

The Directors have performed a review of the fair value and do not believe that there has been a material movement in fair value since the latest valuation in 2021 for these properties. While the Director valuation does not indicate impairment of land and buildings, it does present estimation uncertainty regarding the valuation of the land and buildings by acknowledging that past cycles indicate a lag for property markets to react to economic events, and that the extent of any decline in value is presently uncertain. The fair value assessed may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that could not reasonably have been aware of as at the date of valuation). Refer to Note 1 (h), Note 1 (s) and Note 28 for further information on fair value measurement.

14. Intangible assets

	2022 $	2021 $
Computer and software licenses		
At cost	1,268,846	1,087,753
Accumulated amortisation	(885,237)	(787,182)
	383,609	300,571

Reconciliations

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

Computer and software licenses		
Balance at beginning of the year	300,571	99,400
Additions	181,092	283,806
Amortisation	(98,054)	(82,635)
Balance at end of the year	383,609	300,571

15. Other assets

Prepayments	227,279	247,812
Accrued Income	1,249,833	1,036,385
	1,477,112	1,284,097

16. Member deposits

	2022	2021
	$	$
Call deposits	68,382,674	60,138,323
Term deposits	36,117,001	33,448,659
	104,499,675	93,586,982
Maturity analysis		
At call	68,382,674	60,138,323
Not longer than 3 months	19,332,341	14,865,789
Longer than 3 and not longer than 12 months	15,322,022	18,582,870
Longer than 1 and not longer than 5 years	1,462,638	-
	104,499,675	93,586,982

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:

	2022	2021
- Victoria	72,959,511	68,564,340
- New South Wales	29,085,352	24,272,521
- Other	2,454,812	750,121
	104,499,675	93,586,982

Significant individual member deposits

As at 30 June 2022 the Credit Union's deposit portfolio included $6,965,012 deposit exposures which represented 5% or more of total liabilities (2021: $nil).

17. Trade and other payables

	2022	2021
Accrued interest payable	48,728	92,795
Sundry creditors and accruals	817,722	569,947
	866,450	662,742

18. Employee benefits

	2022	2021
Current		
Liability for long service leave	96,724	86,466
Liability for annual leave	105,439	100,406
Non-current		
Liability for long service leave	15,403	23,112
	217,566	209,984

19. Leases

Credit Union as a lessor

OPERATING LEASES

Nature of the leasing activities

The Credit Union receives rental income from tenants who lease a portion of the land and buildings owned by the Credit Union in Yarrawonga. These leases have been classified as operating leases for financial reporting purposes.

Terms and conditions of leases

These operating lease contracts contain extension options at the right of the lessee. All contracts contain market review clauses in the event that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Income statement

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

	2022 **$**	**2021** **$**
Lease/rental income (excluding variable lease payments not dependent on an index or rate)	23,850	9,978
Lease/rental income relating to variable lease payments not dependent on an index or rate	5,686	6,008
Total lease/rental income	29,536	15,986
Direct operating expenses (including repairs & maintenance) arising that generated rental income during the period	1,266	1,170
Direct operating expenses (including repairs & maintenance) arising that did not generate rental income during the period	-	-
Total direct operating expenses	**1,266**	**1,170**

Maturity analysis of lease payments receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	24,570	27,300
1 - 2 years	25,307	27,557
2 - 3 years	26,066	27,818
> 3 years	-	-
Total undiscounted lease payments receivable	75,943	82,675

FINANCE LEASES

Nature of the leasing activities

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

20. Reconciliation of cash flows from operating activities

	2022 $	2021 $
(a) Cash flow from operating activities		
Profit after income tax	346,180	144,752
Non cash flows in operating surplus/(deficit):		
Impairment charge	13,538	15,111
Depreciation	80,644	72,333
Amortisation	98,054	82,635
Gain on disposal of plant & equipment	(91,241)	(181)
Changes in assets and liabilities:		
(Increase)/Decrease in receivables	(22,561)	15,012
(Increase)/Decrease in other assets	(193,015)	(1,038,516)
(Increase)/Decrease in deferred tax asset	38,205	(25,011)
(Increase)/Decrease in right of use asset	-	102,951
Increase/(Decrease) in payables and accruals	203,708	(271,917)
Increase/(Decrease) in income tax receivable	45,187	(33,522)
Increase/(Decrease) in income tax payable	67,261	-
Increase/(Decrease) in employee benefits	7,582	2,759
Increase/(Decrease) in lease liability	-	(118,063)
Increase/(Decrease) in deferred tax liability	22,919	50,037
Net cash from revenue activities	616,461	(992,544)
Add/(deduct) non revenue operations		
(Increase)/decrease in loans and advances	(1,366,964)	(6,484,900)
Increase/(decrease) in deposits	10,912,693	3,546,145
Cash flow from operating activities	10,162,191	(3,931,299)

(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 2022, the Credit Union does not have a bank overdraft facility. This is consistent with 2021.

(d) Special finance line – standby facility

As at 30 June 2022, the Credit Union does not have a standby facility. This is consistent with 2021.

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

(e) CUSCAL – Settlement Security Deposit

In the 2022 financial year, CMCU lodged a Settlement Security Deposit ("SSD") with CUSCAL. The SSD is a security deposit of $2,740,000 (2021: $1,730,000) held in a standard term deposit account with CUSCAL.

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 26 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 27 Financial Instruments notwithstanding the existence of these specific contractual encumbrances.

21. Contingent liabilities and credit commitments

In the normal course of business, the Credit Union enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of customers. The total credit related commitments and the financial guarantees do not necessarily represent future cash requirements.

The Credit Union uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets.

Credit related commitments includes approved but undrawn loans, credit limits and loan redraw facilities.

Security analysis of credit related commitments	**Credit related commitments**		**Financial guarantees**	
Secured by:	**2022**	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Secured by mortgage over real estate	3,569,066	2,247,729	10,000	10,000
Secured by funds	92,867	140,497	-	-
Partly secured by goods mortgage	93,573	49,572	-	-
Fully unsecured	152,443	176,393	5,100	5,100
Guarantee	43,084	41,286	-	-
Total	3,951,033	2,655,477	15,100	15,100

21. Contingent liabilities and credit commitments (continued)

Other contingent liabilities

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;
- 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.

22. Outsourcing arrangements

The Credit Union has outsourcing arrangements with 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, the provision of debit cards and personal identification numbers and access to the BPAY scheme and the New Payments Platform.

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.

23. 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	
J Vagg	

Executive

J Pattison	Chief Executive Officer

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.

23. Key management personnel (continued)

Key Management personnel compensation

The Key Management Personnel compensation included in “personnel costs” (see Note 5) are as follows:

	2022 $	2021 $
Short-term employee benefits	252,239	250,427
Other long term benefits	3,197	2,983
Post employment benefits	34,026	31,343
	289,462	285,133

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 its 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	2,131,461	2,255,419
Loans and advances to other related parties	-	-
	2,131,461	2,255,419

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 $nil (2021: $nil) were made available to Directors and Key Management Personnel during the year. The aggregate amount receivable at 30 June 2022 was $29,778 (2021: $29,750). 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 $nil concessional loan rate facilities funded during 2022 (2021: $54,706), excluding those disclosed separately as Key Management Personnel loans.

Loans totalling $300,000 (2021: $939,500) were made to Key Management Personnel and other related parties during the year. As at 30 June 2022 there was $nil (2021: $nil) of loans approved but not yet funded in relation to Key Management Personnel.

During the year, Ms L Douglas, Mr J Vagg, Mr M Forster-Knight, Mrs F McCallum, Mrs B Skinner and Mr J Pattison (2021: Ms L Douglas, Mr J Vagg, Mr M Forster-Knight, Mrs F McCallum, Mrs B skinner and Mr J Pattison) repaid $2,391,699 (2021: $396,999) of the balances outstanding on their loans and revolving credit facilities.

The Credit Union’s policy for lending to Key Management Personnel 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(q).

23. Key management personnel (continued)

Interest received on the loans to Key Management Personnel and other related parties totalled $78,145 (2021: $58,715). 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 2022 (2021: nil).

	2022 $	2021 $
Total value term and savings deposits from key management personnel	192,013	684,780
Total value term and savings deposits from other related parties	-	-
Total interest paid on deposits to key management personnel	77	30
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.

24. 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 2022, 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 $8,207,037 (2021: $5,377,670) represents shares held in Cuscal Limited of $382,543 (2021: $291,189) and cash and investments with Cuscal Limited of $7,824,494 (2021: $5,086,481).

Other cash investments in excess of 10% of shareholders equity were also placed in APRA regulated deposit taking institutions at 30 June 2022.

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

25. Auditor's remuneration

Amounts received or due and receivable by the External Auditor o Central Murray Credit Union (including GST) for:		
audit of the financial statements of the Credit Union	38,720	37,950
- other regulatory assurance services	19,580	18,480
- other services – taxation and other assistance	8,569	7,804
	66,869	64,134

Audit and related services were provided by Crowe Albury and taxation services by Findex. The above amounts exclude out of pocket expenses recovered.

26. 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 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 Risk Committee:* Its key role in risk management is the overview of the Credit Union's internal control framework and risk management systems.
- *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.
- *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.

(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.

26. Risk management objectives and policies (continued)

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 27 below. The table set out in Note 27 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 2022, the net profit impact for a 1% increase in interest rates would be $604,272 increase in profit (2021: $673,568). A decrease of 1% 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.

(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 21.

26. Risk management objectives and policies (continued)

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% (2021: 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.

The liquidity ratio as at the end of the financial year was:

	2022	**2021**
Minimum Liquidity Holdings	27.57%	20.62%
Operational Liquid Assets	5.04%	6.03%
Total	**32.61%**	**26.64%**

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.

(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.

Details on the expected credit loss provision used by the Credit Union for loans and advances are set out in Note 11.

26. Risk management objectives and policies (continued)

Past due and impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. A past due classification can trigger various actions such as a renegotiation, enforcement of covenants, or legal proceedings.

For loans where repayments are doubtful, external agencies are engaged to conduct recovery action. The exposure to losses arise predominately in personal loans and facilities not secured by registered mortgages over real estate.

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.

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.

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 fulfil its obligations. The exposure values associated with each credit quality investment body are detailed in Notes 8 and 24.

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.

26. Risk management objectives and policies (continued)

(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, outsource 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.

(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.

26. Risk management objectives and policies (continued)

	2022 $	2021 $
Capital adequacy calculation		
Tier 1 capital		
Net tier 1 capital	6,477,795	6,301,497
Tier 2 Capital		
Net tier 2 capital	199,000	193,799
Total Capital	6,676,795	6,495,296
Risk profile		
Credit Risk	39,699,935	39,978,885
Operational Risk	5,100,624	4,484,371
Total risk weighted assets	44,800,559	44,463,256
Capital adequacy ratio	14.90%	14.61%

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 and APRA if the capital ratio falls below the internal trigger point of 14%. 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.

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 its website.

27. Financial instruments

(a) Interest rate risk

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

Financial instruments	Floating (variable) interest rate		1 year or less		Over 1 to 5 years		Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 %	2021 %
Financial assets:												
Cash and cash equivalents	5,422	2,896	14,727	15,188	-	-	665	644	20,814	18,728	0.55%	0.16%
Other receivables	-	-	-	-	-	-	56	33	56	33	N/A	N/A
Loans and advances (gross)	69,197	65,995	581	3,083	617	-	-	-	70,395	69,078	3.59%	3.78%
Other investments	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Financial assets	6,000	-	-	-	12,000	10,000	425	329	18,425	10,329	1.22%	0.40%
Total financial assets	74,619	68,891	15,308	18,272	18,617	10,000	1,147	1,006	109,690	98,168		
Financial liabilities:												
Members deposits	68,342	60,097	34,654	33,449	1,463	-	41	41	104,500	93,587	0.23%	0.33%
Trade and other payables	-	-	-	-	-	-	866	663	866	663	N/A	N/A
Total financial liabilities	68,342	60,097	34,654	33,449	1,463	-	907	704	105,366	94,250		

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

27. Financial instruments (continued)

(b) Maturity profile of financial assets and liabilities

Monetary assets and liabilities have differing maturity profiles depending on the contractual terms, and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal 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**	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
Financial assets:														
Cash and cash equivalents	14,246	14,693	501	506	-	-	-	-	6,088	3,540	20,835	18,739	20,814	18,728
Other Receivables	-	-	-	-	-	-	-	-	32	22	32	22	56	33
Loans and advances (gross)	1,525	1,444	4,260	4,194	21,123	20,432	79,404	76,313	-	-	106,312	102,383	70,395	69,077
Other investments	-	-	-	-	-	-	-	-	-		-	-	-	-
Financial assets	-	-	-	-	13,007	9,039	5,007	1,011	425	329	18,439	10,379	18,425	10,329
Total financial assets	15,771	16,137	4,762	4,700	34,130	29,471	84,411	77,324	6,544	3.891	145,618	131,523	109,690	98,168
Financial liabilities:														
Members deposits	19,376	14,954	15,376	18,691	1,471	-	-	-	68,383	60,138	104,606	93,783	104,500	93,587
Trade and other payables	-	-	-	-	-	-	-	-	818	570	818	570	866	663
Total financial liabilities	19,376	14,954	15,376	18,691	1,471	-	-	-	69,201	60,708	105,424	94,353	105,366	94,250

27. Financial instruments (continued)

(c) 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 three 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 approximate 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 2022 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 26 (g).

Trade and other payables

The carrying amount approximates fair value as they are short term in nature as outlined in Note 27.

Other financial assets

The Credit Union has estimated the fair value of the equity investments within other financial assets utilising the net asset of the underlying Companies from the most recent financial statements available.

Hence, the key unobservable input in regards to the fair value is the net assets/share amount. Any changes in the net assets of the underlying Company would directly impact the net asset/share amount used by the Credit Union, and impact on the fair value estimate of the other financial assets and the Financial Assets Reserve within equity.

27. Financial instruments (continued)

(d) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	2022 $	2021 $
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	2,307,989	2,839,809
Receivables due from other financial institutions	26,506,505	21,888,176
Receivables due from government authorities	10,000,000	4,000,000
- Other receivables	55,863	33,302
- Member loans and advances (gross)	70,395,284	69,077,475
	109,265,641	97,838,762
Financial assets at fair value through other comprehensive income (FVOCI)		
- Other financial assets	424,560	328,740
	424,560	328,740
Total financial assets	111,332,611	98,167,502
Financial liabilities		
Financial liabilities at amortised cost		
Accounts payable and other liabilities	866,450	662,743
Member deposits	104,499,675	93,586,982
Total financial liabilities	105,366,125	94,249,725

28. Fair value measurement

Fair value hierarchy

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

2022 **Assets measured at fair value**	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings	-	1,826,871	-	1,826,871
Other financial assets (at FVOCI)	-	-	424,560	424,560
Total	**-**	**1,826,871**	**424,560**	**2,251,431**

2021 **Assets measured at fair value**	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings	-	1,965,037	-	1,965,037
Other financial assets (at FVOCI)	-	-	328,740	328,740
Total	**-**	**1,965,037**	**328,740**	**2,293,777**

The Credit Union has assessed that, at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Notes 12 and 27(d).

28. Fair value measurement (continued)

Assets measured at fair value based categorised as Level 2

Land and buildings have been valued based on similar assets, location and market conditions.

Assets measured at fair value based categorised as Level 3

	Other financial assets (at FVOCI) Total	
Movement category	**2022**	**2021**
	$	**$**
Balance at 1 July per AASB 139	N/A	N/A
Adjustment on initial application of AASB 9	N/A	N/A
Balance at 1 July per AASB 9	**328,740**	**205,748**
Revaluation through other comprehensive income	95,820	122,992
Impairment through profit or loss	-	-
Purchases	-	-
Sales	-	-
Closing balance - at 30 June	**424,560**	**328,740**

29. Corporate information

The Credit Union is a company registered under the Corporations Act 2001.

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.

30. 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 52, 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 2022 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
Chairperson

M O'Dwyer
Vice Chairperson

Dated at Yarrawonga this 21 September 2022.

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Central Murray Credit Union Limited

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 Credit Union), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Central Murray Credit Union Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Credit Union's financial position as at 30 June 2022 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Credit Union in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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 information contained in the Credit Union's Annual Report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Crowe Albury

CROWE ALBURY

David Munday

DAVID MUNDAY
Partner

21 September 2022
Melbourne

How it all began for the community

The year 2022 marks a significant milestone for the Central Murray Credit Union (CMCU) when the organisation celebrates its 50th anniversary.

The CMCU (formally known as the Yarrawonga Credit Union) has a proud history in the local community boasting significant community contribution.

To celebrate credit union's official 50 year anniversary, the Chronicle in partnership with the CMCU, will feature some of the organisation's many highlights, community contributions and influential people.

Central Murray Credit Union Limited started life as Yarrawonga Credit Union Co-operative Limited on the 8th August, 1972.

Trading commenced in September 1972 in Belmore Street Yarrawonga. After operating from several temporary offices, a permanent office was purchased in 1974 at 58 Belmore Street, from which they still operate today.

The origin of Yarrawonga Credit Union commenced at a public meeting held on the July 4, 1972. Chairman was Councillor Frank Keenan who had called the meeting to discuss the desirability of forming a Credit Union Co-operative in Yarrawonga.

The steering committee that was formed from that meeting was comprised of Cr. Barry Woods (the main organiser of the credit union), Cr Bruce Forge, Don Presley, John Williams, Pat Flanagan, Tony Farey, Roy Loughnan, John Easdown, Brian Power, Gordon Oakley and Mrs. Gloria Begley.

A study was made of the credit unions already established at Benalla, Wangaratta, Kyabram, Shepparton and Numurkah. The success achieved by these five co-operatives convinced the committee that Yarrawonga should have a credit union co-operative. The actual formation took place at a follow up meeting on 1st August, 1972 with registration under the Co-operative Act 1958 and business commenced shortly after the first Board meeting that was held on September 8, 1972.

SHIRE OF YARRAWONGA

PUBLIC MEETING

NOTICE is hereby given that a Public Meeting will be held in the Community Hall, Orr Street, Yarrawonga, on

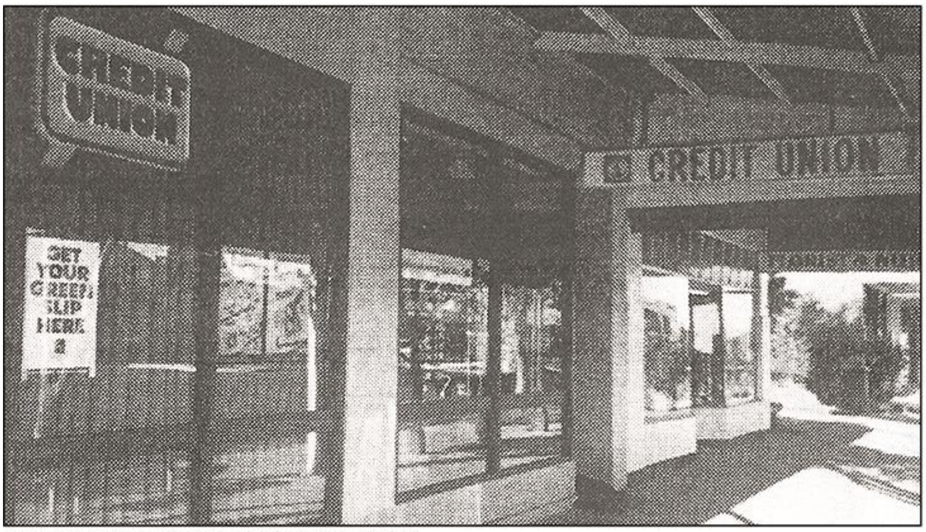
TUESDAY, 4th JULY, at 8 p.m.
1972

to consider the establishment of a Credit Co-operative Society within the district.

Guest Speakers will be in attendance.

F. J. KEENAN, Shire President.

Original Office Manager Joan O'Bryan and founding and long standing board member Tony Farey.



The Yarrawonga Credit Union office on 58 Belmore Street in 1993.

Arrangements were made to have an initial agency in the office of Young Lambert, Easdown & Company at 38 Belmore Street. The original foundation Board of Directors consisted of Barry Woods, Tony Farey, Don Presley, Tom Etchells, Brian Power, James Campbell and Gloria Begley. At the first Board meeting, John Williams was appointed Secretary/Treasurer.

Most of these directors knew very little about the day to day running of a credit union. John Williams found out and guided the board through teething troubles. A great amount of guidance was given by Tony Farey who showed that he had a natural knowledge of organisation and handling of money.

Towards the latter part of the year a Promotions Committee was formed; this committee consisted of Tom Etchells, Gloria Begley and Alan Hayes. This committee moved into top gear with advertising and a fairly good pamphlet.

At the first Annual General Meeting in 1973, Yarrawonga Credit Union started with 37 members. Eight months later the membership had reached 71.

The purchase of two shops on one title at the credit union's current premises at 58 Belmore Street came about after the directors leant on prominent people in the shire and asked them to invest money in the credit union for which they would pay interest of 10.00%. Between Barry Woods and Tony Farey, they organised a business loan with the Association to purchase the buildings and they proceeded to move in and install the office staff.

Soon after the credit union was open for business from 2pm to 5pm on Monday, Tuesday, Thursday and Friday.

Join our 50-year celebrations

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The CMCU (formerly known as the Yarrawonga Credit Union) has a proud history in the local community boasting significant community contribution.

To celebrate credit union's official 50 year anniversary, the Chronicle in partnership with the CMCU, will feature some of the organisation's many highlights, community contributions and influential people.

The Central Murray Credit Union will celebrate its 50-year anniversary milestone on Monday, August 8.

Central Murray Credit Union Limited started life as the Yarrawonga Credit Union Co-operative Limited on the 8th August, 1972.

Trading commenced in September 1972 in Belmore Street, Yarrawonga. After operating from several temporary offices, a permanent office was purchased in 1974 at 58 Belmore Street, from which they still operate today.

The 50-year celebrations will be held at the Belmore Street offices where past directors, staff, credit union members and the wider communities of Yarrawonga, Cobram and Tungamah are invited to join in on the celebrations from 10am to 12noon.

Chief Executive Officer John Pattison said the celebration is a proud milestone to officially mark for all those that have had some involvement in making their community owned banking and financial service the thriving business it is today.

"The board of directors and management welcome past directors, staff our wonderful and loyal credit union members and other members of the community to come in and join and celebrate this special occasion at our main office in Yarrawonga," Mr Pattison said.

"For the past fifty years we have developed many strong relationships with our community members and organisations and have invested heavily within the local communities of Yarrawonga, Cobram and Tungamah and surrounding townships and will continue to do so."

When the credit union first started it had 37 members and just $28,000 in funds under management. Fast forward to 2022 and they now manage over $174 million in members funds.

Mr Pattison, who started with the credit union in 1995, said banking has evolved and changed significantly in the last 50 years particularly over the last decade with customers utilising more digital services of which the Central Murray Credit Union remains at the forefront.

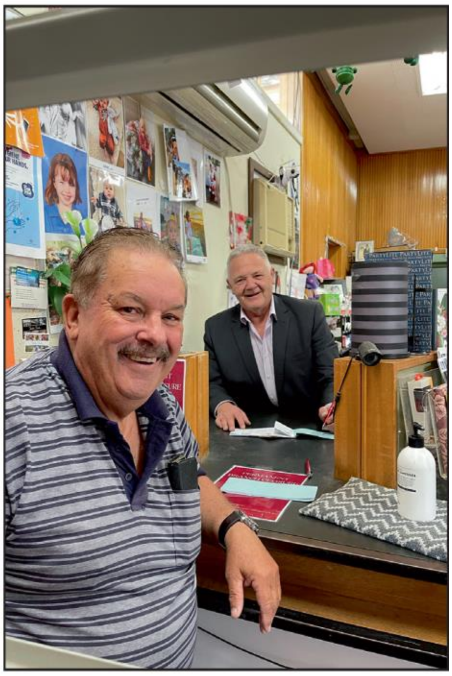
"Banking access has been transitioning to digital services and on-line banking has been growing for some time and this has also exploded during the pandemic.

"At CMCU we continue to move with the times and review our business model regularly to address the future needs of its members.

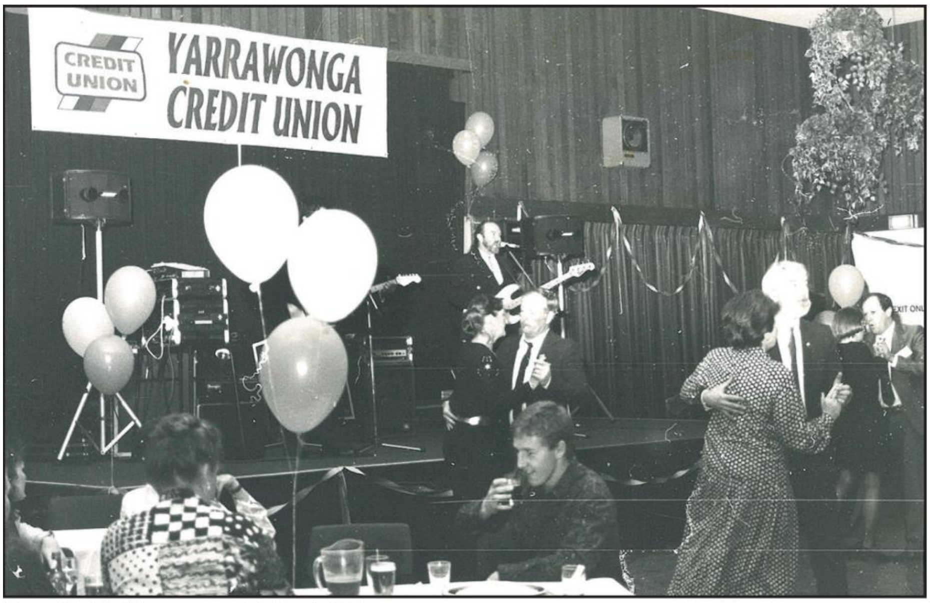
"We remain committed and proud of delivering our local and personal service at our main office in Yarrawonga and we are also well positioned to provide the updated digital products to ensure that members have total 24/7 access to their banking needs. With Visa card access, on-line banking and telephone banking, members have easy access to their funds," Mr Pattison said.

The credit union also has a proud commitment of contributing to community organisations and clubs over the last 50 years.

"We very much value our relationships and support with various clubs and community organisations in the region, and we will be celebrating this important aspect of our history as part of our 50-year celebrations," Mr Pattison added.



Tungamah resident Les Harrison with CMCU Chief Executive Officer John Pattison.



The credit union's 21st anniversary celebrations in 1993.

Directors played a big part of success

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The hard-working effort of board directors of the Yarrawonga Credit Union, now the Central Murray Credit Union, has been pivotal to the success of the important community banking institution since its formation 50 years ago.

Special tribute was particularly made to the late Tony Farey, regarding the successful formation and running of the credit union, as part of the 50th anniversary celebrations on Monday, August 8.

Mr Gorman acknowledged key personnel and board members, whom some have unfortunately passed on but was glowing in describing Mr Farey's trailblazing contribution.

"Tony Farey was amazing. He knew everything. He got it going. He was totally committed to the credit union. He is someone to remember the effort we all have to put into the credit union," he said.

Mr Farey was represented by daughter Sue Farey at the 50th anniversary occasion. Mr Farey holds the longest record of service with the credit union and helped in all avenues such as the supervisory committee, director, treasurer, loans committee, internal audit committee and nominations committee.

Speaking to the Yarrawonga Chronicle after the milestone achievement celebration, Trevor Lewin, one of the CMCU's longest serving directors, also added his praise.

"Tony was a powerhouse. As John said, Tony knew everything."

Mr Lewin has always played a role within the credit union starting as a director in 1982 then moving in 1998 to serve on the internal audit committee.

"In the early 1980s, as a teacher at Yarrawonga High School, another teacher was asked if he wanted to join the Yarrawonga Credit Union Board. He asked me if I was interested to which I agreed, so board meetings became a new interest for me," Mr Lewin reasoned.

Trevor Lewin, Sue Farey and Joan O'Bryan at the CMCU 50th anniversary early this month.

CMCU Foundation Directors at the official opening on November 13, 1998 of the larger premises at 58 Belmore Street Yarrawonga, from left, James Campbell, Tony Farey and Tom Etchells.

Mr Lewin retired five years ago as part of the internal audit committee but came back to serve on the nominations committee which he still serves on today. Overall, the 75-year-old served more than 20 years as a director.

"I enjoyed it and was always impressed with the board," Mr Lewin said.

"My highlights included the opening of the new building (bigger premises at 58 Belmore Street, 1998), internal audit meetings from 9.00am to around 12 noon where John Pattison (CEO) would sometimes buy us coffee and the terrific working relationship with the staff."

Although well qualified in the commerce area with accounting and legal studies, Mr Lewin said he had so much to learn – like everybody else – about the credit union which was fortunate to have Mr Farey.

"Tony Farey was knowledgeable about almost everything and he trained me in the practice of the internal audit committee which also comprised Jim Holland, Michael Barclay and Tony," he said.

"One of the matters we reviewed was the credit union's compliance with APRA's (Australian Prudential Standard Authority).

"The board under chairmanship of John Gorman is proactive in its role acting in the interests of the credit union. It was good to see Joan O'Bryan and Sue Farey who represented her father Tony at the 50-year anniversary."

Mrs O'Bryan was the first employee at the credit union in 1975 and would open the office four days a week for three hours each day. She was originally responsible for the day-to-day operations but as the credit union grew her focus moved to being responsible for member services.

Mrs O'Bryan worked for the credit union on and off for the next 20 years and finished her service in 1995 but maintains a special place within the credit union family.

Local identity Brian Quinn, who served on the internal audit committee for 18 years finishing in 1998, was also present at the 50th anniversary celebrations along with current directors John Gorman, Faith McCallum, Josh Vagg and Bernadette Skinner.

Credit Union's wonderful community support

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A team effort…John Gorman, John Pattison and Ross Mulquiney with the $5,000 cheque towards netball upgrades at Yarrawonga Football Netball Club.

By Robert Muir

Throughout its 50-year history, Central Murray Credit Union (CMCU) has strongly supported numerous local clubs and individuals with donations of money and advice.

"I would estimate we have donated funds totalling $750,000 over the decades, for clubs or organisations, and individuals," CMCU Chief Executive Officer John Pattison told the Yarrawonga Chronicle.

The Credit Union CEO emphasised the close link by the financial institution with the local community, a much closer one than experienced with bigger banks in town which have decreased in number and/or introduced reduced opening times.

"Historically we have enjoyed a good working relationship with so many local organisations. We are owned by our members, our community. They support us, we support them," Mr Pattison, who has 27 years' service at the Belmore Street Yarrawonga premises, said.

In Yarrawonga, as examples, all the local football netball clubs, cricket clubs, bowling clubs, tennis, table tennis, swimming, fishing and golf have benefitted from CMCU funding over the years.

Cobram Harness Racing and Barooga Cricket Club are two Cobram Barooga organisations which have received a financial boost from the CMCU.

CMCU Finance/Compliance Manager of 19 years' service with the CMCU, Julie Barnes, said: "We are always happy to consider and donate to a worthwhile cause."

Australian Olympic shooter James Willett of Yarrawonga said the CMCU has been "a massive supporter" of his, throughout what continues to be a brilliant career in clay target shooting.

"The local Credit Union is my longest standing sponsor," James, who practises on the family farm in Mulwala, said. "I am very grateful for their continued support with assistance to meet some of the travel costs associated with my domestic and international competitions.

"The Credit Union was a massive support to my first international competition where I made my first Australian team to NZL for the world DTL Championships in 2014 and still continue to assist me as I work towards the Paris Games."

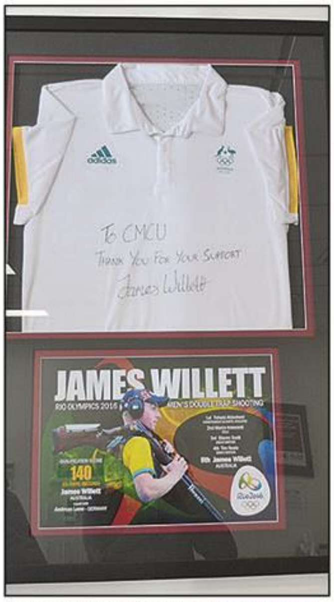
When the CMCU celebrated its milestone 50th anniversary on Monday, August 8, 2022, its chairman John Gorman referred to the Credit Union's annual substantial budget supporting the community for numerous organisations including sport and health-related groups.

Speaking after Mr Gorman, Moira Shire Deputy Mayor Peter Lawless said he witnessed first-hand of donations by the CMCU.

"The annual Burramine Gift was just one example – the generous Credit Union donations over the years. "You've shown great leadership in that area," Cr Lawless said.

The third and final speaker at the 50-year milestone achievement, Member for Ovens Valley Tim McCurdy, from Cobram, mentioned: "Every community needs a school, a hospital and the CFA but a good community has a community bank."

The CMCU continues to be a great supporter of the Yarrawonga Football Netball Club. Club president since 2016, Ross Mulquiney, expressed the club's appreciation of the Credit Union's support over many years.



A framed shirt and photograph of appreciation to the CMCU from champion Australian trapshooter James Willett is proudly displayed in the Credit Union's premises in Belmore Street Yarrawonga.

Yarrawonga Football Netball Club's latest donation, of $5,000 towards the construction of netball courts and changerooms is just one of many examples of the great work undertaken by the CMCU.

Upon receiving the donation, Mr Mulquiney said: "One of the benefits of banking with the CMCU is the return back into the community. This is just one example of the great work of the CMCU is doing in your community."

Before Mr Mulquiney, record serving club president Glenn Brear from 1996 to 2015, also praised the CMCU, adding: "If you were in need of any advice they were always quick to come to the fore."

With its boards of directors and staff, the CMCU and community have displayed hardworking teamwork over the decades. The co-operation and results place the Credit Union in a strong financial position for investors, and allows donations to local organisations and individuals for worthy causes.

Barooga Cricket Club's Kale Watkins (senior player), President Sam Leigh and Under 14's Murphy Stephens with Central Murray Credit Union Director Mick O'Dwyer have benefitted from the CMCU.

Credit Union supports education

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Yarrawonga College P-12's 2022 Energy Breakthrough 7-8 HPV Team Lucas Eales, Jai Sneddon, Melia McDonald and Abbey Ibrahim with CMCU's Sally Eales at left.

Sacred Heart College 2012 Brian Dykes Award winners Sophie Coghill and Xavier Martin.

By Robert Muir

Fifty-year-old Central Murray Credit Union (CMCU) Yarrawonga has proven to be a strong supporter of local education and health over the decades.

"Over the years, I would estimate we have donated about $250,000 for local educated-related and health groups – and non-sporting groups," the Credit Union Chief Executive Officer John Pattison informed the Yarrawonga Chronicle.

"That has included, on average, up to $5,000 a year for local schools in Yarrawonga, Mulwala, Tungamah, Barooga and Cobram."

A total of $500 per annum has been provided to schools, when requested and agreed to. The funding has been used by the schools for whatever purpose – providing for or going towards scholarships, traineeships, special awards including Sacred Heart College's Brian Dykes Award and special trips such as the hugely significant 96km single file foot thoroughfare through the Owen Stanley Range, Papua New Guinea Kokoda Trail.

Year 6 dictionaries to Barooga Public School 2022 Grade 6 students, pictured with school principal Michael O'Dwyer.

The Central Murray Credit Union has provided significant support to Sacred Heart College for many years. In particular, it sponsors one of the college's major End of Year Awards, the Brian Dykes Award.

"Brian was a much loved and popular figure in Yarrawonga, a long serving CMCU employee and a Sacred Heart College parent," school principal Lew Nagle said.

"We enjoy a great working relationship with the CMCU, a much-respected local organisation and we look forward to continuing that relationship in the future."

The 'Energy Breakthrough' is an excellent program for Yarrawonga College P-12. " 'Energy Breakthrough' is designed to provide opportunities for students, teachers, parents and the local community to work together to design and construct a vehicle, a machine or innovation in technology that will represent an 'energy breakthrough'," college principal Damien Keel said.

"The program encourages participants to examine and use the latest technology while considering its impact on the environment and the way people live locally and globally.

"We have appreciated funding assistance from the CMCU over the years and this is a recent example of that excellent assistance."

Heather Kelly was in charge as Co-ordinator and then Executive Officer of the Yarrawonga Neighbourhood House (now Yarrawonga Mulwala Community & Learning Centre) for over 20 years. "Our organisation enjoyed an excellent working relationship with the staff and Board of the Credit Union," she said.

"In a time of great flux as we entered the digital age their support in enabling us to transition to internet banking and setting up secure financial systems was very beneficial."

Yarrawonga Health has enjoyed a close working relationship with the CMCU. The Yarrawonga Hospital Equipment Appeal was provided with an overall total of $50,000 over three years, $45,000 was given for the Respite House and costs of a hospital bed worth $4,000 to Yarrawonga Health's Helping Hands Committee was met by the Credit Union.

CMCU Finance/Compliance Officer Julie Barnes has been involved with the schools for 19 years. "We are always happy to consider and donate to a worthy cause," she said.

Yarrawonga Mulwala Rotary Club hosted a big three-day state-wide conference in 2018 and received much appreciated funding from CMCU towards costs.

Other non-sporting groups such as Allegro Theatre Production has received CMCU assistance towards an award for the Local Best Talent.

"We provide a lot of in-kind support towards events," the CMCU CEO said. "For example, our staff, in conjunction with the CFA Yarrawonga and Fire and Rescue Mulwala Unit, help out with the annual Royal Children's Hospital Appeal.

"We are owned by our members and our community. They support us, we support them."