Geelong Bank

Where we grow

Annual Report

for the year ended 30 June 2019

www.geelongbank.com.au | info@geelongbank.com.au | 1300 361 555

Ford Co-operative Credit Society Limited ABN 74 087 651 456 trading as Geelong Bank
AFSL / Australian Credit Licence Number 244351 | Est. 1974

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CORPORATE INFORMATION

Ford Co-operative Credit Society Limited (the Society) was established in September 1974 by a small, dedicated group of employees of the Ford Motor Company in Geelong, to provide banking services to Geelong Ford employees and their families. During 1984 FCCS merged with the Ford Broadmeadows Employee Credit Union and in 1985 a branch was opened at the Sydney Plant of Ford Motor Company. During 1990 a further merger occurred with a Geelong based Credit Union called Commercial Credit Co-operative Ltd. With this merger our membership was no longer restricted to Ford Employees and their families.

As the car manufacturing industry experienced rapid change and downturn over the years, the FCCS board saw an opportunity to advance the company's growth, relevance and value amongst members and the local community with a brand transformation.

In 2018, the Society's Board decided to change its trading name to Geelong Bank. The unanimous decision to rebrand was one of enormous consideration, with numerous consultations and participation of internal stakeholders and teams, customers and non-customers. Launching on Monday, 26 November 2018, Geelong Bank provides a customer owned banking alternative; our customers are also our shareholders. We are focused on providing customer benefits and value rather than pursuing big profits.

Ford Co-operative Credit Society Limited is prudentially regulated and approved as an Authorised Deposit-taking Institution (ADI).

All ADIs are equally subject to the depositor-protection provisions of the Banking Act 1959 and overseen by the Australian Prudential Regulatory Authority (APRA).

Ford Co-operative Credit Society Limited is a public company limited by shares, incorporated and domiciled in Australia and registered under the Corporations Act 2001.

CORPORATE DIRECTORY

Established:	The Society was incorporated in Victoria under the Co-operative Act on 12 September 1974.
Registered Office:	Head Office: 107 Gheringhap Street, Geelong VIC 3220
External Auditors:	Crowe Melbourne, 200 Malop Street, Geelong VIC 3220
Internal Auditors:	Aspire Accounting Holdings Pty Ltd, 2 Enterprise Drive, Bundoora VIC 3083
Solicitors & Legal Corporate Advisors:	Daniels Bengtsson, Level 4, 171 Clarence St, Sydney NSW 2000
Bankers:	Credit Union Services Corporation (Australia) Limited, 1 Margaret Street, Sydney NSW 2001
	National Australia Bank Limited, Malop Street, Geelong VIC 3220
Insurers:	Arranged through Adroit Insurance Group, 231 Moorabool Street, Geelong VIC 3220.

CHAIR'S REPORT

Dear Fellow Members of Geelong Bank,

It is again with pleasure that I present the Chairman's report for 2018/19 on behalf of your Board of Directors.

Last year I informed you, that we would be embarking on the next stage of our growth and development. This would involve investing in a new brand, to better represent us and our future organisation. We would also be delivering on our strategic vision, to be the partner of choice for our members and our community.

The 26th of November 2018 marked the next chapter in the history of the Ford Co-operative Credit Society Limited, with the launch of our new trading name Geelong Bank.

We've always had the Geelong community at the very heart of our business. Since our humble beginnings in 1974 as the credit union founded by Ford Motor Company employees, we've embraced a member's first policy with personalized, competitive banking that supports them in their financial growth.

We remain a strong, one hundred percent, customer / member owned financial institution. We are recognised and respected within the wider community. Our brand is inclusive, whilst honouring our significant legacy as a trusted financial provider to Ford Motor Company employees and contractors.

During the 2019-2020 financial year, we will comprehensively market Geelong Bank through radio and newspaper advertising, combined with social media promotion. We appreciate our customer's involvement, feedback and support during the rebranding project and thank you all.

Operating Environment

This financial year saw above target growth of 6.97% in our deposit portfolio and 7.92% in our loan portfolio. Profit was down on the previous year due to IT and building costs associated with our re-brand.

- Operating profit before tax $509,000 ($562,694 2017/18)
- Capital adequacy 15.30% (15.33% 2017/18)
- Loans increased by $8m (2.6m 2017/18)
- Deposits increased by $8.6m (3.2m 2017/18)

Other highlights included Canstar's five stars awards to our Car Loan and Superfund Maximiser Account and Google's five stars rating of Geelong Bank.

Strategic Objectives & the Year Ahead

The recent reductions by the RBA to the official cash rate and the widely accepted view that there will be further cuts, pose unprecedented challenges for all financial institutions. Whilst the customer-owned banking sector barely featured in the proceedings of the Haynes Royal Commission, the findings and recommendations have seen some of our third party providers change their business practices and referrer remuneration arrangements. Increased regulatory requirements, such as APRA's Information Security CPS 234, are being progressively rolled out and themes such as digital disruption and open banking are at the forefront of your Board and executive management team's planning to ensure Geelong Bank continues to remain financially strong and relevant to our Members.

Acknowledgments

I would like to make special mention of Peter Vecoli who announced his intention to retire after a significant career with Geelong Bank. Peter has been an important part of our business for over 30 years and played a pivotal role in our transition into Geelong Bank. We are grateful for his leadership in the role as General Manager for the past 7 years during considerable change and the Board is very pleased with the strategic position and direction of Geelong Bank. Long lasting relationships have been developed with the Ford Motor Company, local employers and our community to become a trusted brand in our region thanks to the work of Peter and his team. On behalf of our Members, the Board would like to thank him for his service.

Following Peter's resignation, the Board appointed Lending Sales / Business Development Manager Vivien Allen as acting General Manager and undertook a review for a permanent replacement. Vivien was subsequently appointed as Chief Executive Officer on 2 April 2019. Vivien has been an integral part of the transition from FCCS Credit Union to Geelong Bank. She has a wealth of knowledge and experience gained in the Mutual Banking sector over 18 years as well as a great rapport with our team and Members that will continue to guide Geelong Bank into the future.

I commend the Board, management and staff and thank and congratulate everyone who has contributed to the results achieved, the successful rebranding to Geelong Bank and throughout the transition to a new CEO.
As we celebrate our transformation, we're committed as ever in helping you, our Members, to grow and achieve your very best.

In closing, let's be grateful for where we have come from and continue with confidence, to where we are going.

Respectfully,

Dominic Raimondo
Chairman

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2019.

DIRECTORS

The names and details of the Directors of the Ford Co-operative Credit Society Limited (the Society) in office at the date of this report are:

Names and qualifications

Dominic Raimondo
Dip Eng

Dominic Raimondo joined the Board as an Associate Director in 2002, before becoming a full Director in 2007. He is the Chair of the Board and Chair of the Governance Committee. During his time with the Board he has served as Vice Chair of the Audit committee.

Dominic served as a loyal employee with the Ford Motor Company for over 40 years, the last 10 years as a Company Manager. He is also on the Board of Geelong Museum of Motoring and Industry and volunteers and supports the Christmas lunch for the homeless.

Tim J. Boyd
DegMgt, CAHRI, GAICD

Tim joined the Board as an Associate Director in 2013, before becoming a full Director in 2014. He is Vice Chair of the Board and the Governance Committee and Chair of the Risk Committee.

Tim's most recent role is in the social services sector with genU Karingal St Laurance as the Executive General Manager People and Culture.

Tim has had a 25 year career in Human Resources across private health insurance with GMHBA and automotive development with Ford Australia in roles ranging from internal HR consultancy, learning and organisational development management and international experience in the Asia Pacific region.

Tim is a lifelong Cats fan, has volunteered with the local CFA for over 20 years and thinks Geelong is a great place, along with his wife Jo, to raise his two daughters.

Peter F. Bone

Peter joined the Board as an Associate Director in 1993, before becoming a full Director in 1995. He is Vice Chair of the Risk Committee and a member of the Governance Committee.

Peter worked in Finance and Management for over 50 years, primarily self employed and involved with small businesses.

Born and living in Geelong for his entire life, with a Father and two younger brothers retiring from Ford Motor Company, the interest in community and appreciation of history is strong.

Involvement in yachting and the Royal Geelong Yacht Club at all levels for nearly forty years helped with the appreciation of team work and influenced a decade of involvement with international shipping before Peter's current semi-retired status.

DIRECTORS' REPORT (cont.)

Scott D. Randall
BEng, AssocDip Qual Tech

Scott joined the Board as an Associate Director in 2013, before becoming a full Director in 2014. He is Chair of the Audit Committee.

Scott's most recent role is with Barwon Health Geelong, as Director - Support Services. Scott also assists in the Barwon Health Foundation's fund raising activities through the year.

Scott worked at Ford Motor Company Australia for over 28 years in Production, Manufacturing, Quality Assurance and Purchasing.

Scott has been on a City of Greater Geelong council board 'Future Proofing Geelong' for 3 years and is on the Victorian Motor Cycle council for 2 years and the president of Otways Trail Riders (OTR - a local motorcycle club) for 10 years and one of (4) life members with OTR.

Christopher G. MacDonald
BCom

Chris joined the Board as an Associate Director in 1989, before becoming a full Director in 1992. He is a member of the Audit Committee.

Chris has held a long and extensive career within the Finance Office of Ford Australia.

Chris, together with wife Donna and their six children enjoy living locally in the Geelong area.

Terence A O'Brian - NMA
B.Mech. Eng. (Hons) MBA

Terry joined the Board as an Associate Director in 2002, before becoming a full Director in 2008. He is currently a member of the Risk Committee and was previously a member of the Audit Committee.

Terry retired from Ford Motor Company in mid 2006 after over 35 years in mid / upper management mainly in the Geelong Manufacturing complex and including nearly 2 years in Ford assignments overseas. Terry developed the Engine and Chassis ISO9000 procedural system and the real time Geelong Manufacturing IT system.

Terry is an active volunteer member of the CFA. He was awarded the National Medal of Australia in 2014 for diligent CFA service and was made a Life Member in 2017.

Terry and his wife Helen currently live near Colac, where he handles the registrations and finances for Marlene's School of Dance Colac (family business). He is also a Board Member of Mercy Christian Children's Mission International. He and Helen enjoy caravanning especially in far north-west Queensland. Their four children and 6 grand-children are Geelong / South West Victoria based.

DIRECTORS' REPORT (cont.)

Michael J Carroll
BBus, MBA, CPA, FGIA, GAICD

Michael joined the Board as an Associate Director in 2016, before becoming a full Director in 2017. He is a member of the Audit Committee and Risk Committee.

Prior to commencing his own consultancy business, Michael held a number of senior roles at GMHBA Limited and business, finance and administration roles with St John of God Health Care and Woodside Petroleum in Melbourne and Perth.

Michael is an experienced Finance and Compliance executive with diverse industry experience across the Private Health Insurance, Health, Resources, and Investment Management sectors. His depth of experience extends across multiple disciplines including Accounting, Treasury, Company Secretarial, Information Technology, Commercial, Legal and Administration. He also a Non-Executive Director of St Laurence Community Services and a Director at GenU.

Allison R Batten
GAICD

Allison joined the Board as an Associate Director in 2018.

Allison runs her own independent consulting business where she has worked with a broad range of Retail companies ranging from large ASX, privately owned SME's, Private Equity and small independent start-ups.

Previously, Allison was a senior executive on both The Reject Shop and NQR Grocery Clearance Boards. Allison has enjoyed a 25 year corporate career within the Retail sector, having held General Management positions with Target Australia and The Reject Shop.

Allison's experience includes strategic leadership, organisational capability, project management, process and system development, supply chain and logistics, marketing, international sourcing, contract development and negotiation. She has extensive international experience within the Asia Pacific Region.

A lifelong resident of Geelong, Allison also sits on the AICD Geelong Regional committee.

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

All Directors are considered to be independent non-executive Directors.

COMPANY SECRETARY

Mrs Vivien Allen, CEO of the Society, was appointed Company Secretary on 2 April 2019 for the remainder of the financial year. Mr Stephen Allinson Finance and Accounting Manager was appointed Company Secretary on 1 July 2019.

DIRECTORS' REPORT (cont.)

PRINCIPAL ACTIVITIES

The principal activities of the Society during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

No significant changes in the nature of these activities occurred during the year.

DIRECTOR BENEFITS

No Director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Society, controlled by the Society, or a related body corporate with a Director, a firm of which is a member or Society in which a Director has a substantial financial interest, other than disclosed in Note 34 of the financial report.

OPERATING RESULTS

Profit after income tax for the financial year was $365,824 (2018: $401,011)

REVIEW OF OPERATIONS

The results of the Society's operations from its activities of providing financial services to its members did not change significantly from those of the previous year and a review of those operations are set out in the Chairman's Report.

DIVIDENDS

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the Directors of the Society.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Society during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect:

1. The operations of the Society;
2. The results of those operations; or
3. The state of affairs of the Society;

in subsequent financial years, except for matters noted in the Chairman's Report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors do not foresee any likely developments in the operations of the Society that will affect the results of those operations in subsequent financial years.

INDEMNIFICATION AND INSURANCE

During the year, a premium was paid in respect of a contract insuring Directors and officers of the Society against liability.

The officers of the Society 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 Society.

CORPORATE GOVERNANCE

The Society is committed to achieving high standards of corporate governance. The Society is directed and controlled by its Board of Directors, and through systems of delegation and policies, so as to achieve its business objectives responsibly and in accordance with high standards of accountability and integrity.

The Society complies with the Australian Prudential Regulation Authority Standard CPS 510 *Governance,* CPS 520 *Fit & Proper* and the Prudential Practice Guide PPG 511 *Remuneration*.

DIRECTORS' REPORT (cont.)

DIRECTORS' MEETINGS

The numbers of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Board Meetings		Governance Committee Meetings		Audit Committee Meetings		Risk Committee Meetings	
	A	B	A	B	A	B	A	B
D.M. Raimondo	11	12	7	7	-	-	-	-
T.J. Boyd	10	12	7	7	-	-	4	4
P.F. Bone	11	12	7	7	-	-	4	4
S.D. Randall	11	12	-	-	4	4	-	-
C.G. MacDonald	11	12	-	-	4	4	-	-
T.A. O'Brian	10	12	-	-	-	-	3	4
M.J. Carroll	12	12	-	-	4	4	3	4
D.J.S. Burke – Retired October 2018	4	4	-	-	1	1	-	-

A – Number of meetings attended

B – Number of meetings held during the time that the Director held office during the year.

Directors are appointed to Board Committees restricting attendance to Committee members unless otherwise invited to attend by the Chairman of the Committee.

In addition to the above meetings, as part of continuing professional development Directors also attend various Industry and Regulatory meetings and seminars.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded off under the option available to the Society under ASIC Corporations Instrument 2016/191. The Society is an entity to which the Class Order applies.

AUDITOR'S INDEPENDENCE DECLARATION

The Directors have received the following declaration from the Society's auditor which can be found on page 8.

Signed in accordance with a resolution of the Directors.

Scott Randall
Director

Michael Carroll
Director
Geelong, 3 October 2019

AUDITOR INDEPENDENCE DECLARATION

Crowe

Crowe Melbourne
ABN 41 099 415 845
Level 17/181 William Street
Melbourne VIC 3000
Main +61 (03) 9258 6700
www.crowe.com.au

Auditor Independence Declaration Under S307C of the *Corporations Act 2001* to the Directors of Ford Co-Operative Credit Society Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been no contraventions of:

I. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
II. any applicable code of professional conduct in relation to the audit.

Crowe Melbourne
CROWE MELBOURNE

Alison Flakemore
Senior Partner

Hobart, Tasmania
4 October 2019

CORPORATE GOVERNANCE STATEMENT

Board of Directors

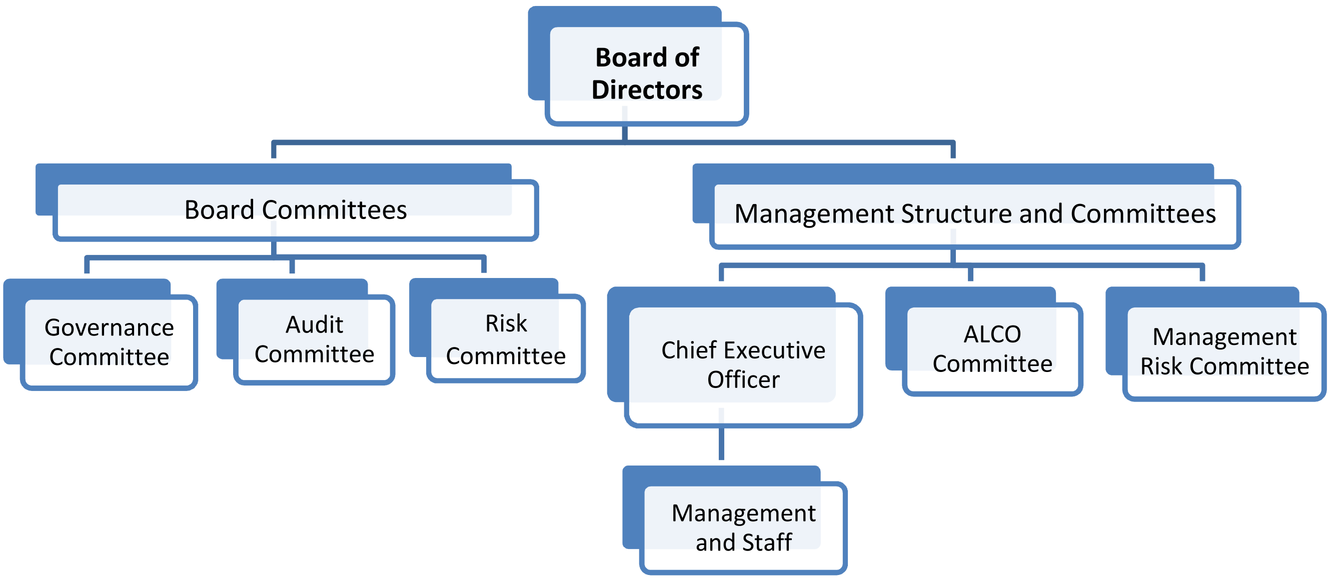
The Board of Directors is responsible for the corporate governance of the Society. The Board guides and monitors the business and affairs of the Society on behalf of the members by whom they are elected and to whom they are accountable. An important feature of the Board is to ensure compliance with the prudential and solvency requirements of the Australian Prudential Regulatory Authority (APRA) and the Australian Securities & Investments Commission (ASIC).

The key responsibilities of the Board include:

- Approving the strategic direction and related objectives and monitoring management performance in the achievement of these objectives;
- Adopting an annual budget and business plan and monitoring the financial performance of the Society;
- Overseeing the establishment and maintenance of internal controls and effective monitoring systems;
- Ensuring all major business risks are identified and effectively managed; and
- Ensuring the Society meets its legal and statutory obligations.

Structure of the Board

Directors of the Society are considered to be independent and free from any business or other relationship that could interfere with, or could be perceived to materially interfere with the exercise of their unfettered and independent judgement.



CORPORATE GOVERNANCE STATEMENT cont...)

Board Committees

The Board has established the following Committees which operate under a charter approved by the Board.

Governance Committee

The purpose of the Governance Committee is to assist the Board in the exercise of effective corporate governance, including oversight of the Society's Governance and Fit & Proper Policies.

The purpose of the Governance Policy is to ensure strong Corporate Governance in the prudent management and financial soundness of the Society and in maintaining public confidence in the financial system.

The purpose of the Fit & Proper – Responsible Person Policy is to manage the risk to its business or financial standing that persons acting in Responsible Person positions are fit and proper.

The Committee has also been appointed by the Board to fulfil the role of the Nominations and Remuneration Committees incorporating Board renewal, remuneration and nominations.

Audit Committee

The Audit Committee will assist the Board in fulfilling its oversight responsibilities and act as an interface between the Board and the internal and external auditors. The Audit Committee will review:

- The system of internal control;
- The financial and regulatory/compliance reporting process; and
- The audit process.

Risk Committee

The Committee will assist the Board in fulfilling its oversight responsibilities and will be responsible for:

- oversight of the risk profile and risk management of the Society within the context of the Board determined risk appetite (although ultimate responsibility for risk oversight and risk management rests with the Board, and the Committee will refer all matters of significant importance to the Board);
- making recommendations to the Board concerning the risk appetite and particular risks or risk management practices;
- reviewing management's plans for mitigation of the material risks faced by the Society;
- oversight of the implementation and review of risk management and internal compliance and control systems; and
- promotion of awareness of a risk based culture and the achievement of a balance between risk and reward for risks accepted.

Management Committees

Assets & Liabilities Committee (ALCO)

ALCO is a Committee responsible for managing the financial assets and liabilities of the Society. The Committee recommends policy, sets strategy and monitors risks related to the management of the Society's assets and liabilities regarding:

- pricing of the financial assets and liabilities including interest rates and fees;
- interest margin;
- interest rate risk;
- funding and liquidity management;
- investment management; and
- profitability and capital management.

CORPORATE GOVERNANCE STATEMENT cont...)

Management Risk Committee

The Management Risk Committee is responsible for periodically reviewing the Society's risk profile, fostering a risk-aware culture and reporting to the Board Risk Committee (BRC) on the effectiveness of the risk management framework and of the Society's management of its material business risks.

The primary function of the Committee is:

- the implementation and review of risk management and internal compliance and control systems;
- reporting to the BRC on management's plans for mitigation of the material risks faced by the Society;
- making recommendations to the BRC concerning the risk appetite and particular risks or risk management practices; and
- promotion of awareness of a risk based culture amongst staff and the achievement of a balance between risk and reward for risks accepted.

Risk Management Objectives and Policies

The Board of Directors has implemented a Risk Management Policy which establishes the overall Risk Management Framework for managing operational risk. Specifically, the Risk Management Policy aims to:

- Contribute to profitable prudential performance by achieving an appropriate balance between realising opportunities while minimising losses;
- Maintain a comprehensive and up-to-date Risk Appetite Statement that addresses all material risks and sets the risk limits acceptable to the Board;
- Be concerned with risk as exposure to the consequences of uncertainty, or potential deviations from that which is planned or expected;
- Address Capital Management – refer Note 27; and
- Facilitate regular reporting to Senior Management, the Board and relevant Committees.

Risk Management Framework

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established separate Audit and Risk Committees which are responsible for developing and monitoring risk management processes. The Committees report regularly to the Board on their activities.

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

The Audit and Risk Committees oversee how management monitors compliance with the Society's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Society. The Audit and Risk Committees are assisted in its oversight role by Internal Audit. Internal Audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the Audit & Risk Committees.

The Society has undertaken the following strategies to minimise risks.

Market Risk

The Society is not exposed to currency risk, and does not trade in the financial instruments it holds on its books.

CORPORATE GOVERNANCE STATEMENT cont…)

Credit Risk – Loans

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The Board policy is to maintain at least 85% of loans in well secured residential mortgages which carry an 80% Loan to Valuation Ratio or less. Note 10 (c) describes the nature of the security held against the loans as at the balance date.

The Society has a concentration in the retail lending for members who comprise employees and family in the Ford Motor Company. This concentration is considered acceptable on the basis that the Society was formed to service these members, and the employment concentration is not exclusive. Should members leave the industry the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans. The details of the geographical and industry concentrations are set out in Note 10(e).

Credit Risk – Liquid Investments

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration in one entity.

The Board policy is that investments shall be widespread to avoid any undue concentration of risk and all investments must be with financial institutions with a rating in excess of BBB- or higher.

Credit Risk – Equity Investments

All investments in equity instruments are solely for the benefit of service to the Society. The Society invests in entities set up for the provision of services such as IT solutions, treasury services etc. where specialisation demands quality staff which is best secured by one entity. Further details of the investments are set out in Note 11.

Liquidity Risk

The Society has set out in Note 26 the maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms.

The Society is required to maintain at least 12% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under the APRA Prudential standards. The Society policy is to apply 15% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level the management and the Board are to address the matter and ensure that the liquid funds are obtained from new deposits and borrowing facilities available.

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Society's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Society's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Society's reputation with overall cost effectiveness.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 June 2019	Notes	2019 $'000	2018 $'000
INTEREST REVENUE	2	**5,183**	5,153
INTEREST EXPENSE	2	**2,431**	2,458
NET INTEREST REVENUE	2	**2,752**	2,695
OTHER REVENUE	3(a)	**541**	516
TOTAL OPERATING INCOME		**3,293**	3,211
EMPLOYEE BENEFITS EXPENSE	3(b)	**1,031**	1,082
LOAN IMPAIRMENT EXPENSE	10(f)	**-**	(149)
DEPRECIATION AND AMORTISATION	3(b)	**231**	360
OTHER EXPENSES	3(b)	**1,522**	1,355
PROFIT BEFORE INCOME TAX	4	**509**	563
INCOME TAX EXPENSE	5	**(143)**	(162)
PROFIT AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS		**366**	401
OTHER COMPREHENSIVE INCOME Items that will not be reclassified subsequently to profit or loss Asset revaluation reserve movement (net of tax)	23	**134**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS		**500**	401

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2019	**Notes**	**2019**	2018
		$'000	$'000
ASSETS			
Cash and cash equivalents	6	**5,108**	4,542
Deposits with other financial institutions	7	**13,700**	16,700
Accrued receivables	8	**281**	312
Investment securities	9	**15,655**	12,006
Net loans and advances	10	**106,540**	98,517
Other investments	11	**605**	264
Property, plant and equipment	12	**2,831**	2,713
Other assets		**82**	76
Deferred tax assets	13	**87**	170
TOTAL ASSETS		**144,889**	135,300
LIABILITIES			
Deposits from members	15	**132,709**	124,066
Payables	16	**702**	674
Tax liabilities	17	**17**	-
Employee benefits	18	**200**	301
Deferred tax liabilities	19	**571**	389
TOTAL LIABILITIES		**134,199**	125,430
NET ASSETS		**10,690**	9,870
MEMBERS' EQUITY			
Capital reserve account	21	**124**	121
Reserves	22	**3,102**	3,102
Asset revaluation reserve	23	**1,145**	1,011
Retained profits	24	**6,319**	5,636
TOTAL MEMBERS' EQUITY		**10,690**	9,870

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN MEMBERS' EQUITY

YEAR ENDED 30 JUNE 2019	Notes	Retained Profits $'000	Capital Reserve Account $'000	Asset Revaluation Reserve	Reserves $'000	Total $'000
Total at 1 July 2017		5,237	119	1,011	3,102	9,469
Net Profit for the year		401	-	-	-	401
Less redeemed preference shares	21	(2)	2	-	-	-
Total at 30 June 2018		5,636	121	1,011	3,102	9,870
Total at 1 July 2018		**5,636**	**121**	**1,011**	**3,102**	**9,870**
Changes on initial adoption of AASB 9	39	**320**	**-**	**-**	**-**	**320**
Net Profit for the year		**366**	**-**	**-**	**-**	**366**
Less redeemed preference shares	21	**(3)**	**3**	**-**	**-**	**-**
Revaluation increments/(decrements)	23	**-**	**-**	**134**	**-**	**134**
Total at 30 June 2019		**6,319**	**124**	**1,145**	**3,102**	**10,690**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2019	Notes	2019	2018
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**5,229**	5,125
Dividends received		**17**	28
Borrowing costs		**(2,337)**	(2,425)
Other non interest income received		**508**	468
Personnel and occupancy costs paid		**(1,177)**	(1,194)
General expenses paid		**(1,549)**	(1,103)
Income tax paid		**(97)**	(106)
Net movement in loans, advances and other receivables		**(7,823)**	(2,518)
Net movement in deposits and shares		**8,643**	3,199
NET CASH FLOWS FROM OTHER OPERATING ACTIVITIES	30(a)	**1,414**	1,474
CASH FLOWS FROM OTHER INVESTING ACTIVITIES			
Net movement in investments		**(649)**	450
Acquisition of property, plant and equipment		**(216)**	(176)
Proceeds from sale of property, plant and equipment		**17**	-
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		**(848)**	274
CASH FLOWS FROM FINANCING ACTIVITIES			
Debt repaid		**-**	(1,700)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**-**	(1,700)
NET INCREASE/(DECREASE) IN CASH HELD		**566**	48
Add opening cash brought forward		**4,542**	4,494
CLOSING CASH CARRIED FORWARD	30(b)	**5,108**	4,542

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 June 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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*. For the purpose of preparing the financial statements, and in accordance with AASB 1054, the Society is a for-profit entity.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS"). The financial statements of the Society comply with IFRSs and interpretations adopted by the International Accounting Standards Board, to the extent outlined below.

Basis of Preparation

The financial statements have been prepared on the basis of historical costs, unless stated otherwise.

The preparation of the 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 Society.

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

The financial report was authorised for issue by the Directors on 3 October 2019.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Policy applicable from 1 July 2018

Classification of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of loans and receivables, which is presented within other expenses.

Classifications are determined by both:

- the entity's business model for managing the financial asset and
- the contractual cash flow characteristics of the financial assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont….)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont….)

Subsequent measurement of financial assets
Financial assets at amortised costs
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Society's cash and cash equivalents, trade receivables fall into this category of financial instruments as well as bonds that were previously classified as held to maturity under AASB 139.

Financial assets at Fair Value through Profit or Loss (FVPL)
Financial assets that are within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised as fair value through profit or loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL.

Financial assets at fair value through other comprehensive income (FVOCI)
Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Subsequent movements in fair value are recognised in other comprehensive income and are 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. This category includes unlisted equity securities – CUSCAL Ltd and TAS Pty Ltd - that were previously classified as 'available for sale' (AFS) under AASB 139.

Loans to Members

Loans and advances' captions in the statement of financial position include:

- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- loans and advances mandatorily measured at FVPL or designated as at FVPL; these are measured at fair value with changes recognised immediately in profit or loss.

When the Society purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Society's financial statements.

'Loans and advances' were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and that the Society did not intend to sell immediately or in the near term.

Loans and advances to customers included:

- those classified as amortised cost; and
- those designated as at FVPL;

Loans and advances were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont….)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont….)

Interest earned
Term loans - interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a members account on the last day of each month.

Overdraft – interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a members account on the last day of each month.

Nonaccrual loan interest – while still legally recoverable, interest is not brought to account as income where the Society is informed that the member has deceased, or loan is impaired.

Loan origination fees and discounts
Loan establishment fees and discounts are initially deferred as part of the loan balance, and are brought to account as income over the expected life of the loan as 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, and included as part of interest revenue.

Fees on loans
The fees charged on loans after origination of the loan are recognised as income when the service is provided or costs are incurred.

Net gains and losses
Net gains and losses on loans to members to the extent that they arise from the partial transfer of business or on securitisation, do not include impairment write downs or reversals of impairment write downs.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Society changes its business model for managing financial assets. There were no changes to any of the Society business models during the current year (Prior year: Nil).

Loan impairment
AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit loss model' (ECL). Instruments within the scope of the new requirements include loans and advances and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments.

The Society 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 instrument.
In applying this forward-looking approach, a distinction is made between:

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont....)

Measurement of ECL

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Society in accordance with the contract and the cash flows that the Society expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Society if the commitment is drawn down and the cash flows that the Society expects to receive.

Credit-impaired financial assets

At each reporting date, the Society assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
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 Society on terms that the Society 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.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a personal loan that is overdue for 90 days or more is considered impaired.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Society determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Society's procedures for recovery of amounts due.

Policy applicable before 1 July 2018

(i) Recognition and initial measurement

Regular purchases of financial assets are recognised on the trade date - the date on which the Society commits to purchase the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets that the Society holds.

(ii) The Society classifies its financial assets in the following categories:

- loans and receivables,
- held to maturity (HTM) investments, and
- available for sale (AFS) financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont....)

(iii) Derecognition
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Society has transferred substantially all the risks and rewards of ownership.

When securities classified as available for sale are sold, the accumulated fair value adjustments recognised in equity are included in the Statement of Profit or Loss as gains and losses from investment securities.

(iv) Identification and measurement of impairment
The Society assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. If a provision for impairment has been recognised in relation to a loan or advance, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised in the Statement of Profit or Loss. The provision for impairment is based on specific identification of impaired loans or advances at balance date.

In the case of available for sale equity instruments, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. Impairment will also occur if there is other objective evidence of impairment including information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates and indicate that the cost of the investment in the equity instrument may not be recovered. If any such evidence exists for available for sale financial assets, the impairment loss is recognised in the Statement of Profit or Loss.
Impairment losses on equity instruments classified as available for sale are not reversed through the Statement of Profit or Loss.

(v) Loans and receivables
Loans and advances are non-derivative financial assets with fixed or determinable payments, other than investment securities, that are not held for trading.
After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. They are brought to account at the gross value of the outstanding balance. Interest is brought to account
using the effective interest rate method.

(vi) Held to Maturity (HTM) investments
HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Society has the intention and ability to hold them until maturity. The Society currently holds Term deposits and Negotiable Certificates of Deposit (NCD) in this category. If more than an insignificant portion of these assets are sold or redeemed early then the asset class will be reclassified as Available for Sale financial assets.

HTM investments are measured subsequently at amortised cost using the effective interest method.
If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows.
Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

(vii) Available for Sale (AFS) financial assets
AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

The Society's AFS financial assets are equity investment in Cuscal Limited and TransAction Solutions Pty Ltd. Based on the information available shares are revalued as a more relevant fair value estimate.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont….)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont….)

Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable amounts will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Society will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Receivables - related parties entities

Amounts receivable from related parties/entities are carried at amortised cost. Details of the terms and conditions are set out in Note 34.

Property, plant and equipment & intangible assets

The Society recognises in the carrying amount of an item of property, plant and equipment (PPE) the cost of replacing part of such an item when that cost is incurred; if it is probable that the future economic benefits embodied within the item will flow to the Society, and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

Cost and valuation

Land is valued under the revaluation model at least every 3 years and all other items are carried at cost.

Depreciation

Depreciation is provided on a straight line basis (except motor vehicles where the diminishing value method is used) over the estimated useful life of all property, plant and equipment, other than freehold land. The estimated useful life in the current and comparative periods is as follows:

Major depreciation periods are:

Freehold buildings:	40 years
Leasehold improvements:	10 years (lease term)
Plant and equipment:	3 to 7 years

Intangible Assets

Computer software held as intangible assets is amortised over the expected useful life of the software from the date installed ready for use. The expected useful life of computer software is 3 to 10 years.

Recoverable amount

The carrying amounts of the society’s PPE are reviewed at each reporting date to determine whether there is any indicator of impairment. If any such indicator exists then the assets recoverable amount is estimated. In determining recoverable amount the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate. Where carrying values exceed this recoverable amount assets are written down. Land is not revalued to an amount above its recoverable amount.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont….)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont….)

Member Deposits

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

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

Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the loans and borrowings using the effective interest method.

Borrowing costs are recognised as the liability for interest accrued.

Subordinated debt

Subordinated debt is initially recorded at fair value, less capital raising costs – refer Note 20. It is subsequently measured at amortised cost using the effective interest rate method, less capital raising costs which are amortised over the expected period of the instrument.

Provision for Employee Benefits

Provision is made for the Society's liability for employee benefits arising from services rendered by employees to balance date.

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Society expects to pay as a result of the unused entitlement. Annual leave is discounted when calculating the leave liability as the Society does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period.

Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits discounted using corporate bond rates.

Provision for long service leave is on a pro-rata basis from commencement of employment with the Society based on the present value of its estimated future cash flows.

Annual leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at balance date.

Contributions are made by the Society to an employee's superannuation fund and are charged to the statement of comprehensive income as incurred.

Provisions

A provision is recognised when the Society has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Goods and Services Tax

As a financial institution the Society is Input Taxed on all income except other income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to Reduced Input Tax Credits, of which 75% of the GST paid is recoverable.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont….)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont….)

Receivables and payables are stated with the amount of GST included where applicable GST is collected. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

New standards applicable for the current year

AASB 15 Revenue from contracts with customers

AASB 15 replaces AASB 118 Revenue. The new standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated.

The adoption of AASB 15 has had an impact on the following for the Society:

- Account fees
- Insurance commissions

<u>Account fees</u>

A monthly service fee is applicable on savings accounts for maintaining a customer's deposit account. Many of the Society's savings account contracts with members comprise a variety of performance obligations including, but not limited to processing of transfers, use of ATMs for cash withdrawals, the issue of original debit cards, and provision of account statements. Under AASB 15, the Society must evaluate the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both of the following criteria are met: the customer benefits from the good or service either on its own or together with other readily available resources; and the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the Society does not provide a significant service integrating, modifying or customising it).

While this represents significant new guidance, the implementation of this new guidance had no material impact on the timing or amount of revenue recognised by the Society during the year.

<u>Insurance commission</u>

Insurance commission revenue is in the form of commission generated on successful referral of an insurance application to the insurer. This commission is recognised at a point in time on inception of the insurance policy with the insurer which reflects when the Society has fulfilled their performance obligation. On the date of initial application of AASB 15, 1 July 2018, there was no impact to retained earnings of the Society.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the Society has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont….)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont….)

The adoption of AASB 9 has impacted the following areas:

Classification and measurement of the Society's financial assets

AASB 9 allows for three classification categories for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVPL). Classification is based on the business model in which a financial asset is managed and the related contractual cashflows. AASB 9 eliminates previous categories of held to maturity, loans and receivables and available for sale (AFS). Classification of financial liabilities is largely unchanged. Refer table on next page for a reconciliation of changes in classification and measurement of financial instruments on adoption of AASB 9.

Impairment of the Society's financial assets

The Society's financial assets carried at amortised cost and those carried at fair value through other comprehensive income (FVOCI) are subject to AASB 9's new three-stage expected credit loss model. The Society measures loss allowances at an amount equal to lifetime expected credit losses (ECL), except for the following, for which they are measured as 12 months ECL.

- Debt investment securities that are determined to have a low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not significantly increased since initial recognition.

An impairment allowance of $35,200 was raised on 1 July 2018 in respect of loans and advances to members. No impairment allowance was recognised for other investments.

Reconciliation of financial instruments on adoption of AASB 9

On the date of initial application, 1 July 2018, the financial instruments of the Society were reclassified as follows:

	Measurement Category		Carrying Amount		
	Original AASB 139 category	**New AASB 9 category**	**Closing balance 30 Jun 2018 (AASB 139)**	**Adoption of AASB 9**	**Opening balance 1 Jul 2018 (AASB 9)**
Assets					
Loans and advances to members	Loans and receivables	Amortised cost	98,517	-	98,517
Interest receivable	Receivables	Amortised cost	157	-	157
Receivables	Receivables	Amortised cost	155	-	155
Investment securities – CUSCAL Share / TAS	AFS	FVOCI	264	341	605
Cash	Amortised cost	Amortised cost	282	-	282
Floating Rate Notes / Term Deposits	Held to maturity	Amortised cost	32,966	-	32,966
Total financial assets			132,186	341	132,527
Liabilities					
Deposits from members and other financial institutions	Amortised cost	Amortised cost	124,066	-	124,066
Total financial liabilities			124,066	-	124,066

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont....)

New or emerging standards not yet mandatory

Certain accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period. The Society's assessment of the impact of these new standards and interpretations is set out below. Changes that are not likely to impact the financial report of the Society have not been reported.

AASB16 Leases

The standard replaces the existing AASB 117 *Leases.*

The classification of leases as either finance leases or operating leases is eliminated for lessees. Leases will be recognised in the Statement of Financial Position by capitalising the present value of the minimum lease payments and showing a 'right-of-use' asset, while future lease payments will be recognised as a financial liability. This is similar to the current treatment for finance leases under IAS 17, with some variations.

The nature of the expense recognised in the statement of comprehensive income will change. Rather than being shown as rent, or as leasing costs, it will be recognised as depreciation on the 'right-of-use' asset, and an interest charge on the lease liability. The interest charge will be calculated using the effective interest method, which will result in a gradual reduction of interest expense over the lease term.

There is an exemption for low value items (typically less than $5,000). For these assets, the expense may be recognised on a straight-line basis over the lease term in a manner consistent with the current treatment for operating leases. This is expected to apply to commonly leased items such as mobile phones, electronic equipment, and furniture. An exemption also exists for leases of less than 12 months where no purchase option exists.

Accounting for lessors is largely unchanged when compared with AASB 117.

Significant implementation guidance is included with the standard.

The impact on the Society is expected to be minimal due to the low exposure to leases.

Effective for annual reporting period beginning on or after 1 January 2019.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont….)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont….)

Use of estimates and judgements

In the process of applying the Society's accounting policies management has used judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

(i) Impairment losses on loans and advances

The Society reviews its individually significant loans and advances on a monthly basis to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired, and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

Management have made critical accounting estimates when applying the Society's accounting policies with respect to the measurement of expected credit loss (ECL) allowance. In the current year, the approach to estimation of impairment losses has been revised following adoption of AASB 9 effective 1 July 2018. Key areas of judgement to be considered under the new standard include:

- Recognition of credit losses based on "Stage 1" 12 month expected losses and "Stage 2" and "Stage 3" lifetime expected credit losses.
- 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 Group takes into account qualitative and quantitative reasonable and supportable forward looking information.
- Choosing appropriate models and assumptions tor the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL: When ECLs are measured on a collective basis; the financial instruments are grouped on the basis of shared risk characteristics.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont….)

30 June 2019	Notes	2019 $'000	2018 $'000
2. INTEREST REVENUE AND INTEREST EXPENSE			
Interest Revenue			
Deposits with other financial institutions		**746**	895
Investment securities		**58**	1
Loans and advances		**4,379**	4,257
		5,183	5,153
Interest Expense			
Deposits		**2,430**	2,392
Short term borrowings		**1**	1
Subordinated debt		**-**	65
		2,431	2,458
Net Interest Income		**2,752**	2,695
3. OTHER REVENUE AND OTHER OPERATING EXPENSES			
(a) Other Revenue			
Dividends			
- Other corporations		**17**	28
Fees and commissions			
- Loan fee income		**43**	35
- Other fee income		**121**	128
- Insurance commissions		**172**	171
- Other commissions		**62**	65
Bad debts recovered		**6**	12
Other revenue			
- Income from property		**83**	77
- Other		**37**	-
Total other revenue		**541**	516
(b) Other Operating Expenses			
Depreciation and amortisation			
- Plant and equipment		**206**	177
- Buildings		**25**	25
- Intangible assets		**-**	158
		231	360
Employee benefits expense			
- Personnel costs		**889**	938
- Provision for employee benefits		**4**	25
- Contributions to accumulation superannuation funds		**138**	119
		1,031	1,082
Other Expenses			
- IT/Software		**503**	452
- General and administration		**1,019**	903
		1,522	1,355
Total other operating expenses		**2,784**	2,797

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

30 June 2019	Notes	2019 $'000	2018 $'000
4. PROFIT BEFORE INCOME TAX EXPENSE			
Profit before income tax expense does not include any items whose disclosure is not relevant in explaining the financial performance of the Society.			
5. INCOME TAX			
(a) The prima facie tax payable on operating profit is reconciled to the income tax expense in the accounts as follows:			
Profit from operations before tax		**509**	563
Prima facie tax payable on operating profit before income tax at 27.50%		**140**	155
Add tax effect of expenses not deductible			
- Other non-deductible expenses		**(20)**	(45)
Subtotal		**120**	110
Add			
- Deferred Tax Expense		**30**	64
Less			
- Franking Rebate		**(7)**	(12)
Income tax expense attributable to operating profit		**143**	162
(b) Franking Credits The amount of franking credits held by the Society after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year is:		**2,533**	2,429
6. CASH AND CASH EQUIVALENTS			
Cash on hand		**227**	282
Deposits at call		**4,881**	4,260
		5,108	4,542
7. DEPOSITS WITH OTHER FINANCIAL INSTITUTIONS			
Interest earning deposits		**13,700**	16,700
Maturity Analysis			
Not longer than 3 months		**10,100**	13,100
Longer than 3 and not longer than 12 months		**1,000**	3,600
Longer than 1 and not longer than 5 years		**2,600**	-
		13,700	16,700

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

30 June 2019	Notes	2019 $'000	2018 $'000
8. ACCRUED RECEIVABLES			
Interest receivable		**112**	157
Other		**169**	155
		281	312
9. INVESTMENT SECURITIES			
Floating rate notes		**15,655**	12,006
Maturity Analysis			
Not longer than 3 months		**4,000**	1,500
Longer than 3 and not longer than 12 months		**2,000**	1,501
Longer than 1 and not longer than 5 years		**9,655**	9,005
		15,655	12,006
10. LOANS AND ADVANCES			
Overdrafts		**216**	251
Term loans		**106,359**	98,501
		106,575	98,752
Provision for impairment	10(f)(i)	**(35)**	(235)
Total loans and advances (net)		**106,540**	98,517
(a) Aggregate amounts receivable from related parties:			
Directors and Director-related entities			
– Directors		**2**	233
(b) Maturity Analysis			
Overdrafts		**216**	251
Not longer than 3 months		**3**	4
Longer than 3 and not longer than 12 months		**69**	43
Longer than 1 and not longer than 5 years		**2,063**	2,506
Longer than 5 years		**104,224**	95,948
		106,575	98,752
c) Credit Quality – Security Dissection			
Secured by mortgage		**102,239**	95,010
Secured other		**3,553**	3,146
Unsecured		**783**	596
Total		**106,575**	98,752

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

30 June 2019	Notes	2019 $'000	2018 $'000
10. LOANS AND ADVANCES (Cont...)			
d) Funds Under Management			

At 30 June 2019 the Society provided management for $4,341,926 (2018 - $6,170,195) of off balance sheet securitised loans to members which are financed by Perpetual Trustee Company Ltd (mortgage provider). These loans do not qualify for recognition in the books of the Society and accordingly are not brought to account in the books of the Society at any time. The Society receives fees and commissions from borrowers and the mortgage provider for the establishment of the loans and for the ongoing management of the loans. The mortgage provider assumes all of the risk in relation to these loans.

(e) Concentration of Risk

The Society has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:

	2019 $'000	2018 $'000
(i) Geographic		
- Victorian residents	**95,066**	88,506
- Other	**11,474**	10,011
	106,540	98,517
(ii) Industry		
- Employed by Ford Motor Company Limited	**11,245**	12,715

The Society's loan portfolio includes eleven loans totalling $13,532,102 which represents 10% or more of capital.

(f) Provision on Impaired Loans

	2019 $'000	2018 $'000
(i) Loan Provisions Comprise:		
- Prescribed provision required under the APRA Prudential Standards	**-**	-
- Impairment allowance	**35**	235
	35	235

In assessing the specific provision the APRA reporting requirements recognise the inclusion of a collective provision.

	2019 $'000	2018 $'000
(ii) Movement in the impairment allowance		
Balance at the beginning of year	**235**	418
Effect of adoption of new accounting standards	**(200)**	-
Impairment charge for the year	**-**	(149)
Bad debts written off	**-**	(34)
Impairment allowance at end of year	**35**	235
Bad Debts recovered in the period	**6**	13

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

30 June 2019	Notes	2019 $'000	2018 $'000
10. LOANS AND ADVANCES (Cont...)			
Non-accrual loans		**-**	-
(g) Past due but not impaired			
As at 30 June 2019 loans and advances of $1,277,129 (2018 $1,471,061) were past due but not impaired. Adequate security is held to cover recovery of the debt. The ageing analysis is as follows:			
Past due up to 90 days (fully secured)		**770**	911
Past due 90 - 365 days (fully secured)		**507**	560
		1,277	1,471

Key assumptions in determining the provision for impairment
In the course of the preparation of the annual report the Society has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Society is required to estimate the potential impairment using the length of time the loan is in arrears, the historical losses arising in past years, and the security held. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment.

11. OTHER INVESTMENTS

	Notes	2019 $'000	2018 $'000
Shares in Unlisted companies – at fair value			
- Credit Union Services Corporation (Aust) Limited	36	**254**	254
- Effect of adoption of new accounting standard		**283**	-
		537	254
- Transaction Solutions Pty Limited	36	**10**	10
- Effect of adoption of new accounting standard		**57**	-
		67	-
- Other	36	**1**	1
TOTAL INVESTMENTS		**605**	264

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

30 June 2019	Notes	2019	2018
		$'000	$'000

11. OTHER INVESTMENTS (Cont...)

Disclosures on Shares held at FVOCI:

(a) Credit Union Services Corporation (Aust) Limited (CUSCAL)

The shareholding in CUSCAL is measured at fair value.

Fair Value Calculation – 2019

The Society has assessed the net assets/share represents reasonable fair value approximation.

30 June 2018 net assets = $237.6m

Issued capital = $186,858,915 ordinary shares on issue

Net assets per share = $1.2715 / share x 422,689 = $537,449

This company was created to supply services to the member Credit Unions and does not have an independent business focus. These shares are held to enable the Society to receive essential banking services – refer to Note 36. The shares are not able to be traded and are not redeemable.

The financial reports of CUSCAL record net tangible asset backing of these shares exceeding their cost value. The Society is not intending, nor able to dispose of these shares, without a majority of CUSCAL shareholder approval.

(b) Transaction Solutions Pty Ltd

The shareholding in Transaction solutions Pty Ltd (TAS) is measured at fair value.

Fair Value Calculation – 2019

The Society has assessed the net assets/share represents reasonable fair value approximation.

30 June 2018 net assets = $13.7m

Issued capital = $1,921,571 ordinary shares on issue

Net assets per share = $6.7413 / share x 9,993 = $67,366

These shares are held to enable the Society to receive essential banking services – refer to Note 36.

The Society is not intending, nor able to dispose of these shares, without a majority of TAS shareholder approval.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

30 June 2019	Notes	2019	2018
12. PROPERTY, PLANT AND EQUIPMENT			
Freehold land			
At fair value		**2,200**	2,050
Buildings on freehold land			
At cost		**1,022**	1,022
Less Provision for depreciation		**711**	685
		311	337
Total freehold land and buildings		**2,511**	2,387
Plant and equipment			
At cost		**2,114**	1,975
Less Provision for depreciation		**1,794**	1,649
Total plant and equipment		**320**	326
Total property, plant and equipment			
At cost		**3,136**	2,997
At fair value		**2,200**	2,050
Less Provision for depreciation		**2,505**	2,334
Total written down amount		**2,831**	2,713

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont….)

30 June 2019	Notes	2019	2018

12. PROPERTY, PLANT AND EQUIPMENT (cont….)

(a) Valuations

Land is independently valued at frequencies not exceeding three years. The independent valuation of land at 30 June 2019 was performed by (Opteon) – Enza-Maree Taranto, AAPI Certified Practicing Valuer, API No. 86060.

The valuation basis for land is fair value in compliance with AASB13 Fair Value. The fair value of non-financial assets takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. In the opinion of the Directors there have been no significant changes in market value since this date.

The revaluation surplus net of applicable deferred income taxes was credited to asset revaluation reserves in Note 23.

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

30 June 2019	**Land**	**Bldgs.**	**Plant & Equip.**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Carrying amount at start of year	**2,050**	**337**	**326**	**2,713**
Revaluation increments	**150**	**-**	**-**	**150**
Additions	**-**	**-**	**216**	**216**
Less Disposals	**-**	**-**	**(17)**	**(17)**
Less Depreciation	**-**	**(26)**	**(205)**	**(231)**
Carrying amount at end of year	**2,200**	**311**	**320**	**2,831**

30 June 2018	Land	Bldgs.	Plant & Equip.	Total
	$'000	$'000	$'000	$'000
Carrying amount at start of year	2,050	363	326	2,739
Additions	-	-	176	176
Less Disposals	-	-	-	-
Less Depreciation		(26)	(176)	(202)
Carrying amount at end of year	2,050	337	326	2,713

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

30 June 2019	Notes	2019 $'000	2018 $'000
13. DEFERRED TAX ASSETS			
Deferred Tax Assets comprise:			
Provisions for impairment on loans		**10**	65
Provisions for staff entitlements		**68**	97
Provisions for other liabilities		**9**	8
		87	170
14. INTANGIBLE ASSETS			
Computer software		**799**	799
Less Provision for amortisation		**799**	799
Total written down amount		**-**	-

	2019 Computer Software $'000	2018 Computer Software $'000
Carrying amount at start of year	**-**	158
Less Amortisation	**-**	158
Carrying amount at the end of year	**-**	-

	Notes	2019 $'000	2018 $'000
15. DEPOSITS FROM MEMBERS			
Call deposits		**79,948**	87,861
Term deposits		**52,724**	36,168
Total Deposits		**132,672**	124,029
Members withdrawable shares		**37**	37
		132,709	124,066
(a) Maturity Analysis			
On call		**79,948**	87,861
Not longer than 3 months		**30,669**	20,287
Longer than 3 and not longer than 12 months		**22,055**	15,881
No maturity specified		**37**	37
		132,709	124,066
(b) Concentration of Deposits			
The Society has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments as follows:			
(i) Geographic			
- Victorian residents		**113,800**	104,649
- Other		**18,909**	19,417
		132,709	124,066
(ii) Industry			
- Employed by Ford Motor Company Limited		**2,718**	3,069

The Society's deposit portfolio does not include any deposit which represents 10% or more of total liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

30 June 2019	Notes	2019 $'000	2018 $'000
15. DEPOSITS FROM MEMBERS (cont....)			
(c) Members withdrawable shares			
Since all member shares issued are withdrawable at the discretion of the member, on closure of their account, shares are recognised as liabilities rather than equity. All shares carry the same voting entitlements.			
Shares at beginning of the year		**37**	38
Shares issued in the year		**3**	1
Shares redeemed from share account		**(3)**	(2)
		37	37
16. PAYABLES			
Trade creditors		**283**	337
Accrued interest payable		**348**	254
Other creditors		**71**	83
		702	674
17. TAX LIABILITIES			
Taxation payable		**17**	-
18. EMPLOYEE BENEFITS			
Annual leave		**66**	98
Long service leave		**134**	203
		200	301
19. DEFERRED TAX LIABILITIES			
Deferred tax liabilities		**571**	389
Deferred income tax liability comprises			
Tax on revalued land held in equity		**405**	389
Tax on revalued of shares held in equity	39	**166**	-
		571	389
20. SUBORDINATED DEBT			
Balance at the beginning of the year		**-**	1,698
Add back of debt raising costs		**-**	2
Debt repaid		**-**	(1,700)
Balance at the end of year		**-**	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

30 June 2019	Notes	2019 $'000	2018 $'000
21. CAPITAL RESERVE ACCOUNT			
Balance at beginning of the year		**121**	119
Redeemed member shares		**3**	2
Balance at end of the year		**124**	121

Under the *Corporations Act 2001* (S.254K) redeemable shares (member shares) may only be redeemed out of profits or new shares issued for the purpose of the redemption. The Capital Reserve Account represents the shares redeemed by members. Member shares for existing and new members of the Society are shown as Liabilities – refer Note 15(c)

22. RESERVES			
General Reserve		**3,000**	3,000
General Reserve for Credit Losses		**102**	102
TOTAL RESERVES		**3,102**	3,102

General Reserve

The general reserve is used from time to time to transfer profits from retained earnings for appropriation purpose. There is no policy of regular transfer. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.

General Reserve for Credit Losses

This reserve records amounts previously set aside as a General Provision and is maintained to comply with the Prudential Standards set down by APRA.

Movements in Reserves			
Balance at beginning of year		**102**	102
Balance at end of year		**102**	102

23. ASSET REVALUATION RESERVE			
Asset revaluation reserve - land		**1,145**	1,011

Movement in reserves

Asset revaluation reserve - land

The asset revaluation reserve accounts for the unrealised gains on assets due to revaluation to fair value.

Balance at the beginning of the year		**1,011**	1,011
Add: increase on revaluation of land		**150**	-
Less: tax effect		**(16)**	-
Balance at the end of the year		**1,145**	1,011

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

30 June 2019	Notes	2019 $'000	2018 $'000
24. RETAINED PROFITS			
Retained Profits at the beginning of the financial year		**5,636**	5,237
Effect of adoption of new accounting standard		**320**	-
Add Profit for the year		**366**	401
Less Transfer to Reserve Capital account on redemption of shares		**(3)**	(2)
Retained Profits at the end of the Financial Year		**6,319**	5,636

25. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes.

	Notes	2019 $'000	2018 $'000
Financial assets - carried at amortised cost			
Cash	6	**227**	282
Receivables	8	**169**	155
Receivables from financial institutions	6,7,8,9	**34,348**	33,123
Loans to members	10	**106,540**	98,517
Total loans and receivables		**141,284**	132,077
Equity investments	11	**605**	-
Total carried at FVOCI		**605**	-
Equity investments	11	**-**	264
Total available for sale		**-**	264
TOTAL FINANCIAL ASSETS		**141,889**	132,341
Financial liabilities – carried at amortised cost			
Payables	16	**702**	674
Deposits from members	15	**132,709**	124,066
TOTAL FINANCIAL LIABILITES		**133,411**	124,740
NET FINANCIAL ASSETS		**8,478**	7,601

30 June 2019

26. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in event that current 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 Statement of Financial Position.

2019	Within 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	After 5 years $'000	No Maturity $'000	TOTAL $'000
ASSETS							
Cash	**227**	**-**	**-**	**-**	**-**	**-**	**227**
Receivables from other financial institutions	**4,881**	**14,145**	**3,011**	**12,311**	**-**	**-**	**34,348**
Loans to members	**216**	**3**	**72**	**2,476**	**145,913**	**-**	**148,680**
Total financial Assets	**5,324**	**14,148**	**3,083**	**14,787**	**145,913**	**-**	**183,255**
LIABILITIES							
Creditors	**702**	**-**	**-**	**-**	**-**	**-**	**702**
Deposits from members							
- at call	**79,948**	**-**	**-**	**-**	**-**	**37**	**79,985**
Deposits from members							
- at term	**18,438**	**11,964**	**22,557**	**49**	**-**	**-**	**53,008**
On Balance Sheet	**99,088**	**11,964**	**22,557**	**49**	**-**	**37**	**133,695**
Undrawn commitments	**2,362**	**-**	**-**	**-**	**-**	**-**	**2,362**
Total financial Liabilities	**101,450**	**11,964**	**22,557**	**49**	**-**	**37**	**136,057**

30 June 2019
26. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABLIITIES (Cont....)

2018	Within 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	After 5 years $'000	No Maturity $'000	TOTAL $'000
ASSETS							
Cash	282	-	-	-	-	-	282
Receivables from other financial institutions	4,265	14,673	5,131	9,054	-	-	33,123
Loans to members	251	4	44	3,037	136,631	-	139,967
Total financial Assets	4,798	14,677	5,175	12,091	136,631	-	173,372
LIABILITIES							
Creditors	675	-	-	-	-	-	675
Deposits from members							
- at call	87,861	-	-	-	-	37	87,898
Deposits from members							
- at term	8,761	11,249	16,272	52	-	-	36,334
On Balance Sheet	97,297	11,249	16,272	52	-	37	124,907
Undrawn commitments	2,583	-	-	-	-	-	2,583
Total financial Liabilities	99,880	11,249	16,272	52	-	37	127,490

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

30 June 2019	Notes	2019	2018
		$'000	$'000

27. CAPITAL MANAGEMENT

The Society maintains an actively managed capital base to cover its risks inherent in the business. The adequacy of the Society's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking and adopted by (APRA).

The primary objectives of the Society's capital management are to ensure that the Society complies with externally imposed capital requirements and that the Society maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise members' value.

The Society has a capital management plan and an Internal Capital Adequacy Assessment Process (ICAAP) to ensure it maintains an appropriate capital base to cover the risks inherent in the business. The plan and ICAAP includes addressing the capital requirements prescribed by regulators, principally through the Society's strategy for managing capital resources over time, its capital target, how the required capital is to be met and actions and procedures for monitoring compliance with minimum regulatory capital adequacy requirements. The strategy primarily focuses on building accumulated reserves from earnings but may include share issues and subordinated debt raisings.

Capital adequacy is determined as a ratio of the capital base to the Society's risk weighted exposures. Risk weighted exposures comprises all assets and certain other credit commitments, and operational risk, discounted by regulatory prescribed factors as appropriate, to reflect the lower risk profile of certain assets, commitments and operational risk.

The Society manages as capital the following:

	2019 $'000	2018 $'000
Regulatory Capital Base	**10,690**	9,870
Less regulatory prescribed adjustments	**605**	264
Capital Base	**10,085**	9,606
Risk weighted exposures	**65,914**	62,662
Capital adequacy ratio	**15.30%**	15.33%

During the past year, the Society has complied in full with all its externally imposed capital requirements and met its desired capital goals.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont….)

30 June 2019	Notes	2019 $'000	2018 $'000
28. FINANCIAL COMMITMENTS			
(a) Outstanding loan commitments			
Loans approved but not funded		**668**	905
(b) Loan redraw facilities			
Loan redraw facilities available		**14,110**	14,637
(c) Undrawn loan facilities			
Loan facilities available to members for overdrafts and line of credit loans are as follows:			
Total value of facilities approved		**910**	929
Less: Amount advanced		**216**	251
Net undrawn value		**694**	678
These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.			
Total financial commitments		**15,472**	16,220
29. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL			
(a) Remuneration of Key Management Persons [KMP]			
KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Society, directly or indirectly, including any Director (whether executive or otherwise) of that Society. Control is the power to govern the financial and operating policies of a Society so as to obtain benefits from its activities. KMP have been taken to comprise the Directors (see Note 34) and the executive management being responsible for the day to day financial and operational management of the society. The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for was as follows:			
Short-term employee benefits – salaries/annual leave/fees/non monetary		**601**	526
Post-employment benefits - superannuation contributions		**41**	43
Other long-term benefits – long service leave		**7**	12
Total		**649**	581
(b) Loans to Directors and other KMP.			
Balance owing at 30 June 2019		**396**	634
Summary of transactions:			
New loans advanced		**11**	-
Interest and fees charges		**21**	30
Repayments		**271**	59
Revolving credit facilities:			
Total value extended		**3**	3
Balance utilised at 30 June 2019		**-**	-
Savings and term deposit services:			
Amounts deposited at 30 June 2019		**540**	1,239

Loans and revolving credit facilities are made to KMP in the course of ordinary business on normal commercial terms and conditions. These include secured and unsecured loans. Loans must be repaid and paid out in cash. No loan or revolving credit is impaired and no loan has been written off as a bad debt. Savings and term deposit services are extended to KMP in the course of ordinary business on normal commercial terms and conditions. The KMP declare that they have no influence over, or are influenced by, close family members or other related parties that have lending or banking relationships with the Society. These close family members or related parties conduct transactions with the Society on normal terms and conditions offered to all other members.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

30 June 2019	Notes	2019 $'000	2018 $'000
30. STATEMENT OF CASH FLOWS			
(a) Reconciliation of the operating profit after tax to the net cash flows from operations			
Profit after tax		**366**	401
Depreciation and amortisation of property, plant & equipment & intangibles		**231**	360
Amortisation of debt raising costs		**-**	2
Changes in assets and liabilities			
Other financial assets		**(6)**	-
Accrued receivables		**31**	(54)
Payables		**28**	178
Tax provision		**17**	(8)
Provision for employee benefits		**(101)**	(4)
Deferred tax asset		**28**	65
Loans and advances		**(7,823)**	(2,665)
Member deposits		**8,643**	3,199
Net cash flow from operating activities		**1,414**	1,474
(b) Reconciliation of cash			
Cash balance comprises:			
– Cash		**227**	282
– Other short-term liquid assets		**4,881**	4,260
Closing cash balance		**5,108**	4,542

(c) Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:
(i) customer deposits to and withdrawals from deposit accounts;
(ii) borrowings and repayments on loans, advances and other receivables;
(iii) purchases of and proceeds from redemption of investments.

(d) Bank Overdraft Facility

The Society has an overdraft facility available to the extent of $1,000,000 (2018 $1,000,000).

The overdraft facility is provided by Credit Union Services Corporation (Australia) Limited and is secured by way of cash security deposits.

31. EXPENDITURE COMMITMENTS

Capital expenditure commitments

Estimated capital expenditure contracted for at balance date but not provided for is nil.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

30 June 2019	Notes	2019 $'000	2018 $'000
32. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS			
In the normal course of business the Society 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 Society 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. The Society holds collateral supporting these commitments where it is deemed necessary.			
(a) Contingent Liabilities			
Credit Union Financial Support System Limited			
With effect from 1 July 1999, Ford Co-operative Credit Society Limited is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme in which all Credit Unions that are affiliated with Credit Union Services Corporation (Australia) Limited (Cuscal) have agreed to participate.			
CUFSS is a company limited by guarantee, each Credit Union's guarantee being $100.			
As a member of CUFSS, the Society:			
• May be required to advance funds of up to 3% (excluding permanent loans) of total assets capped at a maximum of $100m to another Credit Union requiring financial support;			
• Agrees, in conjunction with other members, to fund the operating costs of CUFSS.			
(b) Credit related commitments			
Binding commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Approved but undrawn loans and unused continuing credit facilities.		**668**	905

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

30 June 2019	Notes	2019	2018
		$'000	$'000
33. AUDITOR'S REMUNERATION			
Amounts received or due and receivable by the auditors			
of Ford Co-operative Credit Society Limited for:			
– an audit or review of the financial statements of the Society		**43**	42
– other services in relation to the Society		**10**	9
		53	51

34. RELATED PARTY DISCLOSURES

(a) The Directors of Ford Co-operative Credit Society Limited during the financial year were:

D.M. Raimondo;
P.F. Bone;
T.J. Boyd;
D.J.S. Burke;
M.J. Carroll;
C.G. MacDonald;
T.A. O'Brian; and
S.D. Randall.

(b) The following related party transactions occurred during the financial year:

Transactions with the Directors of Ford Co-operative Credit Society Limited

Loans and advances to Directors:

Loans and advances amounting to $Nil (2018 $Nil) have been provided and repayments amounting to $235,648 (2018 $29,180) have been received by Ford Co-operative Credit Society Limited. The terms and conditions of all loans and advances to Directors are on the same basis as members and have not been breached. Each director would hold at least 1 share in the Credit Union.

35. SEGMENT INFORMATION

The Society operates predominantly in the finance industry within the regions of Geelong, Melbourne and Sydney. The operations mainly comprise the acceptance of deposits and the provision of loans. Specific segmentation of loans and deposits are set out in Notes 10 & 15.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont….)

30 June 2019

36. OUTSOURCING ARRANGEMENTS

The Society has entered into contracts with, and has outsourcing arrangements with, the following organisations and service providers:

(a) Credit Union Services Corporation (Australia) Limited.
This company is the national services company for the affiliated Credit Union Movement within Australia. This company operates the payment switch used to link RediCARDS operated through RediATM, and other approved ATM and EFTPOS suppliers to the Society's information system. The Society has entered into an agreement with this entity for licences to operate computer software, support for software, rights to RediCARDS, and the provision of central banking facilities.

(b) Transaction Solutions Pty Ltd
This company owns and operates the information system utilised by the Society on a bureau basis and provides computer disaster recovery facilities.

(c) Ultradata Australia Pty Limited
Provides and maintains the application software utilised by the Society to deliver its banking services.

(d) Other Relationships
Relationships also exist with Ford Motor Company of Australia and with other service providers for a range of other services to members, including: BPay, Bridges Personal Investment, Bank@Post and QBE Insurance.

30 June 2019

37. FINANCIAL INSTRUMENTS (Cont...)

(a) Interest rate risk

The Society'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 interest rate		Fixed interest rate maturing in: 1 year or less		1 - 5 years		More than 5 years		Non-interest Bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 %**	2018 %
(i) Financial assets														
Cash and liquid assets	**4,881**	4,260	**-**	-	**-**	-	**-**	-	**227**	282	**5,108**	4,542	**1.02%**	1.48%
Deposits with other financial institutions	**-**	-	**13,700**	16,700	**-**	-	**-**	-	**-**	-	**13,700**	16,770	**2.40%**	2.59%
Loans and advances - related parties/entities	**2**	233	**-**	-	**-**	-	**-**	-	**-**	-	**2**	233	**5.90%**	4.89%
Unlisted shares	**-**	-	**-**	-	**-**	-	**-**	-	**605**	264	**605**	264	**N/A**	N/A
Government and semi-government bonds	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**N/A**	N/A
Floating rate notes	**-**	-	**15,655**	12,006	**-**	-	**-**	-	**-**	-	**15,655**	12,006	**2.49%**	3.13%
Loans and advances	**106,538**	98,284	**-**	-	**-**	-	**-**	-		-	**106,538**	98,284	**4.00%**	4.24%
Total financial assets	**111,421**	102,777	**29,355**	28,706	**-**	-	**-**	-	**832**	546	**141,608**	132,029	**-**	-
(ii) Financial liabilities														
Deposits from members	**79,948**	87,861	**52,724**	36,168	**-**	-	**-**	-	**37**	37	**132,709**	124,066	**1.89%**	1.88%
Payables	**-**	-	**-**	-	**-**	-	**-**	-	**702**	674	**702**	674	**N/A**	N/A
Total financial liabilities	**79,948**	87,861	**52,724**	36,168	**-**	-	**-**	-	**739**	711	**133,411**	124,740	**-**	-

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont….)

30 June 2019

37. FINANCIAL INSTRUMENTS (Cont…)

(b) Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, are as follows.

	Total carrying amount as per the statement of financial position		**Aggregate net fair value**	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Financial assets				
Cash and cash equivalents	**5,108**	4,542	**5,108**	4,542
Deposits with other financial institutions	**13,700**	16,700	**13,700**	16,700
Loans & advances - related parties/entities	**2**	233	**2**	233
Floating rate notes	**15,655**	12,006	**15,655**	12,066
Loans and advances	**106,538**	98,284	**106,538**	98,284
Unlisted shares	**605**	264	**605**	264
Total financial assets	**141,608**	132,029	**141,608**	132,029
Financial liabilities				
Deposits from members	**132,709**	124,066	**132,595**	123,904
Payables	**702**	674	**702**	674
Total financial liabilities	**133,411**	124,740	**133,297**	124,578

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

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 than the book value have not been written down in the accounts of the Society 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 Society 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:

Cash and Liquid assets due from other financial institutions

The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 12 months approximates their fair value as they are short term in nature and are receivable on demand.

Loans and advances

The majority of the Society's loans are variable rate loans. The carrying amount of these loans is considered to approximate fair value. The net fair values 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 discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont….)

30 June 2019

37. FINANCIAL INSTRUMENTS (Cont…)

(b) Net fair values (cont….)

Deposits from members

The fair value of call and variable rate 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 Society is 2 years.

The Society has assessed its own credit risk in regards to the fair value of deposits, and has assessed that no material valuation adjustment is required based on the capital management system utilised by the Society as outlined at Note 27.

Short term borrowings

The carrying amount approximates fair value because of their short-term to maturity.

Long-term borrowings

The fair values of long-term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

Other financial liabilities

This includes interest payable and trade and other payables for which the carrying amount is considered to be a reasonable approximation of fair value given the short term nature.

(c) Interest rate risk

Fair value sensitivity analysis for fixed rate instruments

The Society does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis

The Society is exposed to interest rates arising from mismatches in the repricing dates between financial assets and financial liabilities. As at 30 June 2019, it is estimated that a general decrease of one percentage point in interest rates would decrease the Society’s profit before tax by approximately $422,771 (2018 $213,195).

A general increase of one percentage point in interest rates would have an equal but opposite effect to the amounts shown above.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

30 June 2019

37. FINANCIAL INSTRUMENTS (Cont...)

(d) Credit risk exposures

The Society's maximum exposures* to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

Concentrations of credit risk

The Society minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of customers within the specified categories. Refer also to Note 35 – Segment information.

Concentrations of credit risk on loans receivable arise in the following categories:

	Maximum credit risk exposure* for each concentration			
	Percentage of total loans receivable (%)		**$'000**	
Geographic/Industry	**2019**	2018	**2019**	2018
Victorian Residents	**89%**	90%	**95,066**	88,505
Other non-concentrated	**11%**	10%	**11,474**	10,011
	100%	100%	**106,540**	98,516
Employed by Ford Motor Company	**11%**	13%	**11,245**	12,715
Other non-concentrated	**89%**	87%	**95,295**	85,801
	100%	100%	**106,540**	98,516

Credit risk in loans receivable is managed in the following ways:
- a risk assessment process is used for all customers; and
- credit insurance is obtained for high risk customers.

* The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

The following table highlights the Society's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets of liabilities that the entity can access at the measurement date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

30 June 2019

38. FAIR VALUE MEASUREMENT

Level 2: Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

2019

Assets measured at fair value	**Level 2 $**		**Level 3 $**
Land	**2,200**	Shares	**605**
Total Assets	**2,200**	Total Assets	**605**

2018

Assets measured at fair value	Level 2 $		Level 3 $
Land	2,050	Shares	264
Total Assets	2,050	Total Assets	264

The Society has assessed that at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Note 37(b).

Valuation techniques for fair value measurements:

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

Shares are unlisted equity investments. Given there are no quoted market prices and fair value can not be reliable measured, investments are held at cost less impairment.

Movements in Level 2 & 3 assets during the current and previous financial year are as set out below:

	Land $	Shares $
Balance as at 1 July 2017	2,050	264
Additions	-	-
Losses recognised in other comprehensive income	-	-
Revaluation increment through comprehensive income	-	-
Depreciation expense	-	-
Balance as at 30 June 2018	2,050	264

	Land $	**Shares $**
Balance as at 1 July 2018	**2,050**	**264**
Adjustment on application of AASB 9	**-**	**341**
Additions	**-**	**-**
Losses recognised in other comprehensive income	**-**	**-**
Revaluation increment through comprehensive income	**150**	**-**
Depreciation expense	**-**	**-**
Balance at 30 June 2019	**2,200**	**605**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont....)

30 June 2019

39. NEW ACCOUNTING STANDARDS ADOPTED

The Society 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. The following accounting standards and interpretations are most relevant for the Society.

	Notes	Original 30 June 2018 Balance (Under AASB 139)	Change	Restated 1 July 2018 (Under AASB 9)
Impairment impact:				
Allowance for expected credit losses	10	**(235)**	**200**	**(35)**
Deferred tax asset impact	13	**65**	**(55)**	**10**
Classification & measurement impact:				
Fair value measurement of equity shares	11	**264**	**341**	**605**
Deferred tax liability impact	19	**(389)**	**(166)**	**555**
Total			**320**	

40. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, or state of affairs of the Society in subsequent financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Ford Co-operative Credit Society Limited, we state that:
In the opinion of the Directors:

(a) the financial statements and notes of the Society are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Society's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

- (ii) complying with Australian Accounting Standards and *Corporations Regulations 2001*;

(b) the financial statements and notes of the Society also comply with International Financial Reporting Standards as disclosed in Note 1 to the Financial Statements;

and

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

On behalf of the Board

Scott Randall
Director

Michael Carroll
Director
Geelong, 3 October 2019

Crowe

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Independent Auditor's Report to the Members of Ford Co-Operative Credit Society Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ford Co-Operative Credit Society Limited (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in members 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 the Company is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019 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.

INDEPENDENT AUDITOR'S REPORT (cont....)

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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 Company's internal control.

- Evaluate the appropriateness of accounting polices used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT (cont....)

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- 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 Company'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 Company 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 Melbourne

CROWE MELBOURNE

Alison Flakemore

Senior Partner

Hobart, Tasmania

4 October 2019

OUR VISION & MISSION

Vision: To be the primary institution meeting the personal financial services needs of our members.

Mission: Provide financial products and services that return value to members, workplaces and the local community.

THANK YOU

The Board would like to thank you, our members, for your support and loyalty and look forward to ensuring you receive the best service, competitive rates and innovative products.

Geelong Bank
Where we grow