ANNUAL REPORT 2018

Building a stronger future for our members.

Australian Central Credit Union Ltd (trading as People's Choice Credit Union) and its Controlled Entities Year Ended 30 June 2018.

Contents

Chair's and Managing Director's Report

A YEAR OF TRANSFORMATION

People's Choice last year committed to a transformation that would put members at the centre of everything we do. We identified three strategic outcomes to drive that change: differentiating, enabling and growing. We are pleased to report early signs of success with this strategy in a business environment that continues to become increasingly complicated and competitive.

People's Choice welcomed 21,053 new members in 2017/18 and increased net membership by 9,323 members. This represents strong growth in a mature market and underscores both the importance and success of our approach of putting our members at the centre of everything we do.

We have also gained valuable independent recognition of our member-centric culture.

David Lewis, People's Choice Chief Sales Officer, accepting the 2017 Roy Morgan Building Society/Credit Union of the Year Award.

Over the past year, People's Choice has received Mozo Awards for Highly Trusted, Excellent Customer Service and Outstanding Customer Satisfaction and, for the third time, was named Building Society/Credit Union of the Year in the Roy Morgan Customer Satisfaction Awards.

The extent to which our members trust and recommend People's Choice continues to be among the best in the industry. Our average net promoter score for the year was +44 points – calculated by regularly surveying members to establish whether they are promoters (loyal, enthusiastic fans), detractors (unhappy) or passives (satisfied, for now). This is the second-highest score nationally of the financial institutions we track including the major banks. It also compares favourably to the +8 points average score recorded across those financial institutions.

Market comparison site Canstar has again named People's Choice as the leading Customer Owned Institution for First Home Buyer Home Loans in three states: South Australia, Northern Territory and Victoria. People's Choice also received the prestigious title of Personal Lender of the Year from Money magazine.

This success is driving the sustainable growth of the credit union.

Our Western Bulldogs sponsorship and refreshed marketing strategy have supported loan portfolio growth in Victoria.

During a time of fierce competition, People's Choice grew its lending portfolio by 6% to $7.279 billion. Residential lending continues to present a valuable opportunity for growth, and our focus on the Victorian market has been rewarded as that state's housing market rapidly expands. The second year of our Western Bulldogs AFL team sponsorship, together with a refreshed marketing strategy, has supported our growth in this region. This strategic focus is expected to offer People's Choice a more diversified portfolio in future years that will balance the more subdued economies of South Australia and the Northern Territory.

Our retail deposits portfolio grew by 6.9% to $5.780 billion in 2017/18. This is a welcome sign that we are meeting member needs while providing a valuable source of funding as industry wholesale funding costs rise.

Our profits are essential to funding our future investment needs. Whilst our net profit after tax declined by 2.8% to $32.161 million, our comparative net profit after tax rose by 14.3% to $37.811 million when adjusted for the write down of ATM assets and related impacts. This was driven by strong portfolio growth and careful management of costs and provides for a strong, sustainable future built on competitive products and market-leading customer experience – all vital in delivering our member-centric focus.

People's Choice ended the year with total assets under management of $8.661 billion – up 4.5% from last financial year – and funds under advice of $1.867 billion. Our total assets under management and advice of $10.528 billion, up 5.4% from last financial year, makes us one of Australia's largest mutually-owned financial institutions.

People's Choice continued to diversify its funding with the completion of our seventh securitisation program in April 2018, raising $500 million. In the face of rising competition for funding, People's Choice successfully undertook its first international roadshow with presentations to European investors including international banks and fund managers.

The strength of our balance sheet and strategy have again been recognised by steady credit ratings that directly support our decision to continue to invest in our member-owned model.

IMPLEMENTING OUR BLUEPRINT FOR THE FUTURE

We are confident of the direction outlined in our Strategic Plan 2017-2022 announced last year, and the framework it provides for achieving our future success.

The goals contained in that plan are now being realised throughout People's Choice. Key targets – both organisational and personal – have been aligned to our strategic outcomes of differentiating, enabling and growing, and those same goals drive how we embrace change.

It is pleasing to see our staff look for opportunities to create value for members, with our key principle of member-centricity as a touchstone for all.

ESSENTIAL UNDERSTANDING NEEDED FOR REGULATORY CHANGE

People's Choice expects the regulatory environment to change considerably over the next 12 months. Findings of the Banking Royal Commission are expected to produce fundamental changes designed to improve the industry's focus on fairness.

Our challenge over the next 12 months lies in explaining the risk that these changes might limit, rather than increase, competition. A new report has identified problems with one-size-fits-all regulation in banking and warned of the impact more regulation flowing from the Royal Commission could have on consumers, competition and smaller banking institutions due to the fixed costs of regulation which disproportionately impact smaller institutions such as credit unions.

The report of the Productivity Commission's Inquiry into Competition in the Australian Financial System noted that the search for financial stability has reduced the benefits of competition, and People's Choice has been clear about our concerns regarding the next wave of regulation expected to flow from current events.

People’s Choice has supported the Customer Owned Banking Association’s industry campaigns.

To this end we have been supportive of our industry bodies, the Customer Owned Banking Association and the Business Council for Cooperatives and Mutuals, and their plans to highlight the differences between the mutual sector and its listed competitors, and to impress those differences upon regulators and Parliamentarians when contemplating legislative change.

We believe People’s Choice can take an active role in highlighting the advantages our sector brings in terms of competition, and the benefits of our mutual structure. We have a fundamentally different structure where members are both shareholders and customers – not separate groups with divergent interests that give rise to a business conflict.

Senior Parliamentarians have expressed an understanding of these differences, as seen by the broad support offered to reforms stemming from the Hammond Review of Cooperatives, Mutuals and Member-Owned Firms introduced 12 months ago. These reforms were designed to update regulatory and legislative settings to accommodate the customer owned business model, including measures to improve our sector’s capacity to raise capital.

Our role as one of Australia’s largest credit unions is to ensure that understanding is front of mind when new reforms are designed.

On an operational front, the establishment of Open Banking and Comprehensive Credit Reporting in coming years is likely to create significant benefits for members through improved access to finances, broader choice, and a greater appreciation for risk-based products that better reflect behaviour and capacity. As always, our interest lies in facilitating the change to ensure the benefits are not outweighed by compliance costs.

BOARD AND OUR PEOPLE

The Board this year expanded its capacity with the appointment of David Cartwright as a non-executive Director from 12 December 2017. David has an extensive career in financial services, technology and business services, including a role as ANZ Bank Group Chief Operating Officer. David is also the founding partner of an advisory business specialising in strategy, digital disruption and transformational change – all areas very much relevant to the future success of People’s Choice.

At our Annual General Meeting in November 2017, Virginia Hickey was re-elected and Amanda Heyworth was elected to the Board. Ms Hickey has been a director since 2014. Ms Heyworth serves on boards in the finance, housing, technology, not-for-profit and Government sectors with experience in finance, investment and commercialisation of technology.

This mix of skills and experience is essential given the role that technology plays as both a disruptor and enabler within our industry, and the need for an appropriate level of investment required to establish People’s Choice as a sustainable leader in the Australian finance sector.

We thank the dedication of our Executive team and staff for delivering a successful year in an increasingly challenging and competitive market.

Our focus on aligning all that we do with our members’ needs has involved significant changes, and the pace of industry-wide disruption is not expected to lessen in coming years. We know that our ability to negotiate those changes while continuing to support our members will deliver the future success of People’s Choice.

Especially in today’s environment, our Vision of being the most trusted financial services provider in Australia remains paramount.

John Cossons
Chair

Steve Laidlaw
Chief Executive Officer
and Managing Director

Year in Review

SUPPORTING MEMBERS THROUGH DEEPER ENGAGEMENT

In 2017/18 People's Choice helped 7,940 members to buy their home and 11,323 members to buy a car, renovate their house or go on a holiday. People's Choice protected 35,447 members with general and commercial insurance, mortgage repayment protection and Mutual Aid, and provided 1,161 members with new financial advice.

In its first full year, our M-Power program identified almost 500 opportunities to improve and simplify processes for members. The program supports our drive to improve member experience, while enabling staff to champion changes that will enhance the way in which People's Choice operates.

The Green Room is a growing online community for members to share insights.

The voice of our members is increasingly being heard through direct interviews using human centred design and in the Green Room online community. Discussions with members have contributed to product changes, insights into how we can better provide services, and will increasingly determine opportunities to grow People's Choice while responding to our members' evolving expectations. We thank all of our members who have contributed so far, and welcome new members to take up the opportunity to shape the future of People's Choice.

INVESTING FOR THE BENEFIT OF MEMBERS

People's Choice is continuing to invest to provide the latest banking services for members. We were among the first financial institutions in Australia to offer Fast Payments through the New Payments Platform, designed to allow members to send and receive payments within seconds. We have delivered four major updates to our Mobile Banking App through the year including seven new features such as international money transfers and quick balances – all designed to improve member experience.

A national push to cancel fees from major bank ATMs has provided members with hundreds more options for fee-free banking. People's Choice also removed non-member transaction charges and reviewed its fleet placement in light of these changes. At the same time, we have made upgrades for the next-generation $10 note and introduced cash- and cheque-depositing ATMs at 34 sites. We note that all institutions continue to review the size and location of their ATM fleets. People's Choice continues to do the same with an appreciation for member requirements and responsible investment of member funds.

People's Choice was among the first financial institutions in Australia to offer Fast Payments.

During the year, People's Choice invested in the refurbishment of branches at Berri, Blackwood, West Lakes and Munno Para in South Australia; Tuggeranong in the ACT; and Bourke Street Melbourne and Warrnambool in Victoria. The success of our home loan centre in the south-east Melbourne suburb of Cranbourne will soon be expanded with the announcement of new home loan centres in two of Melbourne's high-growth corridors.

As with all financial services providers, People's Choice continues to review its branch footprint to ensure members have access to facilities without bearing a disproportionate cost for duplicated services. In August 2018 we advised members of our decision to close branches at Golden Grove and Woodcroft in Adelaide and Epping in Melbourne. These are very difficult decisions and can be an unwelcome change for those members who regularly use these branches. However, it is essential that we invest our members' funds into our credit union for the greater benefit of all our members, including those who prefer to bank online and those who bank in much higher numbers at other branches.

A highlight for the year has been the early success of our Fast & Easy personal loans strategy, which involved a thorough redesign of all elements of our personal lending that now combines market-leading rates with the ability to email contracts and electronically disburse funds. Importantly, applications can be made on a mobile device. This process is giving members greater control, choice and convenience in personal lending and the faster turnaround expected today.

STRENGTH OF OUR CULTURE

Organisations in any rapidly-changing industry rely on the strength of their culture to sustain their ability to meet that change. People's Choice is proud of the strength and resilience of its staff and the culture they share, backed by almost 30,500 hours of training and development delivered during 2017/18.

The results of the 2018 Values and Engagement Survey place People's Choice among the top employers, with 88% staff engagement and 90% of staff agreeing the credit union is living up to its values. These results, which outperform industry and corporate benchmarks, demonstrate continued efforts across the business to build a strong values-based culture that is focused on supporting members.

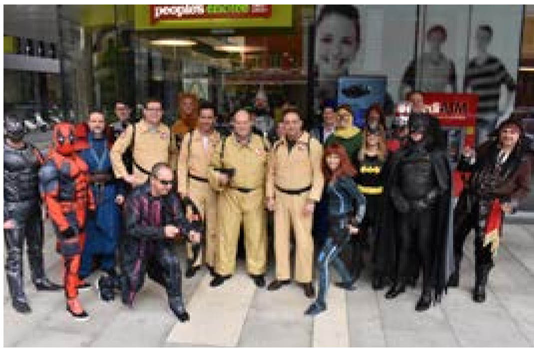
We congratulate Treasurer Heather Gale on being named one of South Australia's leading young business leaders in InDaily's "40 Under 40". The recognition of our young leaders is an important reminder of the opportunities People's Choice can create to identify and promote the talent and ideas that will grow our business nationally.

SUPPORTING OUR COMMUNITIES

People's Choice continues to make a community contribution that far exceeds national averages. In this past year we contributed 2.7% of pre-tax profit to corporate community investment – 4.5 times the 0.61% average contribution made by major Australian and New Zealand companies (source: LBG Australia). Including funds raised through the Community Lottery and other programs, People's Choice generated almost $3 million for the community during the year and made a difference to close to one million Australians.

The 2017 People's Choice Community Lottery raised $1.56 million for 1,074 community groups, including a new record of $61,056 raised for our community partner Cancer Council SA. A record 150,000 tickets were sold online – an avenue People's Choice is supporting through an investment in a new system to support the future growth of the Community Lottery.

Our sixth People's Choice Undies Run for Bowel Cancer was a success, attracting a record 1,611 participants to strip down to raise awareness of Australia's second-largest killer, bowel cancer. More than $150,000 was raised this year, taking the total of our six-year partnership with Cancer Council SA to more than $880,200.



Our Executives and Senior Leaders raised $14,500 for HeartKids through Super Boss Day.

People's Choice's staff continued to support the community during the year. Some 230 staff volunteered 1,016 voluntary hours for 54 different organisations, including Cancer Council SA, Trees for Life and the Salvation Army. Our Senior Leaders and Executives raised $14,500 for HeartKids on Super Boss Day to support children with paediatric heart conditions and their families, and staff donated $10,760 to 10 charities.

People's Choice continues to review how it can most effectively support the communities in which it operates on behalf of its members. We have recently made some adjustments to our sponsorships in South Australia by concluding our sponsorship of the People's Choice Classic after six years and, together with three other mutuals, our 23-year partnership with the Credit Union Christmas Pageant, while announcing an exciting new partnership with the Adelaide Strikers cricket team that will see People's Choice regularly connect with Australian communities through both men's and women's cricket.

Annual Financial Report

Directors' Report

The Directors present their report together with the financial report of Australian Central Credit Union Ltd (trading as People's Choice Credit Union) (the "Credit Union"), and its controlled entities (together referred to as the "Group"), for the year ended 30 June 2018 and the Auditor's Report thereon.

DIRECTORS

The Directors of the Credit Union at any time during or since the end of the financial year were:

John Leonard Cossons
Non-Executive Chair
FAMI, MAICD

Steven Peter William Laidlaw
Managing Director (Appointed 1 September 2017)
BEc, BCom, FCA, FAICD

Dr Rosemary Helen Simon Brooks
Non-Executive Director (Retired 9 November 2017)
PhD, MBA, MA, BA (Hons), LLB (Hons), GDLP, FAICD, JP

Edward Terrence McGuirk
Non-Executive Director
BA (Hons), FAICD, FAMI

Jan McMahon
Non-Executive Director (Retired 1 September 2017)
BA (Hons), FAICD, FAIST

Kathryn Anne Skipper AM
Non-Executive Director
Dip. Nursing, FAICD

Virginia Sue Hickey
Non-Executive Director
BA, LLB, FAICD

John Patrick Patton
Non-Executive Director
FCA, MAICD

Amanda Elizabeth Heyworth
Non-Executive Director (Appointed 9 November 2017)
BA Accounting, Dip. Finance and Investment, MBA, FAICD, Senior Fellow FINSIA

David John Cartwright
Non-Executive Director (Appointed 12 December 2017)
MA, BA Natural Sciences, Distinguished Sloan Fellow London Business School, GAICD

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

Details of Directors, their experience and any special responsibilities, are set out in the Online Annual Report, which is available from our website at www.peopleschoicecu.com.au.

Certain Directors have associations with other organisations. Some of these organisations conduct business with the Credit Union. This business is conducted on standard terms and conditions.

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors during the financial year is shown in the Corporate Governance Statement commencing on page 14.

COMPANY SECRETARY

Ms Taryn Shearn LLB (Hons), B.Com was appointed to the position of Company Secretary on 2 February 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the provision of loans to members and customers, savings and investment facilities, the sale of insurance policies, Mutual Aid, financial planning and corporate superannuation services. There was no significant change in the nature of these activities during the year.

DIVIDENDS

The Credit Union's Constitution prohibits the payment of dividends on member shares.

REVIEW OF OPERATIONS

The Group recorded a profit after tax for the year ended 30 June 2018 of $32.161 million (2017: $33.080 million). The result for the year was impacted by the decision to remove direct charge fees from all ATMs, following changes made throughout the industry. As a result, the Group wrote down the carrying value of all ATM assets, incurred lease payout costs, restoration costs and experienced a decline in ATM fee income. The ATM operations of Cuscal Limited were also negatively impacted by this industry wide change, driving a reduction in dividend income from the Group's investment in Cuscal Limited.

The table below details the impact on profit after tax for the year ended 30 June 2018, resulting in a comparative profit after tax of $37.811 million, representing an increase of 14.3% from 2017. This increase in comparative profit is primarily attributable to loan portfolio growth over the financial year and largely flat operating costs.

	2018	2017	Movement	
	$000	$000	$000	%
Profit after tax	**32,161**	33,080	(919)	(2.8%)
Write down of ATM assets and related costs	3,671			
Reduction in ATM fee income	1,109			
Reduction in dividend received from Cuscal Limited	870			
Comparative profit after tax	**37,811**	33,080	4,731	14.3%

The total assets for the Group were $8.391 billion (2017: $7.896 billion), representing an increase of $0.495 billion (6.3%) from 30 June 2017. Lending settlements for the twelve months ended 30 June 2018 were $1.466 billion (2017: $1.425 billion), and member retail deposits grew by $373 million (2017: $471 million) representing a portfolio increase of 6.9%. Total member loans and advances increased by 6.0% to $7.275 billion during the year. For further analysis of the financial year performance refer to the Chair's and Managing Director's report commencing on page 4.

STATE OF AFFAIRS

In the opinion of the Directors, there have been no significant changes in the state of affairs of the Group that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

DIRECTORS' INTERESTS

None of the above Directors have declared any interest in existing or proposed contracts with the Credit Union during the financial year ended 30 June 2018 and to the date of this report.

EVENTS SUBSEQUENT TO THE REPORTING DATE

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

Directors' Report (continued)

LIKELY DEVELOPMENTS

Further information as to likely developments in the operations of the Group and the expected results of those operations in subsequent financial years has not been included in this report because disclosure of such information is likely to result in unreasonable prejudice to the Group.

REGULATORY DISCLOSURES

Prudential Standard *APS 330 Public Disclosure* requires the Group to meet minimum requirements for the public disclosure of information on its risk profile, risk management, capital adequacy, capital instruments and remuneration practices to contribute to the transparency of the financial markets and to enhance market discipline. This information is published on the Credit Union's public website under Regulatory Disclosures.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Credit Union paid a premium in relation to a Directors' and Officers' liability insurance policy indemnifying the Directors and its Executives against certain liabilities.

The insurance contract prohibits the disclosure of the nature of the liabilities insured against and the premium paid in respect of that insurance.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT

The Lead Auditor's Independence Declaration is set out on page13 and forms part of the Directors' Report for the year ended 30 June 2018.

ROUNDING

The Company is of a kind referred to in the Australian Securities & Investment Commission ("ASIC") Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Rounding Instrument, amounts in the Financial Report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in Adelaide this 5th day of September, 2018
in accordance with a resolution of the Board of Directors of the Credit Union.

J. L. COSSONS
Chair

S. P. W. LAIDLAW
Managing Director

Lead Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Australian Central Credit Union Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Australian Central Credit Union Ltd for the financial year ended 30 June 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG
KPMG

Paul Cenko
Partner

Adelaide
5 September 2018

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Liability limited by a scheme approved under Professional Standards Legislation

Corporate Governance Statement

HOW WE DO BUSINESS

Australian Central Credit Union Ltd trades as People's Choice Credit Union ("People's Choice"). The People's Choice Board and Management are committed to acting responsibly, ethically and with the highest standards of integrity to ensure that People's Choice's activities are continually structured and delivered in a manner that allows us to meet the needs of our members.

A principles-based approach is taken to achieve sound corporate governance and business practices. To achieve this, policies have been adopted by the Board and cascaded throughout all levels of People's Choice. Further information can be found in the People's Choice Corporate Governance section on our website: www.peopleschoicecu.com.au.

The Board has committed to following the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations, 3rd Edition" to the extent that they are applicable to People's Choice, as a mutual organisation.

Directors and senior management must meet the "fit and proper" framework which the Board has implemented in accordance with relevant regulation. The "fit and proper" framework deals with matters such as minimum competencies, Director development, independence, Director refreshment and renewal and performance.

ROLE OF THE BOARD

The Board comprises Non-Executive Directors who, together with the Managing Director, have extensive experience and bring accountability and judgement to the Board's deliberations to ensure optimum benefit to members, employees and the wider community. The role and responsibilities of the Board are set out in the Board Charter. In particular, the Board:

- Provides strategic direction to People's Choice;
- Provides leadership in terms of corporate governance;
- Appoints and manages the performance of the Managing Director;
- Reports to members and monitors compliance with regulatory requirements;
- Approves the remuneration of the Managing Director, Executive Managers and other designated persons in accordance with the Board Remuneration Policy and Australian Prudential Regulation Authority ("APRA") Prudential Standards;
- Oversees People's Choice's financial performance and position and monitors its business and affairs on behalf of all members;
- Oversees internal controls and processes for identifying areas of significant business risk;
- Makes decisions in relation to major expenditures, acquisitions or merger opportunities;
- Ensures that the People's Choice business is conducted ethically and transparently.

Responsibility for day-to-day activities in relation to the operation of People's Choice is delegated to the Managing Director by the Board.

STRUCTURE OF THE BOARD

The size and composition of the Board is determined by the Board subject to the limits set out in People's Choice's Constitution, which requires a minimum of four member-elected Non-Executive Directors. The Constitution also allows for Board and merger-appointed Non-Executive Directors, and a Managing Director. At all times, member-elected Directors must constitute a majority of Directors, a requirement which protects our mutuality.

The Board currently comprises seven Non-Executive Directors, five of whom are member-elected and two Board-appointed Directors and one Managing Director. All Directors are shareholding members of People's Choice. Board members are elected by the members or appointed in accordance with the Constitution. All elected Directors are appointed for a maximum term of three years upon election. The above framework operates to ensure that the Board is able to function independently of Executive Management.

Corporate Governance Statement (continued)

Directors who held office during or since the end of the financial year and the year in which each was appointed to the Board (including the Board of the pre-merged entities) are set out below:

Directors – Non-Executive	Year First Elected/Appointed
R.H.S. Brooks^	1995
D.J. Cartwright*#	2017
J.L. Cossons (Chair)	1981
A.E. Heyworth^	2017
V.S. Hickey	2014
E.T. McGuirk	1996
J. McMahon&	1989
J.P. Patton*	2016
K.A. Skipper	2002
Directors – Executive	**Year First Appointed**
S.P.W. Laidlaw (Managing Director)**	2017

* Board-appointed Director
^ Director Brooks retired as a Director at the AGM held on 9 November 2017 and Director Heyworth was appointed as a Director effective 9 November 2017.
# Director Cartwright was appointed as a Board appointed Director effective from 12 December 2017.
& Director McMahon retired as a Director effective from 1 September 2017.
** Managing Director Laidlaw was appointed as Managing Director effective from 1 September 2017.

Further details on the Directors can be found on page 10 of the Annual Report and on our website.

COMMITTEES OF THE BOARD

The Board has established three standing committees being the Audit, Corporate Governance and Risk Committees as described below to consider detailed matters. Generally, committees consider the various matters and make recommendations to the Board; however some decisions, within the parameters of Board policy, have been delegated to committees. Each committee's authority and responsibilities are set out in their individual terms of reference, as approved by the Board. Other committees may be established from time to time to consider matters of particular importance. Committee members are chosen for the skills, experience and other relevant qualities they bring to the committee.

The current standing committees generally meet at least three times a year to consider and make recommendations or decisions on matters within their terms of reference. Committee Chairs give verbal reports to the Board at the next Board meeting, and minutes of all committee meetings are reviewed by the Board. All information prepared for the consideration of committees is also available to the Board.

Audit Committee – the Audit Committee assists the Board in fulfilling its responsibilities relating to: the audit, accounting, and reporting obligations; monitoring compliance with the established policies of People's Choice; and monitoring Internal and External Auditors (including the independence of the Internal and External Auditors).

Corporate Governance Committee – the Corporate Governance Committee assists the Board in adopting and implementing good corporate governance in the areas of the appointment and performance monitoring of the Managing Director or Chief Executive Officer, Non-Executive Director appointment, remuneration, recommending to the Board management remuneration levels in accordance with the Board Remuneration Policy, Board performance reviews, oversight of the "fit and proper" framework, monitoring the size and composition of the Board and reviewing Executive and Director succession plans. The committee is also responsible for the oversight and conduct of the Director elections and the Annual General Meeting. A Nominations Committee is established in association with Director elections, and operates under the guidance of the Corporate Governance Committee. The Nominations Committee comprises the Chair of the Board (except when standing for re-election) and two external members with suitable skills and knowledge who are not Directors, staff or members of People's Choice. The Nominations Committee assists the Board to manage the process for nomination of Directors, including conducting interviews with nominees and preparing statements to assist Members to make an informed voting decision.

Corporate Governance Statement (continued)

Risk Committee – the Risk Committee ensures that People's Choice adopts an integrated approach to risk management including treasury risk management and capital management, dealing with all risks of the portfolio including those to do with the balance sheet and interest rates, credit risk that arises in the credit portfolio, operational risk management including regulatory risk management as part of the day to day conduct of the business and alignment with prudential standards. The Risk Committee is also responsible for ensuring work health and safety risks are properly identified and effectively managed, and that the work health and safety performance of People's Choice is monitored and the relevant policies are reviewed regularly.

REMUNERATION REPORT

In accordance with APRA standard *APS 330 Public Disclosure*, the People's Choice remuneration report can be found under About Us in the Regulatory Disclosures section on our website, as part of the Prudential Disclosure Statement.

DIVERSITY

The Board is committed to diversity and the promotion of an environment conducive to the appointment of well-qualified employees, Executive Management and Directors. A diversity policy has been developed and is in place to assist People's Choice maintain a workplace which values and respects individual differences. This policy recognises the diversity of People's Choice's workforce and has established measurable targets that support achieving diversity in the workplace. These targets are reported to, and monitored by the Board on an annual basis.

People's Choice has achieved gender diversity at all levels. The gender breakdown at People's Choice is as follows:

	Male	%	Female	%	Total
Board Members	5	62	3	38	8
Executive Managers	4	80	1	20	5
Other Managers	78	50	77	50	155
Other Employees	254	30	598	70	852
Total Workforce	341	33	679	67	1020

REMUNERATION OF THE BOARD

The Corporate Governance Committee reviews and recommends the level of the Managing Director's remuneration for approval by the Board. The Corporate Governance Committee assists the Board in determining the aggregate level of remuneration of Non-Executive Directors to be recommended for approval by members at the Annual General Meeting following benchmarking and/or receipt of independent advice.

BOARD POLICIES

People's Choice maintains policies relating to its operational, compliance, legal and regulatory reporting requirements which are reviewed on a regular basis. These policies are supported by procedures to ensure compliance and effective monitoring of People's Choice's business. Further details and a copy of the Board Charter can be found on the Corporate Governance Section of our website.

Corporate Governance Statement (continued)

MEETINGS OF THE BOARD AND BOARD COMMITTEES

The membership and details of attendances at meetings of the People's Choice Board and Committees are outlined below:

Director	Director Type	Board		Audit		Corporate Governance		Risk	
		A[(1)]	B	A	B	A	B	A	B
J.L. Cossons (Chair)	M	11	11			7	7		
S.P.W. Laidlaw (Managing Director)[(2)]	E	9	9						
Dr R.H.S. Brooks[(4)]	M	5	5			3	3		
D.J. Cartwright[(5)]	D	6	6					2	2
A.E. Heyworth[(6)]	M	6	6	2	2				
V.S. Hickey	M	11	10[(3)]			7	7	4	3[(3)]
E.T. McGuirk	M	11	10	2	1			2	1
J. McMahon[(7)]	M	3	3	1	1				
K.A. Skipper	M	11	10[(3)]	2	2	3	3		
J.P. Patton	D	11	11	4	4			4	4

(1) *Eight scheduled Board meetings and three ad hoc meetings were held during the year.*
(2) *Managing Director Laidlaw was appointed as Managing Director effective 1 September 2017.*
(3) *Meeting not attended during pre-approved leave of absence.*
(4) *Director Brooks retired as a Director at the AGM held on 9 November 2017*
(5) *Director Cartwright was appointed as a board appointed Director effective 12 December 2017*
(6) *Director Heyworth was appointed as a member elected Director effective from the close of the AGM on 9 November 2017.*
(7) *Director McMahon retired as a Director effective 1 September 2017.*

A The number of meetings held during the period the Director was a member of the Board or Board Committee
B The number of meetings attended by the Director.
M Member-elected Directors
D Board-appointed Directors
E Executive Director

Independent Auditor's Report

Independent Auditor's Report

To the members of Australian Central Credit Union Ltd

Opinions

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

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

- giving a true and fair view of the Group and Company's financial position as at 30 June 2018 and of their financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The respective Financial Reports of the Group and the Company comprise:

- Statements of financial position as at 30 June 2018;
- Statements of profit or loss and other comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

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

Basis for opinions

We conducted our audits in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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

We are independent of the Group and Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audits of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Australian Central Credit Union Ltd's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinions on the Financial Reports do not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Independent Auditor's Report (continued)

KPMG

Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

- preparing Financial Reports that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of Financial Reports that give a true and fair view and are free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

- to obtain reasonable assurance about whether each of the Financial Reports as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinions.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Reports.

A further description of our responsibilities for the audits of the Financial Reports is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Paul Cenko
Partner

Adelaide
5 September 2018

Directors' Declaration

In the opinion of the Directors of the Credit Union:

a) the financial statements and notes of the Credit Union and of the Group, set out on pages 21 to 74 are in accordance with the *Corporations Act 2001*, including:

  i. giving a true and fair view of the Credit Union's and the Group's financial position as at 30 June 2018 and of their performance, for the financial year ended on that date;

  ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;

b) the financial statements also comply with the International Financial Reporting Standards as disclosed in Note 2;

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

Signed in Adelaide this 5th day of September, 2018
in accordance with a resolution of the Board of Directors of the Credit Union.

J. L. COSSONS
Chair

S. P. W. LAIDLAW
Managing Director

Statements of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated		Credit Union	
		2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Interest income	4	**336,582**	327,612	**368,701**	360,855
Interest expense	4	**(161,954)**	(162,544)	**(201,400)**	(202,709)
Net interest income		**174,628**	165,068	**167,301**	158,146
Net change in fair value of financial assets/liabilities at fair value through profit or loss		**-**	28	**-**	28
Share in net profit of equity accounted investees	13	**1,641**	1,232	**-**	-
Other income [1]	2.1(d), 4	**67,386**	72,880	**72,151**	77,038
Non-interest income		**69,027**	74,140	**72,151**	77,066
Impairment losses on loans and advances [1]	2.1(d), 9	**(2,791)**	(3,245)	**(2,791)**	(3,245)
Other expenses	5	**(196,664)**	(189,945)	**(194,210)**	(187,463)
Profit before tax		**44,200**	46,018	**42,451**	44,504
Income tax expense	6	**(12,039)**	(12,938)	**(11,514)**	(12,486)
Profit after tax for the year		**32,161**	33,080	**30,937**	32,018
Profit attributable to:					
Members of the parent		**32,161**	33,080	**30,937**	32,018
Other comprehensive income					
Cash flow hedges:					
Net change in fair value of cash flow hedges transferred to profit or loss		**863**	1,326	**863**	1,326
Effective portion of changes in fair value of cash flow hedges		**(61)**	3,004	**(61)**	3,004
Changes in fair value of available for sale financial assets		**(620)**	1,933	**(620)**	1,933
Income tax on items of other comprehensive income		**(55)**	(1,879)	**(55)**	(1,879)
Other comprehensive income for the year, net of income tax		**127**	4,384	**127**	4,384
Total comprehensive income for the year		**32,288**	37,464	**31,064**	36,402

The Statements of Profit or Loss and Other Comprehensive Income are to be read in conjunction with the accompanying notes to the financial statements.

[1] Bad Debts Recovered have been reclassified from Other Income to Impairment Losses on Loans and Advances in the 2017 comparative figures. Refer to note 2.1(d).

Statements of Financial Position

AS AT 30 JUNE 2018

	Note	Consolidated		Credit Union	
		2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Assets					
Cash and cash equivalents	7	**201,273**	167,324	**86,236**	117,836
Loans and advances	8	**7,275,310**	6,861,455	**7,275,310**	6,861,455
Available for sale investment securities	10	**809,036**	753,731	**807,201**	751,501
Other investments	10	**15,011**	15,738	**778,381**	790,257
Property, plant and equipment	11	**27,171**	38,180	**27,171**	38,180
Intangible assets	12	**14,533**	10,893	**6,198**	2,557
Interest in equity accounted investees	13	**9,489**	8,810	**4,240**	4,240
Current tax receivable	6	**169**	-	**169**	-
Deferred tax assets	6	**12,999**	14,139	**13,469**	14,779
Derivative assets	29 g	**848**	1,822	**516**	2,403
Other assets	14	**24,734**	23,822	**30,790**	30,320
Total Assets		**8,390,573**	7,895,914	**9,029,681**	8,613,528
Liabilities					
Deposits	15	**6,113,791**	5,802,013	**6,113,954**	5,802,234
Derivative liabilities	29 g	**1,397**	3,182	**2,344**	1,593
Other payables	16	**76,241**	61,912	**81,505**	69,004
Borrowings	17	**1,572,767**	1,431,448	**2,219,820**	2,156,053
Current tax payable	6	**-**	3,355	**-**	3,355
Deferred tax liabilities	6	**5,141**	5,182	**4,084**	4,499
Provisions	18	**18,194**	18,068	**18,038**	17,918
Total Liabilities		**7,787,531**	7,325,160	**8,439,745**	8,054,656
Net Assets		**603,042**	570,754	**589,936**	558,872
Equity					
Reserves	19	**192,703**	192,368	**192,697**	192,362
Retained earnings		**410,339**	378,386	**397,239**	366,510
Total Equity		**603,042**	570,754	**589,936**	558,872

The Statements of Financial Position are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2018

Consolidated Entity	**Note**	**Reserves**	**Retained Earnings**	**Total**
		$'000	**$'000**	**$'000**
Opening balance at 1 July 2017		**192,368**	**378,386**	**570,754**
Profit for the year after tax		**-**	**32,161**	**32,161**
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	19	**(43)**	**-**	**(43)**
Taken to profit or loss	19	**604**	**-**	**604**
Change in fair value of available for sale financial assets	19	**(434)**	**-**	**(434)**
Total comprehensive income for the period		**127**	**-**	**127**
Transactions recorded directly in equity				
Redeemed member shares	19	**24**	**(24)**	**-**
General reserve for credit losses	19	**184**	**(184)**	**-**
Total transfer to reserves		**208**	**(208)**	**-**
Closing balance at 30 June 2018		**192,703**	**410,339**	**603,042**

Opening balance at 1 July 2016		188,082	345,209	533,291
Profit for the year after tax		-	33,080	33,080
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	19	2,102	-	2,102
Taken to profit or loss	19	928	-	928
Change in fair value of available for sale financial assets	19	1,353	-	1,353
Total comprehensive income for the period		4,383	-	4,383
Transactions recorded directly in equity				
Redeemed member shares	19	23	(23)	-
General reserve for credit losses	19	(120)	120	-
Total transfer to reserves		(97)	97	-
Closing balance at 30 June 2017		192,368	378,386	570,754

The Statements of Changes in Equity are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Changes in Equity (continued)

FOR THE YEAR ENDED 30 JUNE 2018

Credit Union	**Note**	**Reserves**	**Retained Earnings**	**Total**
		$'000	**$'000**	**$'000**
Opening balance at 1 July 2017		**192,362**	**366,510**	**558,872**
Profit for the year after tax		**-**	**30,937**	**30,937**
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	19	**(43)**	**-**	**(43)**
Taken to profit or loss	19	**604**	**-**	**604**
Change in fair value of available for sale financial assets	19	**(434)**	**-**	**(434)**
Total comprehensive income for the period		**127**	**-**	**127**
Transactions recorded directly in equity				
Redeemed member shares	19	**24**	**(24)**	**-**
General reserve for credit losses	19	**184**	**(184)**	**-**
Total transfer to reserves		**208**	**(208)**	**-**
Closing balance at 30 June 2018		**192,697**	**397,239**	**589,936**
Opening balance at 1 July 2016		188,076	334,395	522,471
Profit for the year after tax		-	32,018	32,018
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	19	2,102	-	2,102
Taken to profit or loss	19	928	-	928
Change in fair value of available for sale financial assets	19	1,353	-	1,353
Total comprehensive income for the period		4,383	-	4,383
Transactions recorded directly in equity				
Redeemed member shares	19	23	(23)	-
General reserve for credit losses	19	(120)	120	-
Total transfer to reserves		(97)	97	-
Closing balance at 30 June 2017		192,362	366,510	558,872

The Statements of Changes in Equity are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated		Credit Union	
		2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Cash from operating activities					
Interest received		**336,364**	327,507	**368,483**	360,746
Interest paid		**(164,498)**	(159,301)	**(199,605)**	(194,253)
Fees and commission received		**53,391**	51,078	**44,993**	48,525
Other income received [1]	2.1(d)	**17,458**	20,986	**23,514**	26,864
Net increase in loans and advances [1]	2.1(d)	**(416,646)**	(419,202)	**(416,646)**	(419,202)
Net increase in deposits and withdrawable share capital		**311,777**	300,976	**311,719**	301,016
Payments to employees and suppliers		**(171,666)**	(185,000)	**(165,028)**	(186,410)
Income taxes paid		**(14,264)**	(6,036)	**(14,264)**	(6,036)
Net cash from operating activities	20	**(48,084)**	(68,992)	**(46,834)**	(68,750)
Cash from investing activities					
Net decrease/(increase) in available for sale investment securities		**(55,868)**	23,526	**(56,133)**	18,387
Acquisition/disposal of non-tradeable investments		**857**	(3,356)	**11,875**	(33,107)
Acquisition of property plant and equipment		**(6,644)**	(8,982)	**(6,644)**	(8,982)
Proceeds from sale of property, plant and equipment		**106**	139	**106**	139
Dividends and distributions received		**2,263**	2,972	**2,263**	2,972
Net cash from investing activities		**(59,286)**	14,299	**(48,532)**	(20,591)
Cash from financing activities					
Proceeds from borrowings		**-**	-	**66,524**	86,289
Proceeds from residential backed securities issue		**729,773**	717,696	**-**	-
Repayment of borrowings		**(2,757)**	(3,886)	**(2,757)**	(3,886)
Payments to Noteholders		**(585,697)**	(665,705)	**-**	-
Net cash from financing activities		**141,319**	48,104	**63,767**	82,403
Net increase/(decrease) in cash and cash equivalents		**33,949**	(6,589)	**(31,599)**	(6,938)
Cash and cash equivalents at 1 July		**167,324**	173,913	**117,836**	124,774
Cash and cash equivalents at 30 June	7	**201,273**	167,324	**86,236**	117,836

The Statements of Cash Flows are to be read in conjunction with the accompanying notes to the financial statements.

[1] Bad Debts Recovered have been reclassified from Other Income to Impairment Losses on Loans and Advances in the 2017 comparative figures. Refer to note 2.1(d).

Notes to the Financial Statements

1. CORPORATE INFORMATION

The financial report of Australian Central Credit Union Ltd (trading as People's Choice Credit Union) (the "Credit Union"), and its controlled entities (together referred to as the "Group") for the year ended 30 June 2018 was authorised for issue in accordance with a resolution by the Directors on 5 September 2018.

The Credit Union is a for-profit entity domiciled in Australia.

The Group is primarily involved in the provision of loans to members and customers, savings and investment facilities, the sale of insurance policies, Mutual Aid, financial planning and corporate superannuation services. There was no significant change in the nature of these activities during the year.

The controlling entity of the Group is Australian Central Credit Union Ltd. The registered office and principal place of business is 50 Flinders St, Adelaide, SA, Australia 5000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The financial reports of the Group and of the Credit Union comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

b) Basis of measurement

The financial report has been prepared in accordance with the historical cost convention, except for derivative financial assets and liabilities and available for sale financial investments which are measured at their fair value. Loans and advances and financial liabilities are carried at amortised cost.

The financial report has been prepared on a going concern basis.

c) Functional and presentation currency

The financial report is presented in Australian dollars and all values have been rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Group under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

d) Reclassification of comparatives

The Group has previously reported Bad Debts Recovered as a component of Other Income in the Statements of Profit or Loss and Other Comprehensive Income. The Group has determined that Bad Debts Recovered is better reported as a component of Impairment Losses on Loans and Advances as this reflects the net cost of bad debt losses, aligns with internal reporting and monitoring practices, and is consistent with industry treatment. In this financial report, Bad Debts Recovered have been reported as a component of Impairment Losses on Loans and Advances and as such, the comparative figures for 2017 have been reclassified for consistency. As a result, $1.643 million was reclassified from Other Income to Impairment Losses on Loans and Advances in the 2017 comparative figures in the Statements of Profit of Loss and Other Comprehensive Income. Refer to notes 4 and 9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (continued)

e) Use of judgements and estimates

The preparation of a financial report in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable when making the judgement about the carrying values of assets and liabilities that are not readily apparent from other sources.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 2.3 b) and 9 Provision for impairment of loans and advances
- Note 12 Measurement of the recoverable amounts of cash generating units containing goodwill
- Note 30 Fair value of financial instruments

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.2 Basis of consolidation

Controlled entities

The Credit Union controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the controlled entity. The financial statements of controlled entities are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

In the financial report, investments in controlled entities are carried at cost. Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial report. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Special purpose entities

The Group has established a number of special purpose entities ("SPEs") for the purpose of issuing Residential Mortgage Backed Securities ("RMBS"). The SPE's are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of SPEs are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Interests in equity accounted investees

The Group's interests in equity accounted investees comprise interests in an associate and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the Profit or Loss and Other Comprehensive Income of equity accounted investees, until the date on which significant influence or joint control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (continued)

Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date on which control is transferred to the Group. The identifiable assets and liabilities of the acquiree are recognised at their fair value at acquisition date.

Goodwill is recognised if, and to the extent that, the consideration transferred exceeds the fair value of the acquiree's identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested for impairment on an annual basis.

Transaction costs that the Group incurs in connection with a business combination are expensed as incurred.

2.3 Financial assets and liabilities

a) Cash and cash equivalents

Cash and cash equivalents comprise notes and coins on hand and deposits at call with Authorised Deposit-Taking Institutions ("ADIs") and are stated at the gross value of the outstanding balance. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flows.

b) Loans and advances

Loans and advances comprise term and revolving credit facilities provided to members and members' overdrawn savings accounts. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at amortised cost using the effective interest rate method, less impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the carrying amount of the loan or advance. When estimating the future cash flows, the Credit Union considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract.

Impairment of loans and advances

All loans are subject to a continuous management review process to assess whether there is any objective evidence that any loan or group of loans is impaired.

Impairment of loans and advances is recognised when objective evidence is available that a loss event has occurred.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The amount required to bring the specific and collective provision to the level assessed is recognised in the Statements of Profit or Loss and Other Comprehensive Income as set out in Note 9.

(i) Specific Provision

Loans and advances that meet significant delinquency and loan size criteria are individually assessed for impairment to estimate the likely loss on the loan.

(ii) Collective Provision

Loans and advances that do not meet significant delinquency criteria are not individually assessed but are placed into portfolios of assets with similar risk profiles and a collective assessment of impairment is performed based on objective evidence from historical experience.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Financial assets and liabilities (continued)

b) Loans and advances (continued)

(ii) Collective Provision (continued)

The evaluation process is subject to a series of estimates and judgements. In the risk rated exposure, the risk rating system, including the frequency of default and loss given default rates, loss history, and the size, structure and diversity of individual borrowers are considered. Current developments in portfolios (industry, geographic and term) are reviewed.
In the statistically managed retail exposures, the history of defaults and losses, and the size, structure and diversity of portfolios are considered.

In addition, management considers overall indicators of portfolio performance, quality and economic conditions. Changes in these estimates could have a direct impact on the level of provision determined.

(iii) General Reserve for Credit Losses

The difference between the impairment provisions calculated under IFRS and those required by APRA is represented by a General Reserve for Credit Losses within equity. Transfers to and from the General Reserve for Credit Losses are made as an appropriation of retained earnings.

Loans and advances are reviewed and graded according to the assessed level of credit risk. Classifications adopted are as follows:

- **Past-due loans** - are loans and advances where the borrower has failed to make a repayment when contractually due.
- **Restructured loans** - arise when the borrower is granted concessional terms or conditions due to difficulties in meeting the original contractual terms, and the revised terms are more favourable than comparable new facilities.
- **Impaired loans** - are loans and advances where the full recovery of outstanding principal and interest is considered doubtful.
- **Assets acquired through the enforcement of security** - are assets (usually residential property or motor vehicles) acquired in full or partial settlement of an advance through the enforcement of security arrangements. The recoverable value of such assets forms part of the net value of loans and advances as part of the estimated future cash flows.

c) Financial instruments - non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Financial assets and liabilities (continued)

c) Financial instruments - non-derivative financial instruments (continued)

(i) Available for sale investment securities

Financial instruments held by the Group classified as being available for sale are non-derivative financial assets and are stated at fair value. Any resultant gain or loss is recognised in other comprehensive income and presented within equity in the fair value reserve, except for impairment losses. Where the financial instruments are derecognised, the cumulative gain or loss previously recognised in other comprehensive income, and presented in the fair value reserve in equity, is transferred to profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest rate method is recognised in profit or loss.

The fair value of financial instruments classified as available for sale is estimated using discounted cash flow analysis, based on current market rates for similar arrangements. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost. If the relevant market is not considered active (or the securities are unlisted), the Group establishes fair value by using recent arm's length transactions.

Financial instruments classified as available for sale investment securities are recognised/derecognised by the Group on the date it commits to purchase/sell the investments.

(ii) Liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(iii) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

Investments in controlled entities are carried at cost.

d) Interest-bearing borrowings

Interest-bearing borrowings (inclusive of member deposits) are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using an effective interest rate method.

e) Financial instruments - derivative financial instruments

The Group uses interest rate swaps to hedge its exposure to interest rate risks arising from operational and financing activities. In accordance with Group Risk Appetite and Board policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives that do not qualify for hedge accounting are accounted for at fair value through profit and loss.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (refer Note 2.3 e) (ii)).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Financial assets and liabilities (continued)

e) Financial instruments - derivative financial instruments (continued)

The fair value of interest rate swaps is the present value of the future cash flows that the Group would receive or pay to terminate the swap at the balance date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Where a financial asset does not qualify for derecognition the associated basis swaps are recognised on an accrual basis in accordance with AASB 139 *Financial Instruments Recognition and Measurement*.

Further details of derivative financial instruments are disclosed in Note 29.

Sale of a security with a total return swap

The Group sells debt securities that are subject to a concurrent total return swap. In all cases, the Group retains substantially all of the risks and rewards of ownership resulting in the Group continuing to recognise the transferred securities in its Statements of Financial Position. The cash received is recognised as a financial asset and a corresponding liability is recognised.

The Group does not separately recognise the total return swap that prevents derecognition of the security as a derivative because doing so would result in recognising the same rights and obligations twice. As the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

(i) Hedging

On entering into a hedging relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period as designated.

(ii) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. When the forecast transaction subsequently results in the recognition of a non-financial asset or liability, the associated cumulative gain or loss is removed from other comprehensive income and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or liability, then the associated gains or losses that were recognised directly in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects the Statements of Profit or Loss and Other Comprehensive Income (i.e. when the interest income is recognised).

Effectiveness tests are performed on derivative financial instruments to determine if they are still providing the protection originally intended when entered into by the Group. Where a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, any gain or loss on the instrument previously recognised in other comprehensive income is reversed through profit or loss with all subsequent gains or losses recognised through profit or loss.

When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes to its fair value are recognised directly in profit or loss.

Notes to the Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Financial assets and liabilities (continued)

f) Other receivables

Other assets include non-interest bearing receivables that are stated at cost less impairment losses (see Note 2.5).

g) Other payables

Other payables are non-interest bearing, are normally settled on thirty day terms and are stated at amortised cost.

2.4 Non-financial assets and liabilities

a) Acquisition of assets

All assets acquired, including property, plant and equipment and intangibles (other than goodwill), are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Group if a similar borrowing were obtained from an independent financier under comparable terms and conditions. The unwinding of the discount is treated as interest expense.

The costs of assets constructed or internally generated by the Group (other than goodwill), include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset.

Expenditure, including that on internally generated assets (other than research costs), is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred that are probable and can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Owned assets

Property, plant and equipment

Property, plant and equipment is measured at cost, less any accumulated depreciation and impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is recognised within profit or loss.

Depreciation

Depreciation is calculated on a straight line basis over the estimated useful life of the assets as follows:

Leasehold improvements	5 – 10 years
Furniture, equipment and technology	2 – $13^{1/3}$ years

The expected useful life of an asset and the depreciation method applied is reassessed at least annually.

Leased assets

Leases of plant and equipment in relation to which the Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases and not recognised in the Group's Statements of Financial Position. The Group does not currently hold any finance leases.

Payments made under operating leases are expensed over the term of the lease.

Notes to the Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Non-financial assets and liabilities (continued)

b) Intangible assets

(i) Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment (refer Note 12).

Negative goodwill arising on acquisition is recognised directly in profit or loss.

(ii) Acquired Contractual Rights

The amount relating to acquired contractual rights to future cash flows is measured at cost less accumulated amortisation and accumulated impairment losses. Acquired contractual rights are amortised to profit or loss over the expected useful life of the asset.

(iii) Software

Software assets are measured at cost less accumulated amortisation and accumulated impairment losses. Software assets that are not integral to the operation of hardware are recognised as intangible assets with a finite life. Where the expenditure is of a significant amount and there are related benefits which are expected to be realised over the medium to long term, it is deferred and amortised on a straight line basis over the period in which the benefits are expected to be realised.

(iv) Amortisation

Intangible assets are amortised over their expected useful lives. The amortisation rates used for each class of intangible asset in the current and comparative periods are as follows:

Acquired contractual rights	5 years
Software	2 – 7 years

Amortisation methods, useful lives and residual values are reviewed at least annually and adjusted where appropriate.

(v) Impairment

For goodwill and other intangible assets that have an indefinite life, the recoverable amount is estimated annually.

An impairment loss is recognised whenever the carrying amount of an asset (either in its own right or as part of a cash generating unit) exceeds its recoverable amount. Impairment losses are recognised in profit or loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in profit or loss.

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

Notes to the Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Non-financial assets and liabilities (continued)

c) Provisions

Employee entitlements

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

All employees, upon satisfying eligibility tests, may participate in an accumulation defined contribution superannuation plan. The Group's contributions to defined contribution plans are recognised as an expense in profit or loss as incurred. The Group has no legal obligation to cover any shortfall in the fund's obligation to provide benefits to employees on retirement. The Group does not provide any employees with a defined benefit superannuation plan.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

Make good

A provision is made for the anticipated costs of restoring leased premises to their original condition at the end of the lease term in current dollar values. The provision is assessed at each balance date for expired leases.

Onerous contracts

The group is a lessee in a number of non-cancellable contracts for leased sites that are no longer utilised. The obligation for the discounted future lease payments has been provided for.

2.5 Impairment

The carrying amount of the Group's assets, other than deferred tax assets (see Note 2.8) and loans and advances (see Note 2.3 b), are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated for signs of objective evidence indicating that impairment may have occurred. Where objective evidence of impairment exists the asset's recoverable amount is determined.

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with details in the group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Impairment (continued)

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In general, the Group considers a decline of 20% to be ‘significant’ and a period of nine months to be ‘prolonged’. However, in specific circumstances a smaller decline or a shorter period may be appropriate.

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

The recoverable amount of a financial asset is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short-term duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(i) Reversals of impairment

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

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the reversal recognised in profit or loss.

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss no longer exists, and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of goodwill is not reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

a) the right to receive cash flows from the asset has expired;

b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them without material delay to a third party; or

c) the Group has transferred its rights to receive cash flows from the asset and either:

    (i) has transferred substantially all the risks and rewards of the asset; or

    (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

2.7 Revenue recognition

(i) Interest revenue

Interest on loans and advances is recognised as it accrues using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows the Group considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract. All interest is recognised on an accruals basis.

(ii) Revenue from services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the costs incurred or to be incurred cannot be measured reliably.

(iii) Dividends

Dividends from other investments are recognised when the right to receive the dividend has been established.

(iv) Fees and commissions

Fee and commission income is recognised on an accruals basis upon the provision of services from acting in the capacity of an agent rather than as the principal in a transaction.

(v) Other non-interest income

Mutual Aid income is recognised over the average life of the associated loans.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Tax consolidation

The Credit Union and its Australian wholly-owned controlled entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the consolidated group is Australian Central Credit Union Ltd, trading as People's Choice Credit Union.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group. This is applied using the separate taxpayer within group approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Franking account

The Group has generated franking credits through paying income tax, including credits which will arise from the payment of income tax provided for in the financial statements.

The ability to use these franking credits is restricted by the Constitution of the Credit Union which does not currently permit dividend payments.

2.9 Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation 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.

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

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to the ATO, are classified as operating cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Deferred borrowing costs

Deferred borrowing costs include costs associated with the establishment of a number of separate securitisation facilities. These costs are amortised over the expected life of the facilities.

2.11 Securitisation

The Credit Union through its loan securitisation program securitises mortgage loans to special purpose entities ("SPEs"), which in turn issue securities to investors. Fees are received for various services provided to the SPEs on an arms-length basis, including servicing fees and management fees and are reported in profit or loss. The Credit Union also provides arms-length interest rate swaps and loan facilities to the SPEs.

Costs incurred in the establishment of a securitisation issue are amortised over the expected life of the issue.

Details of the transfer of financial assets to third parties and/or SPEs during the year are disclosed in Note 23.

3. COMPLIANCE WITH IFRS

a) Recently issued or amended standards not yet effective

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They are available for early adoption at 30 June 2018, but have not been applied in preparing this financial report:

Standard Title	**AASB 9 *Financial Instruments***
Nature of change	AASB 9 *Financial Instruments* (AASB 9) addresses the classification, measurement and de-recognition of financial assets and liabilities, and introduces new rules for hedge accounting and loan provisioning.
Date of application and adoption	AASB 9 is mandatory for annual periods beginning on or after 1 January 2018 but is available for early adoption. The Group has not early adopted AASB 9 and will apply AASB 9 from 1 July 2018.
Impact	The actual impact of adopting AASB 9 on the Group's consolidated financial statements on the application date will depend on the financial instruments that are held at that point in time. Based on assessments undertaken to date, the total estimated adjustment (net of tax) of the adoption of AASB 9 on the opening balance of the Group's equity at 1 July 2018 is an increase of $1.5m, representing: - a reduction of approximately $3.4m related to provision for impairment requirements; - an increase of approximately $3.9m related to a decrease in the General Reserve for Credit Losses; and - an increase of approximately $1m related to deferred tax impacts. The above assessment is preliminary and the actual impact of adopting AASB 9 on 1 July 2018 may change because: - although parallel runs were carried out during the 2018 financial year, the new models, processes and controls in place have not been operational for a more extended period; - the Group will continue to refine the model for expected credit loss (ECL) calculations during the 2019 financial year; and - the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalises its first Annual Financial Report that includes the date of initial application. *i. Classification - Financial assets and Financial liabilities* The classification and measurement approach for financial assets under AASB 9 reflects the business model in which the assets are managed and their cash flow characteristics. Financial assets are classified into three categories: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). Financial assets currently classified as available for sale, such as Available for Sale Investment Securities and Other Investments are expected to satisfy the conditions for classification as FVOCI. Loans and Advances and Other Assets will continue to be measured at amortised cost under AASB 9. Derivative Assets currently measured as FVOCI are expected to continue to satisfy the conditions for classification as FVOCI. As such, there is no expected change to the recognition or measurement of these assets.

3. COMPLIANCE WITH IFRS (Continued)

a) Recently issued or amended standards not yet effective (continued)

Standard Title	AASB 9 *Financial Instruments*
Impact	In accordance with AASB 139 *Financial Instruments : Recognition and Measurement* all financial liabilities are currently required to be initially recognised at fair value and subsequently measured at amortised cost, with the exception of financial liabilities designated at FVTPL which are measured at fair value. This remains consistent under AASB 9. As such, there is no expected change to the recognition or measurement of financial liabilities. For all derivatives designed as cash flow hedges, the effective portion of the gain or loss on the derivative will continue to be recognised through Other Comprehensive Income and the ineffective portion through profit or loss under AASB 139. *ii. Impairment* AASB 9 replaces the 'incurred loss' model applied in AASB 139 with an ECL model. This forward-looking approach will require considerable judgement in evaluating the forecasted direction of the economic cycle and the economic factors that affect ECL, which will be determined on a probability weighted basis. AASB 9 requires a provision for impairment to be recognised at an amount equal to either 12 month ECLs or lifetime ECLs. Lifetime ECLs result from all possible default events over the expected life of a financial instrument, whereas 12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date. The Group will recognise a provision for impairment at an amount equal to the lifetime ECL, except for financial instruments for which credit risk has not increased significantly since initial recognition, for which the amount recognised will be 12 month ECLs. The application of AASB 9 is expected to result in earlier recognition of expected losses and an increase to the provision for impairment. This increase will likely be partially offset by a reduction in the General Reserve for Credit Losses (GRCL). The total quantitative impact will be subject to the characteristics of the loan portfolio at the time of application and forecast economic direction at that point in time. *iii. Hedge accounting* When initially applying AASB 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of AASB 139 instead of the requirements of Chapter 6 of AASB 9. The Group is likely to elect to continue to apply AASB 139, however the Group will provide the expanded disclosures on hedge accounting introduced by AASB 9's amendments to AASB 7 *Financial Instruments: Disclosures* because the accounting policy election does not provide an exemption from these new disclosure requirements. *iv. Disclosures* AASB 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and ECLs. *v. Transition* Changes in accounting policies resulting from the adoption of AASB 9 will generally be applied retrospectively, except that the Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and liabilities resulting from the adoption of AASB 9 will generally be recognised in opening retained earnings.

Notes to the Financial Statements (continued)

3. COMPLIANCE WITH IFRS (Continued)

a) Recently issued or amended standards not yet effective (continued)

Standard Title	AASB 15 *Revenue from Contracts with Customers*
Nature of change	AASB 15 *Revenue from Contracts with Customers* (AASB 15) will replace AASB 118 *Revenue* which covers revenue arising from the sale of goods and rendering of services and AASB 111 *Construction Contracts*. The new standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised.
Date of application and adoption	AASB 15 is mandatory for annual periods beginning on or after 1 January 2018 but is available for early adoption. The Group has not early adopted AASB 15 and will apply AASB 15 from 1 July 2018.
Impact	An assessment of the potential impact of the adoption of AASB 15 on the Group's consolidated financial statements is in the process of being completed. *i. Revenue from services rendered* The Group provides services including the provision of financial advice to members, management and custodial services to securitisation trusts and the management of mortgage portfolios. Revenue for the rendering of services is currently recognised using the stage-of-completion method with the purchase price allocated based on a relative fair value basis. Under AASB 15, the total consideration will be allocated to all services based on their stand-alone selling prices. Based on an initial review of the potential impact, no significant differences are expected in the timing of revenue recognition for these services. *ii. Fees and commissions* Fees include upfront loans fees and transactional fee income. Under AASB 15, these fees are required to be recognised as and when performance obligations are satisfied. The Group is in the process of assessing the impact of AASB 15 on the methodology for accounting for fees. Commissions earned by the Group relate to the Group acting in the capacity of an agent for certain transactions, as detailed in Note 2.7(iv). Under AASB 15, the assessment will be based on whether the Group controls specific goods before transferring to the end customer, rather than whether it has exposure to significant risk and rewards associated with the sale of goods. The Group is in the process of assessing the impact of AASB 15 on the methodology for accounting for commissions. *iii. Other non-interest income* In accordance with AASB 15, Mutual Aid fees are required to be allocated to specific performance obligations and recognised when each obligation is satisfied. The Group is in the process of assessing the impact of AASB 15 on the methodology for accounting for Mutual Aid income.

Standard Title	AASB 16 *Leases*
Nature of change	AASB 16 *Leases* (AASB 16) introduces a single lessee accounting model that requires a lessee to recognise assets (right to use underlying asset) and liabilities (obligation to make lease payments). There are exemptions for short term leases and low-value items.
Date of application and adoption	AASB 16 is mandatory for annual periods beginning on or after 1 January 2019 but is available for early adoption. The Group does not plan to early adopt AASB 16.
Impact	The Group's initial assessment indicates the most predominant impact will be the new assets and liabilities the Group will recognise in relation to its operating leases for branches and other leased assets. Furthermore, the nature of the expenses relating to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for the right of use assets and interest expense on lease liabilities. The Group's non-cancellable operating lease commitments are disclosed in Note 21. The actual impact as at the date of transition will be affected by the transition method, exemptions chosen and the operating leases held as at the date of transition. The Group expects that adoption of AASB 16 will not impact its ability to comply with its Liquidity and Capital Adequacy requirements imposed by APRA. Refer to Note 29 b) and d) respectively.

A number of other AASB standards are also available for early adoption, but have not been applied by the Group in these financial statements. These relate to standards that have limited/no application to the Group.

Notes to the Financial Statements (continued)

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000	Credit Union 2018 $'000	Credit Union 2017 $'000
4. REVENUE					
Interest income					
Cash and cash equivalents		**2,573**	2,556	**1,104**	1,233
Loans and advances		**316,784**	307,496	**316,784**	307,496
Available for sale investment securities		**17,207**	17,527	**17,176**	17,475
Interest rate derivatives		**-**	-	**9,472**	10,964
Other investments		**18**	33	**24,165**	23,687
Total interest income		**336,582**	327,612	**368,701**	360,855
Interest expense					
Deposits		**114,513**	116,232	**114,513**	116,232
Borrowings		**45,711**	42,608	**86,887**	86,477
Interest rate derivatives		**1,730**	3,704	**-**	-
Total interest expense		**161,954**	162,544	**201,400**	202,709
Net interest income		**174,628**	165,068	**167,301**	158,146
Other income					
Loan, access and other fee income		**26,857**	30,761	**32,914**	36,637
Insurance fees and commissions		**17,451**	17,128	**17,451**	17,128
Financial planning fees and commissions		**13,209**	13,417	**10,955**	10,846
Dividends received		**1,301**	2,119	**2,263**	2,972
Mutual Aid income		**8,493**	9,399	**8,493**	9,399
Net gain on sale of property, plant and equipment		**6**	5	**6**	5
Other income		**69**	51	**69**	51
Total other income	2.1(d)	**67,386**	72,880	**72,151**	77,038
5. EXPENSES					
Salary and wages		**85,796**	86,567	**85,011**	85,655
Superannuation		**7,470**	7,353	**7,400**	7,261
Administrative expenses		**21,109**	21,425	**19,546**	19,994
Depreciation and impairment on property, plant and equipment		**12,342**	8,844	**12,342**	8,844
Amortisation on intangible computer software		**1,672**	1,529	**1,672**	1,529
Amortisation on acquired intangible assets		**-**	354	**-**	354
Marketing costs		**7,997**	7,157	**8,105**	7,267
Rental operating leases		**15,174**	14,916	**15,098**	14,845
Other occupancy expenses		**5,349**	4,938	**5,291**	4,867
Distribution channel costs		**22,948**	20,663	**22,948**	20,663
Information technology costs		**16,807**	16,199	**16,797**	16,184
Total other expenses		**196,664**	189,945	**194,210**	187,463

Notes to the Financial Statements (continued)

	Consolidated 2018 $'000	Consolidated 2017 $'000	Credit Union 2018 $'000	Credit Union 2017 $'000
6. INCOME TAX				
Profit before tax	**44,200**	46,018	**42,451**	44,504
Tax at the tax rate of 30% (2017: 30%)	**13,260**	13,806	**12,735**	13,351
Adjust for tax effect of:				
Fully franked dividends received	**(390)**	(636)	**(679)**	(891)
Deferred tax on equity accounted associate	**(289)**	(256)	**-**	-
Sundry items	**(47)**	46	**(47)**	46
Research and development tax incentive	**(559)**	-	**(559)**	-
(Over)/under provision in prior years	**64**	(22)	**64**	(20)
Income tax expense	**12,039**	12,938	**11,514**	12,486
The components of tax expense comprise:				
Current tax	**10,994**	13,612	**10,673**	13,272
Deferred tax	**1,045**	(674)	**841**	(786)
	12,039	12,938	**11,514**	12,486
Income tax recognised in other comprehensive income				
Net gain/(loss) on cash flow hedges	**241**	1,299	**241**	1,299
Net gain/(loss) on available for sale investment securities	**(186)**	580	**(186)**	580
	55	1,879	**55**	1,879
Current tax receivable/(payable)	**169**	(3,355)	**169**	(3,355)
Deferred tax assets comprise:				
Amounts recognised in profit or loss				
Loans and advances impairment	**1,533**	1,350	**1,533**	1,350
Accrued superannuation	**226**	249	**224**	246
Unearned fee income	**3,563**	4,287	**3,563**	4,287
Depreciation	**1,534**	1,855	**1,534**	1,855
Provisions	**5,672**	5,628	**5,625**	5,583
Derivative liabilities at fair value through profit or loss	**12**	-	**530**	688
Intangible assets	**252**	267	**252**	267
Other items	**34**	68	**34**	68
	12,826	13,704	**13,296**	14,344
Amounts recognised directly in Equity				
Cash flow hedges	**173**	435	**173**	435
Total deferred tax assets	**12,999**	14,139	**13,469**	14,779
Deferred tax liabilities comprise:				
Amounts recognised in profit or loss				
Intangibles	**58**	108	**58**	108
Equity accounted associates	**1,575**	1,370	**-**	-
Derivative assets at fair value through profit or loss	**12**	-	**530**	687
	1,645	1,478	**588**	795
Amounts recognised directly in Equity				
Cash flow hedges	**98**	120	**98**	120
Fair value reserve - available for sale investment securities	**3,398**	3,584	**3,398**	3,584
Total deferred tax liabilities	**5,141**	5,182	**4,084**	4,499
Franking Account balance (tax provision basis)	**163,545**	148,874		

Notes to the Financial Statements (continued)

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000	Credit Union 2018 $'000	Credit Union 2017 $'000
7. CASH AND CASH EQUIVALENTS					
Cash on hand and at bank		**11,195**	19,261	**11,195**	19,261
Deposits at call		**190,078**	148,063	**75,041**	98,575
		201,273	167,324	**86,236**	117,836
8. LOANS AND ADVANCES					
Revolving credit facilities		**292,618**	324,484	**292,618**	324,484
Term loans		**6,986,177**	6,541,139	**6,986,177**	6,541,139
Gross loans and advances		**7,278,795**	6,865,623	**7,278,795**	6,865,623
Provision for impairment (Note 9)		**(5,110)**	(4,499)	**(5,110)**	(4,499)
Loan origination and processing costs		**4,733**	4,012	**4,733**	4,012
Unearned income		**(3,109)**	(3,681)	**(3,109)**	(3,681)
Net loans and advances		**7,275,310**	6,861,455	**7,275,310**	6,861,455

The loan portfolio of the Group does not include any loans or groups of related loans which represent 10% or more of capital (2017: $Nil).

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000	Credit Union 2018 $'000	Credit Union 2017 $'000
9. IMPAIRMENT OF LOANS AND ADVANCES					
Specific provision:					
Balance at beginning of year		**1,304**	1,425	**1,304**	1,425
Increase/(decrease) in provision		**683**	(121)	**683**	(121)
Balance at end of year		**1,987**	1,304	**1,987**	1,304
Collective provision:					
Balance at beginning of year		**3,195**	2,756	**3,195**	2,756
Increase/(decrease) in provision		**(72)**	439	**(72)**	439
Balance at end of year		**3,123**	3,195	**3,123**	3,195
Total provision for impairment		**5,110**	4,499	**5,110**	4,499
Charge to profit or loss comprises:					
Provision for loan impairment		**611**	318	**611**	318
Loans written off during the year as uncollectible		**3,777**	4,570	**3,777**	4,570
Bad debts recovered	2.1(d)	**(1,597)**	(1,643)	**(1,597)**	(1,643)
Total charge to profit or loss	2.1(d)	**2,791**	3,245	**2,791**	3,245
Impaired Loans					
Gross impaired loans		**7,927**	2,578	**7,927**	2,578
Specific provision for impairment		**(1,987)**	(1,304)	**(1,987)**	(1,304)
Total impaired loans net of specific provisions		**5,940**	1,274	**5,940**	1,274
Restructured loans		**9,811**	11,228	**9,811**	11,228
Assets acquired through the enforcement of security		**2,019**	1,045	**2,019**	1,045

Notes to the Financial Statements (continued)

	Consolidated		Credit Union	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
10. INVESTMENTS				
a) Available for sale investment securities				
Interest-bearing deposits	**61,170**	61,548	**59,335**	59,318
Negotiable certificates of deposit	**419,202**	390,822	**419,202**	390,822
Floating rate notes	**296,747**	269,314	**296,747**	269,314
Shares in unlisted entities	**31,917**	32,047	**31,917**	32,047
Total available for sale investment securities	**809,036**	753,731	**807,201**	751,501
b) Other investments				
Capital notes	**-**	-	**772,644**	783,161
Other investments	**15,011**	15,738	**749**	2,108
Shares in controlled entities	**-**	-	**4,988**	4,988
Total other investments	**15,011**	15,738	**778,381**	790,257
Total Investments	**824,047**	769,469	**1,585,582**	1,541,758

c) Shares in controlled entities			% held by Holding Entity	
	2018	2017	**2018**	2017
	$	$	**%**	%
Australian Central Credit Union Ltd (trading as People's Choice Credit Union)				
Controlled entities				
Australian Central Services Pty Ltd	**-**	-	**100**	100
Financial Solutions Australasia Pty Ltd	**4,987,973**	4,987,973	**100**	100
People's Choice Community Foundation Limited	**-**	-	**100**	100
	4,987,973	4,987,973		

Special purpose entities

Light Trust No. 1 [1]
Light Trust No. 2 [2]
Light Trust No. 3
Light Trust No. 4
Light Trust No. 5R
Light Trust No. 6
Light Trust Warehouse No. 1
Light Trust 2017-2 [3]
Light Trust 2016-2
Light Trust 2017-1
Light Trust 2018-1 [4]

The special purpose entities are wholly owned by Australian Central Credit Union Ltd.

[1] Deregistered on 2 February 2018

[2] Ceased trading on 17 November 2017

[3] Formerly known as Light Trust Warehouse No.2 until 19 December 2017

[4] Registered on 1 March 2018

Notes to the Financial Statements (continued)

11. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Furniture and Equipment $'000	Leasehold Improvements $'000	Technology $'000	Capital Works in Progress (WIP) $'000	Total $'000
At 1 July 2017, net of accumulated depreciation	**3,139**	**20,289**	**10,415**	**4,337**	**38,180**
Additions	**854**	**3,141**	**762**	**-**	**4,757**
Disposals	**-**	**-**	**-**	**-**	**-**
Net movement in WIP	**-**	**-**	**-**	**(3,425)**	**(3,425)**
Impairment of ATM assets	**-**	**-**	**(3,465)**	**-**	**(3,465)**
Depreciation expense	**(1,012)**	**(4,071)**	**(3,793)**	**-**	**(8,876)**
Balance at 30 June 2018	**2,981**	**19,359**	**3,919**	**912**	**27,171**
At 30 June 2018					
Cost	**8,538**	**38,342**	**28,301**	**912**	**76,093**
Accumulated depreciation and impairment	**(5,557)**	**(18,983)**	**(24,382)**	**-**	**(48,922)**
Net carrying amount	**2,981**	**19,359**	**3,919**	**912**	**27,171**
At 1 July 2016, net of accumulated depreciation	3,463	22,455	12,638	1,595	40,151
Additions	578	1,546	2,141	-	4,265
Disposals	(26)	(93)	(15)	-	(134)
Net movement in WIP	-	-	-	2,742	2,742
Depreciation expense	(876)	(3,619)	(4,349)	-	(8,844)
Balance at 30 June 2017	3,139	20,289	10,415	4,337	38,180
At 30 June 2017					
Cost	7,824	36,408	27,566	4,337	76,135
Accumulated depreciation and impairment	(4,685)	(16,119)	(17,151)	-	(37,955)
Net carrying amount	3,139	20,289	10,415	4,337	38,180
Credit Union					
At 1 July 2017, net of accumulated depreciation	**3,139**	**20,289**	**10,415**	**4,337**	**38,180**
Additions	**854**	**3,141**	**762**	**-**	**4,757**
Disposals	**-**	**-**	**-**	**-**	**-**
Net movement in WIP	**-**	**-**	**-**	**(3,425)**	**(3,425)**
Impairment of ATM assets	**-**	**-**	**(3,465)**	**-**	**(3,465)**
Depreciation expense	**(1,012)**	**(4,071)**	**(3,793)**	**-**	**(8,876)**
Balance at 30 June 2018	**2,981**	**19,359**	**3,919**	**912**	**27,171**
At 30 June 2018					
Cost	**7,866**	**38,342**	**28,301**	**912**	**75,420**
Accumulated depreciation and impairment	**(4,885)**	**(18,983)**	**(24,382)**	**-**	**(48,250)**
Net carrying amount	**2,981**	**19,359**	**3,919**	**912**	**27,171**
At 1 July 2016, net of accumulated depreciation	3,463	22,455	12,638	1,595	40,151
Additions	578	1,546	2,141	-	4,265
Disposals	(26)	(93)	(15)	-	(134)
Net movement in WIP	-	-	-	2,742	2,742
Depreciation expense	(876)	(3,619)	(4,349)	-	(8,844)
Balance at 30 June 2017	3,139	20,289	10,415	4,337	38,180
At 30 June 2017					
Cost	7,150	36,408	27,566	4,337	75,461
Accumulated depreciation and impairment	(4,011)	(16,119)	(17,151)	-	(37,281)
Net carrying amount	3,139	20,289	10,415	4,337	38,180

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment of ATM assets

The Group owns a fleet of ATMs and participates in the "rediATM" scheme operated by Cuscal. The scheme allows the Group to provide fee free ATM services to members. An interchange and direct charge fee structure provides the owners of ATMs a revenue stream to meet the costs of managing and maintaining the fleet of ATMs.

The carrying amount of the Group's ATM assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated for signs of objective evidence indicating that impairment may have occurred. If the carrying value exceeds the recoverable amount that excess is an impairment loss.

During the year the Group made a decision to remove direct charge fees from all ATMs, following changes made throughout the industry. The Group has assessed this as a material indication of impairment of the Group's ATM assets. The recoverable amount of the ATM assets was determined to be nil on the basis that the ATM assets will no longer generate revenue. An impairment expense of $3.5m was recognised as at 30 June 2018.

Notes to the Financial Statements (continued)

12. INTANGIBLE ASSETS

Consolidated	Goodwill $'000	Computer Software $'000	Acquired Contractual Rights $'000	Total $'000
At 1 July 2017, net of accumulated amortisation	8,477	2,416	-	10,893
Additions	-	5,312	-	5,312
Amortisation	-	(1,672)	-	(1,672)
Balance at 30 June 2018	8,477	6,056	-	14,533
At 30 June 2018				
Cost	9,174	22,321	-	31,495
Accumulated amortisation	(697)	(16,265)	-	(16,962)
Net carrying amount	8,477	6,056	-	14,533
At 1 July 2016, net of accumulated amortisation	8,477	1,970	354	10,801
Additions	-	1,975	-	1,975
Amortisation	-	(1,529)	(354)	(1,883)
Balance at 30 June 2017	8,477	2,416	-	10,893
At 30 June 2017				
Cost	9,174	17,009	-	26,183
Accumulated amortisation	(697)	(14,593)	-	(15,290)
Net carrying amount	8,477	2,416	-	10,893

Credit Union	Goodwill $'000	Computer Software $'000	Acquired Contractual Rights $'000	Total $'000
At 1 July 2017, net of accumulated amortisation	142	2,416	-	2,558
Additions	-	5,312	-	5,312
Amortisation	-	(1,672)	-	(1,672)
Balance at 30 June 2018	142	6,056	-	6,198
At 30 June 2018				
Cost	202	22,321	-	22,523
Accumulated amortisation	(60)	(16,265)	-	(16,325)
Net carrying amount	142	6,056	-	6,198
At 1 July 2016, net of accumulated amortisation	142	1,970	354	2,466
Additions	-	1,975	-	1,975
Amortisation	-	(1,529)	(354)	(1,883)
Balance at 30 June 2017	142	2,416	-	2,558
At 30 June 2017				
Cost	202	17,009	-	17,211
Accumulated amortisation	(60)	(14,593)	-	(14,653)
Net carrying amount	142	2,416	-	2,558

12. INTANGIBLE ASSETS (Continued)

Measurement of the recoverable amounts of cash generating units

Goodwill is allocated to the Group's Cash Generating Units ("CGUs").

A segment level summary of the goodwill allocation is:

	Consolidated	
	2018	2017
	$'000	$'000
Financial planning	**8,477**	8,477

The recoverable amount has been calculated in accordance with Note 2.5, with no impairment having been identified.

Key assumptions used in Value in Use

The recoverable amount of a CGU is determined based on a "value in use" methodology. The Net Present Value ("NPV") of the relevant CGU's anticipated cash flows is used as a basis for determining whether any impairment exists.

- Projected cash flows for the Financial Planning CGU have been based on the Board approved revenue growth budget for the next financial year and Long Term Financial Model for the subsequent two financial years. No further growth assumptions have been applied to the terminal value.

- A pre-tax discount rate of 13.257% was applied in determining the recoverable amounts for the CGUs. The discount rate was estimated based on the weighted average cost of debt and capital allocated by the Group to this CGU, reflecting the market assessment of any risks specific to a financial planning business.

- Management has undertaken sensitivity analysis and believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGUs to exceed their recoverable amount.

The key assumptions are reviewed annually and changes are made in line with changing economic and market conditions.

Notes to the Financial Statements (continued)

13. EQUITY ACCOUNTED INVESTEES

	Consolidated		Credit Union	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Interest in joint venture	1,573	1,333	1,500	1,500
Interest in associate	7,915	7,477	2,740	2,740
	9,489	8,810	4,240	4,240

	Consolidated	
	2018 $'000	2017 $'000
Share of profit in joint venture	240	(167)
Share of profit in associate	1,401	1,399
	1,641	1,232

a) Interest in Joint Venture

Mutual Marketplace Pty Ltd ("Mutual Marketplace") is a joint venture jointly controlled by People's Choice Credit Union and Credit Union Australia Ltd with both parties having a 50% ownership interest. The company commenced operations in April 2017 and provides professional procure-to-pay services to the mutual sector with its principal places of business in both Adelaide and Brisbane. The Group has a residual interest in the net assets of Mutual Marketplace and accordingly, the investment is classified as a joint venture and accounted for under the equity method.

The following table summarises the financial information of Mutual Marketplace and reconciles the financial information to the carrying amount of the Group's interest in the joint venture.

	Consolidated		Credit Union	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Carrying amount of investment in joint venture	1,573	1,333	1,500	1,500
Share of joint venture's equity				
Paid up share capital	1,500	1,500		
Retained earnings	73	(167)		
	1,573	1,333		
Share of joint venture's balance sheet				
Cash	1,532	1,144		
Other current assets	2,389	1,865		
Non-current assets	587	318		
Current liabilities	2,805	1,980		
Non-current liabilities	130	14		
Share of net assets	1,573	1,333		
Share of joint venture's profit or loss				
Revenue	61,260	11,570		
Interest income	20	7		
Depreciation and amortisation	(77)	(20)		
Other expenses	(60,841)	(11,795)		
Profit/(loss) before income tax	362	(238)		
Income tax (expense)/benefit	(122)	71		
Profit/(loss) after income tax	240	(167)		

As at 30 June 2018, Mutual Marketplace has non-cancellable commitments of $0.764 million to be settled over the next four years.

13. EQUITY ACCOUNTED INVESTEES (Continued)

b) Interest in Associate

The Group has an interest in Data Action Pty Ltd ("Data Action") and owns 27.5% (2017: 27.5%) of the equity interests and holds 27.5% (2017: 27.5%) of the voting rights. The Group has determined that it exercises significant influence over Data Action and accordingly, the investment is classified as an associate and accounted for under the equity method.

The following table summarises the financial information of Data Action and reconciles the financial information to the carrying amount of the Group's interest in the associate.

	Consolidated		Credit Union	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Carrying amount of investment in associates	**7,915**	7,477	**2,740**	2,740
Share of associate's equity				
Paid up share capital	**3,809**	3,809		
Retained earnings	**4,106**	3,668		
	7,915	7,477		
Share of associate's balance sheet				
Current assets	**4,382**	4,874		
Non-current assets	**4,209**	3,477		
Current liabilities	**1,880**	1,984		
Non-current liabilities	**514**	557		
Share of net assets	**6,196**	5,810		
Share of associate's profit or loss				
Revenue	**9,975**	12,485		
Expenses	**(7,916)**	(10,612)		
Profit/(loss) before income tax	**2,058**	1,873		
Income tax expense	**(657)**	(474)		
Profit/(loss) after income tax	**1,401**	1,399		
Dividend received	**963**	853		

Notes to the Financial Statements (continued)

	Consolidated 2018 $'000	Consolidated 2017 $'000	Credit Union 2018 $'000	Credit Union 2017 $'000
14. OTHER ASSETS				
Accrued interest receivable	**1,799**	1,581	**1,798**	1,580
Deferred borrowing costs	**4,745**	3,859	**4,746**	3,859
Prepayments	**3,182**	3,240	**3,182**	3,240
Other receivables	**15,008**	15,142	**21,064**	21,641
	24,734	23,822	**30,790**	30,320
15. DEPOSITS				
Retail deposits	**5,780,459**	5,407,137	**5,780,622**	5,407,358
Non-retail deposits	**332,618**	394,183	**332,618**	394,183
Withdrawable shares (issued and paid up at $2.00 per share)	**714**	693	**714**	693
	6,113,791	5,802,013	**6,113,954**	5,802,234

The deposit portfolio of the Group does not include any deposits or groups of related deposits which represent 10% or more of liabilities (2017: $Nil).

	Consolidated 2018 $'000	Consolidated 2017 $'000	Credit Union 2018 $'000	Credit Union 2017 $'000
16. OTHER PAYABLES				
Accounts payable and other payables	**56,160**	40,173	**57,167**	43,909
Accrued interest payable	**20,081**	21,739	**24,338**	25,095
	76,242	61,912	**81,505**	69,004
17. BORROWINGS				
Wholesale funding facilities	**8,224**	10,982	**8,224**	10,982
Loans payable to securitisation trusts	**-**	-	**2,211,595**	2,145,071
Notes payable	**1,564,543**	1,420,466	**-**	-
	1,572,767	1,431,448	**2,219,820**	2,156,053
Wholesale funding facility utilisation				
Wholesale funding facilities - utilised	**8,224**	10,982	**8,224**	10,982
Wholesale funding facilities - unutilised	**-**	-	**-**	-
Wholesale funding approved limits	**8,224**	10,982	**8,224**	10,982
Securitisation warehouse funding facility utilisation				
Securitisation warehouse funding facilities - utilised	**324,640**	413,600	**324,640**	413,600
Securitisation warehouse funding facilities - unutilised	**275,360**	436,400	**275,360**	436,400
Securitisation warehouse funding approved limits	**600,000**	850,000	**600,000**	850,000
18. PROVISIONS				
Provision for make good	**160**	208	**160**	208
Provision for annual leave	**5,716**	5,634	**5,654**	5,565
Provision for long service leave	**12,111**	11,977	**12,017**	11,898
Provision for rostered days off	**142**	163	**142**	161
Provision for onerous contracts	**65**	86	**65**	86
	18,194	18,068	**18,038**	17,918

The non-current component of the Group's provisions at 30 June 2018 is $1,373,546 (2017: $1,551,764).

Notes to the Financial Statements (continued)

	Consolidated		Credit Union	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
19. RESERVES				
Redeemed member shares	**762**	738	**762**	738
Fair value reserve - available for sale financial assets	**7,928**	8,362	**7,928**	8,362
General reserve for credit losses	**12,437**	12,253	**12,437**	12,253
Hedging reserve - cash flow hedges	**(175)**	(736)	**(175)**	(736)
Asset revaluation reserve	**6**	6	**-**	
Other equity reserves	**171,745**	171,745	**171,745**	171,745
	192,703	192,368	**192,697**	192,362

Redeemed member shares

Nature and purpose:
Under the Corporations Act 2001 (s254K), redeemable preference shares (Members $2 Shares) may only be redeemed out of the Credit Union's profit or through a new issue of shares for the purpose of the redemption. The Credit Union therefore has transferred the value of member shares redeemed since 1 July 1999 (the date that the Corporations Act 2001 applied to the Credit Union), from retained earnings to the redeemed preference share capital account. The value of members' shares for existing members is disclosed in Note 15.

	Consolidated 2018	Consolidated 2017	Credit Union 2018	Credit Union 2017
Opening balance 1 July	**738**	715	**738**	715
Transfers from retained earnings	**24**	23	**24**	23
Balance	**762**	738	**762**	738

Fair value reserve - available for sale financial assets

Nature and purpose:
The fair value reserve is the difference in the carrying amount and the fair value of the available for sale financial assets held by the Group.

	Consolidated 2018	Consolidated 2017	Credit Union 2018	Credit Union 2017
Opening balance 1 July	**8,362**	7,009	**8,362**	7009
Net unrealised gains/(losses)	**(434)**	1,353	**(434)**	1,353
Balance	**7,928**	8,362	**7,928**	8,362

General reserve for credit losses

Nature and purpose:
APRA requires ADIs to maintain a prescribed level of provision for regulatory purposes. The difference between the impairment provisions calculated under IFRS and those required by APRA is represented by the general reserve for credit losses. The reserve has been appropriated from retained earnings.

	Consolidated 2018	Consolidated 2017	Credit Union 2018	Credit Union 2017
Opening balance 1 July	**12,253**	12,373	**12,253**	12,373
Increase/(decrease) in general reserve for credit losses	**184**	(120)	**184**	(120)
Balance	**12,437**	12,253	**12,437**	12,253

Notes to the Financial Statements (continued)

	Consolidated		Credit Union	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
19. RESERVES (Continued)				
Hedging reserve - cash flow hedges				
Nature and purpose: The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedge transactions that have not yet occurred.				
Opening balance 1 July	**(736)**	(3,766)	**(736)**	(3,766)
Effective portion of changes in fair values	**(43)**	2,102	**(43)**	2,102
Net change in fair value taken to profit or loss	**604**	928	**604**	928
Balance	**(175)**	(736)	**(175)**	(736)
Asset revaluation reserve				
Nature and purpose:				
The asset revaluation reserve relates to assets measured at fair value in accordance with applicable AASB's.				
Balance	**6**	6	**-**	-
Other equity reserves				
Nature and purpose: The other equity reserves represents the retained earnings of Savings & Loans Credit Union (S.A.) Limited recognised upon the merger with the Credit Union.				
Balance	**171,745**	171,745	**171,745**	171,745

Notes to the Financial Statements (continued)

	Consolidated		Credit Union	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
20. NOTES TO THE STATEMENTS OF CASH FLOW				
Reconciliation of profit after income tax to net cash from operating activities				
Profit for the period	**32,161**	33,080	**30,937**	32,018
Adjustments for:				
Depreciation and amortisation	**14,015**	10,727	**14,015**	10,727
Increase in provision for impairment	**611**	318	**611**	318
Net change in fair value of financial assets/liabilities at fair value through profit or loss	**-**	(28)	**-**	(28)
Bad debts written off	**2,180**	2,927	**2,180**	2,927
Dividend income classified as investing cash flow	**(1,301)**	(2,119)	**(2,263)**	(2,972)
Net (profit)/loss on sale of property, plant & equipment	**(6)**	(5)	**(6)**	(5)
Share of profit of equity accounted investees	**(1,641)**	(1,232)	**-**	-
Change in assets and liabilities:				
Increase/(decrease) in provisions	**125**	230	**119**	226
(Decrease)/increase in provision for income tax	**(3,524)**	7,305	**(3,524)**	7,305
Increase/(decrease) in deferred tax assets and liabilities	**1,099**	1,205	**895**	1,093
Increase/(decrease) in interest payable	**(1,658)**	4,952	**(757)**	5,339
Increase/(decrease) in other payables	**15,987**	(7,741)	**13,258**	(5,502)
Increase in gross loans and advances	**(416,646)**	(419,202)	**(416,646)**	(419,202)
Increase in deposits and withdrawable share capital	**311,777**	300,976	**311,720**	301,016
(Increase)/decrease in interest receivable	**(219)**	(106)	**(218)**	(109)
Increase/(decrease) in derivative assets/liabilities	**(250)**	(1,270)	**3,198**	3,526
(Increase)/decrease in other assets	**(794)**	991	**(353)**	(5,427)
Net cash from operating activities	**(48,084)**	(68,992)	**(46,834)**	(68,750)

Reconciliation of liabilities arising from financing activities to financing cash flows

	Consolidated		
	Wholesale Funding Facilities	**Notes payable**	**Total**
	$'000	**$'000**	**$'000**
Balance at 1 July 2017	10,982	1,420,466	1,431,448
Financing cash flows	(2,758)	144,077	141,319
Balance at 30 June 2018	**8,224**	**1,564,543**	**1,572,767**

	Credit Union		
	Wholesale Funding Facilities	**Loans payable**	**Total**
	$'000	**$'000**	**$'000**
Balance at 1 July 2017	10,982	2,145,071	2,156,053
Financing cash flows	(2,758)	66,524	63,766
Balance at 30 June 2018	**8,224**	**2,211,595**	**2,219,820**

Notes to the Financial Statements (continued)

21. COMMITMENTS

Lease expenditure commitments	Consolidated 2018 $'000	2017 $'000
Non-cancellable operating leases:		
Not later than 1 year	**15,619**	18,387
Later than 1 and not later than 2 years	**14,136**	13,731
Later than 2 and not later than 5 years	**36,534**	41,704
Later than 5 years	**41,186**	40,528
Aggregate lease expenditure contracted for at 30 June	**107,475**	114,350

The Group leases motor vehicles, office and branch premises under non-cancellable operating leases expiring within one to 11 years. The leases have varying terms, escalation clauses and renewal rights. On renewal the terms of the leases are renegotiated.

Credit commitments

The Group has the following credit commitments:

	Consolidated 2018 $'000	2017 $'000
Loans approved not settled	**80,790**	75,625
Members unconditionally cancellable unused credit facilities	**445,042**	452,751
Member funds available for redraw	**475,512**	454,352
	1,001,344	982,728

22. CONTINGENT ASSETS AND LIABILITIES

Guarantees

The Group has issued guarantees as follows:

	Consolidated 2018 $'000	2017 $'000
Guarantees issued for members	**1,713**	1,605

As the probability and value of guarantees being called upon is unpredictable, it is not practical to state the timing of any payment.

CUFSS Limited

With effect from 1 July 1999, the Credit Union is a party to an Industry Support Contract (“ISC”) administered by CUFSS Limited (“CUFSS”). The ISC is certified by APRA under Section 11CB of the Banking Act 1959 (Cth) and is a voluntary financial support scheme whose members are Credit Unions, Mutual Banks and Cuscal Limited. CUFSS is a company limited by guarantee, each member’s guarantee being $100. As a member of CUFSS, the Credit Union:

- May be required to advance funds (excluding permanent loans) of up to 3% of total assets, capped at $100m, to another CUFSS member requiring financial support;
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

Notes to the Financial Statements (continued)

23. SECURITISATION

In the ordinary course of business, the Group enters into transactions that result in the transfer of financial assets to third parties or special purpose entities (SPE's) on an arm's length basis.

The Credit Union transferred loans totalling $839.183 million (2017: $941.243 million) during the financial year as part of its ongoing securitisation program. The loan transfers made to SPE's comprise of either warehouse funding facilities $247.362 million (2017: $233.235 million), term securitisation issues $499.810 million (2017: $487.196 million) and the internal securitisation issue $92.011 million (2017: $220.812 million). The total value of transferred loans as at 30 June 2018 was $2,211.595 million (2017: $2,145.071 million). The Group has not transferred substantially all of the risks and rewards associated with these loans and accordingly these loans are carried on the Group's balance sheet.

Borrowing costs of $2.317 million (2017: $2.650 million) relating to the set up of new SPE's were capitalised during the year.

Refer to Note 28. Related Parties for more information on loan balances and net distributions to unitholders.

24. STANDBY BORROWING FACILITIES

The Credit Union has the following borrowing facilities:	**Credit Union**	
	2018	2017
Overdraft facility	**$'000**	$'000
Gross facility amount	**5,000**	5,000
Less: current borrowing	**-**	-
Net available	**5,000**	5,000

25. SIGNIFICANT ALLIANCES

The Credit Union has a significant alliance with the following suppliers of services:

Cuscal Limited

This company provides the Credit Union with the rights to, and the production of member's cheques, ATM management services, Redicards and Visa cards, provides finance facilities, settlement with bankers, electronic funds deposit and central banking. In addition, this company operates the switching system that links rediATMs, other approved EFT suppliers, Visa acquirers and merchants to the Credit Union's computer systems.

Fiserv (aspac) Pte. Ltd

This company is a member of an international group which owns the core banking system software which the Credit Union operates.

Data Action Pty Ltd

This company operates a computer bureau which provides the Credit Union with a range of computing services (refer to Note 13).

Mutual Marketplace Pty Ltd

This company is a joint venture between People's Choice Credit Union and Credit Union Australia Ltd and provides professional procure-to-pay services to the mutual sector (refer to Note 13).

Notes to the Financial Statements (continued)

26. AUDITOR'S REMUNERATION

	Consolidated		Credit Union	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Amounts paid or payable to the external auditors - KPMG				
Auditing the financial report	**306**	281	**251**	226
Other regulatory activities and assurance services	**158**	159	**158**	159
Taxation services	**110**	151	**77**	116
Other services	**-**	33	**-**	33
	574	624	**486**	534

27. KEY MANAGEMENT PERSONNEL

a) Directors

The following were Directors of the Group from the beginning of the financial year to the date of this report.

J. L. Cossons (Chair)
S. P. W. Laidlaw (Managing Director) (Appointed as Managing Director effective 1 September 2017)
Dr. R. H. S. Brooks (Retired effective 9 November 2017)
E. T. McGuirk
J. McMahon (Retired effective 1 September 2017)
K. A. Skipper AM
V. S. Hickey
J. P. Patton
A. E. Heyworth (Appointed effective 9 November 2017)
D. J. Cartwright (Appointed effective 12 December 2017)

b) Other key management personnel

The following persons, employed by the Credit Union, also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

D. Lewis	Chief Sales Officer
V. Pace	Chief Financial Officer
D. Mattiske-Wood	Deputy CEO, Chief Strategy, Marketing & People Officer
K. Henley	Chief Marketing Officer (Appointed 18 September 2017, ceased 26 March 2018)
R. Ward	Acting Chief Marketing Officer (Ceased 18 September 2017)
P. Corolis	Chief Risk Officer
G. Wenborn	Chief Digital & Technology Officer (Appointed 10 October 2017)

27. KEY MANAGEMENT PERSONNEL (Continued)

c) Key management personnel compensation

Directors and other key management personnel compensation for the Group comprised:

	Short-term Employee Benefits $'000	Post-employment Benefits - Superannuation $'000	Long Term-Other Benefits $'000	Termination Benefits $'000	Total $'000
2018	**4,570**	**287**	**69**	**-**	**4,926**
2017	3,632	249	34	-	3,915

d) Loans

Loans to Directors and other key management personnel are either unsecured or secured by registered mortgage over eligible security in accordance with standard lending policies.

	2018 $'000	2017 $'000
Total aggregate loans as at the reporting date (30 June)	**1,487**	2,329
Total aggregate interest charged during the reporting period	**103**	116

All loans to Directors and other key management personnel are made on normal staff terms and conditions that are applicable to normal staff benefit packages.

The Directors and key management personnel who held loan accounts with the Credit Union during the year were J.L. Cossons, K.A. Skipper AM, V.S. Hickey, E.T. McGuirk, A.E. Heyworth, P. Corolis, G. Wenborn and D. Lewis.

Other transactions with key management personnel

Other transactions with key management personnel generally relate to deposits and financial planning advice. Financial transactions (including loans disclosed within this report) with Directors occur in the ordinary course of business on an arms length basis. For other key management personnel, financial transactions are made on normal staff terms and conditions that are applicable to normal staff benefit packages. Disclosure of financial transactions regularly made as part of normal banking operations is limited to disclosure of such transactions with key management personnel and entities controlled or significantly influenced by them. All such financial transactions that have occurred between entities within the Group and their key management personnel were in the nature of normal personal banking.

As they are required to be a member of the Credit Union, each Director and all key management personnel hold one $2 share.

Notes to the Financial Statements (continued)

28. RELATED PARTIES

Controlled entities

The Credit Union entered into transactions with its Controlled Entities. These transactions were all carried out under normal commercial terms and are eliminated on consolidation in the financial reports. The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

	Aggregate amounts included in the accounts of the Credit Union Income/(expense)		Amounts included in the accounts of the Credit Union Payable/(receivable)		Deposits with the Credit Union	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Financial Solutions Australasia Pty Ltd	**275**	367	**6,029**	5,272	**-**	-
Australian Central Services Pty Ltd	**29**	42	**392**	306	**-**	-
People's Choice Community Foundation Limited	**(410)**	(394)	**23**	(157)	**163**	221

	Residual Unitholder Net Distribution		Net Interest Rate Swap Expense	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Light Trust No. 1[1]	**-**	133	**-**	271
Light Trust No. 2[2]	**2**	76	**73**	377
Light Trust No. 3	**313**	486	**908**	1,182
Light Trust No. 4	**444**	766	**535**	839
Light Trust No. 5R	**3,295**	4,022	**4,836**	5,700
Light Trust No. 6	**2,542**	3,747	**1,615**	2,397
Light Trust Warehouse No. 1	**638**	1,050	**652**	1,164
Light Trust 2017-2[3]	**1,096**	2,858	**1,169**	2,325
Light Trust 2016-2	**848**	599	**(81)**	(29)
Light Trust 2017-1	**3,787**	446	**1,547**	440
Light Trust 2018-1[4]	**1,184**	-	**(53)**	-

[1] Deregistered on 2 February 2018

[2] Ceased trading on 17 November 2017

[3] Formerly known as Light Trust Warehouse No.2 until 19 December 2017

[4] Registered on 1 March 2018

Notes to the Financial Statements (continued)

28. RELATED PARTIES (Continued)

Controlled entities

	Capital Notes held by the Credit Union		Outstanding balance of Loans sold to Trust	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Light Trust No. 1[1]	**-**	-	**-**	-
Light Trust No. 2[2]	**-**	5,352	**-**	26,956
Light Trust No. 3	**3,386**	4,116	**75,432**	91,485
Light Trust No. 4	**5,832**	7,567	**89,509**	115,368
Light Trust No. 5R	**735,475**	735,475	**650,530**	710,556
Light Trust No. 6	**-**	-	**243,458**	302,940
Light Trust Warehouse No. 1	**7,449**	12,446	**95,544**	161,581
Light Trust 2017-2[3]	**8,350**	11,236	**101,902**	188,489
Light Trust 2016-2	**12,152**	6,969	**147,635**	84,074
Light Trust 2017-1	**-**	-	**353,793**	463,623
Light Trust 2018-1[4]	**-**	-	**453,791**	-

[1] Deregistered on 2 February 2018

[2] Ceased trading on 17 November 2017

[3] Formerly known as Light Trust Warehouse No.2 until 19 December 2017

[4] Registered on 1 March 2018

Equity accounted investees

Note 13 provides information regarding the nature of the Group's relationship with its equity accounted investees. Some of the services provided may be discounted for shareholder customers. The following tables provide the total amount of transactions that were entered into during the relevant financial year.

	Purchases from related parties		Amounts owed to related parties	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Joint venture: Mutual Marketplace Pty Ltd	**48,493**	5,173	**3,614**	1,143
Associate: Data Action Pty Ltd	**10,266**	10,615	**842**	299
	58,759	15,788	**4,456**	1,442

29. RISK MANAGEMENT

a) Financial risk management objectives

The Group is exposed to a range of risks as part of its daily operations. These risks are managed using an enterprise wide approach in line with sound business practice, Australian risk management standards, prudential requirements and the Board's approved risk appetite, providing the Board with a comprehensive view of its risk profile.

As part of the risk management framework, a risk management strategy is maintained which includes policies and plans which detail the Group's approach to the management of risk exposures. The risk management strategy includes systems for the identification, analysis, evaluation, treatment, monitoring and reporting of risk, is subject to regular review and is responsive to the changing regulatory and operating environments.

The Board ensures a sound risk management culture is maintained and embedded in the Group's values and behaviours and the conduct of business. The material financial risks faced by the Group include liquidity risk, credit risk and market risk (incorporating interest rate risk).

b) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Group has in place information systems and a structured process to monitor and manage liquidity risk. The management process incorporates specific liquidity management strategies and liquidity contingency plans that manage liquidity on a daily basis under normal situations and assumed adverse scenarios. The liquidity strategy requires the holding of surplus funds in liquid assets which meet APRA's criteria for classification as eligible Minimum Liquidity Holdings ("MLH"), the availability of appropriate standby lines of funding, maintenance of reliable sources of funding (retail and wholesale) and daily liquidity projections.

APRA Prudential Standards place specific management and reporting requirements on ADIs in relation to liquidity risk. The Prudential Standards provide that liquidity strategies and liquidity holdings can be based on either a scenario analysis or on an MLH basis. APRA has approved the Credit Union to adopt an MLH approach, whereby the Credit Union is required to maintain a minimum holding in specified eligible assets at all times.

The Credit Union's liquidity ratio as at the reporting date (30 June) is provided below:

	Credit Union	
	2018	2017
	%	%
Liquidity ratio	**12.48**	12.50

Contractual undiscounted cash flows

The following tables summarise the maturity profile of the Group's and the Credit Union's financial liabilities as at 30 June 2018 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice is given immediately. However, the Group and the Credit Union expect that many members will not request repayment on the earliest date the Group or the Credit Union could be required to pay and the tables do not reflect the cash flows indicated by the Group's or the Credit Union's deposit retention history. Derivatives designated are based on their contractual maturity. The amounts represent principal and interest cash flows and may differ when compared to the carrying amounts reported on the Statements of Financial Position.

Notes to the Financial Statements (continued)

29. RISK MANAGEMENT (Continued)

b) Liquidity risk management (continued)

Consolidated Entity	At call $'000	3 Months or less $'000	3 to 12 months $'000	1 to 5 years $'000	Greater than 5 years $'000	Total $'000	Carrying amount $'000
	Contractual cash flows						
2018							
Financial Liabilities							
Deposits	**3,586,506**	**1,004,224**	**1,386,790**	**171,237**	**-**	**6,148,757**	**6,113,791**
Other payables	**-**	**76,241**	**-**	**-**	**-**	**76,241**	**76,241**
Borrowings	**-**	**27,868**	**82,956**	**437,445**	**1,966,052**	**2,514,322**	**1,572,767**
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	**-**	**30**	**474**	**35**	**-**	**539**	**549**
Total cash flows	**3,586,506**	**1,108,363**	**1,470,220**	**608,717**	**1,966,052**	**8,739,858**	**7,763,348**
2017							
Financial Liabilities							
Deposits	3,363,274	1,171,735	1,087,835	212,538	-	5,835,382	5,802,013
Other payables	-	61,912	-	-	-	61,912	61,912
Borrowings	-	25,199	75,448	398,635	1,831,798	2,331,080	1,431,448
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	-	707	924	(506)	-	1,125	1,360
Total cash flows	3,363,274	1,259,553	1,164,207	610,667	1,831,798	8,229,499	7,296,733

Credit Union

Credit Union	At call $'000	3 Months or less $'000	3 to 12 months $'000	1 to 5 years $'000	Greater than 5 years $'000	Total $'000	Carrying amount $'000
2018							
Financial Liabilities							
Deposits	**3,586,669**	**1,004,224**	**1,386,790**	**171,237**	**-**	**6,148,920**	**6,113,954**
Other payables	**-**	**81,505**	**-**	**-**	**-**	**81,505**	**81,505**
Borrowings	**-**	**38,866**	**115,949**	**612,636**	**2,793,063**	**3,560,515**	**2,219,820**
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	**-**	**(50)**	**234**	**525**	**-**	**709**	**1,828**
Total cash flows	**3,586,669**	**1,124,545**	**1,502,973**	**784,399**	**2,793,063**	**9,791,648**	**8,417,107**
2017							
Financial Liabilities							
Deposits	3,363,495	1,171,735	1,087,835	212,538	-	5,835,603	5,802,234
Other payables	-	69,004	-	-	-	69,004	69,004
Borrowings	-	37,461	112,231	594,514	2,794,628	3,538,834	2,156,053
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	-	(171)	(968)	(1,011)	-	(2,150)	(810)
Total cash flows	3,363,495	1,278,029	1,199,098	806,041	2,794,628	9,441,291	8,026,481

29. RISK MANAGEMENT (Continued)

c) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statements of Financial Position. The maximum credit 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 value of collateral held against individual exposures is generally only assessed at the time of borrowing or when a specific review of that exposure is undertaken in accordance with policy.

The Group holds collateral against loans and advances to members in the form of mortgage interests over real property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired.

The maximum exposure to credit risk at the reporting date (30 June) was:

	Consolidated		**Credit Union**	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Deposits at call	**190,078**	148,063	**75,041**	98,575
Other assets	**24,734**	23,822	**30,790**	30,320
Available for sale investment securities	**777,119**	721,685	**775,284**	719,455
Derivative assets	**848**	1,822	**516**	2,403
Financial assets other than loans and advances	**992,779**	895,392	**881,631**	850,753
Loans and advances	**7,278,795**	6,865,623	**7,278,795**	6,865,623
Total Financial assets	**8,271,574**	7,761,015	**8,160,426**	7,716,376
Credit commitments	**1,001,344**	982,728	**1,001,344**	982,728
Total potential exposure to credit risk	**9,272,918**	8,743,743	**9,161,770**	8,699,104
Distribution of financial assets				
Neither past due nor impaired				
Financial assets other than loans and advances	**992,779**	895,392	**881,631**	850,753
Loans and advances	**7,079,015**	6,688,348	**7,079,015**	6,688,348
Past due but not impaired				
Loans and advances	**191,853**	174,697	**191,853**	174,697
Impaired				
Loans and advances	**7,927**	2,578	**7,927**	2,578
	8,271,574	7,761,015	**8,160,426**	7,716,376
Gross loans and advances which are past due but not impaired				
1 - 30 days	**138,851**	113,881	**138,851**	113,881
31 - 60 days	**21,074**	24,720	**21,074**	24,720
61 - 90 days	**10,861**	7,255	**10,861**	7,255
> 90 days	**21,067**	28,841	**21,067**	28,841
Total	**191,853**	174,697	**191,853**	174,697

29. RISK MANAGEMENT (Continued)

c) Credit risk management (continued)

	Consolidated		Credit Union	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Geographic concentration of credit risk for gross loans and advances				
South Australia	**4,536,199**	4,376,178	**4,536,199**	4,376,178
Northern Territory	**1,542,686**	1,458,127	**1,542,686**	1,458,127
Victoria	**766,987**	624,339	**766,987**	624,339
New South Wales	**152,280**	147,572	**152,280**	147,572
Western Australia	**81,469**	87,949	**81,469**	87,949
Queensland	**128,463**	115,969	**128,463**	115,969
Australian Capital Territory	**58,720**	45,386	**58,720**	45,386
Tasmania	**11,991**	10,103	**11,991**	10,103
	7,278,795	6,865,623	**7,278,795**	6,865,623

d) Capital adequacy

The management of the capital of a financial institution is a fundamental part of its risk management process as an essential element of capital is its availability to absorb future, unexpected and unidentified losses.

APRA Prudential Standards require ADIs to maintain at all times a minimum ratio of capital to risk weighted assets. As part of its risk management process, the Credit Union has developed a methodology with financial modelling to assist in determining the optimum level of capital that is consistent with assessed risk exposure and business activity. The optimum capital is managed within a range well above the minimum required by APRA and incorporates an assessment of the combined risk exposure for operations, market, credit and strategic risk.

The Credit Union's capital management plan ensures capital holdings are maintained in proportion to its risk exposure from its activities. The Credit Union and the Group have complied with all the APRA capital adequacy requirements throughout the year.

The Group's capital adequacy ratio as at the end of the reporting date (30 June) and the comparative are as follows:

	Consolidated	
	2018	2017
	$'000	$'000
Capital Adequacy Ratio	**15.34%**	14.89%
Qualifying capital		
Tier 1	**518,370**	496,683
Tier 2	**12,437**	12,253
Total qualifying capital	**530,807**	508,936
Risk Weighted Assets	**3,461,276**	3,416,825

For further detail on the Group's capital adequacy please refer to our public disclosures under *APS 330 Public Disclosure*, which is located on the Credit Union's website under Regulatory Disclosures.

29. RISK MANAGEMENT (Continued)

e) Market risk management

Market risk is the risk of exposure to changes to financial prices affecting the value of positions held by the Group as part of its normal trading activities. As the Group does not deal in foreign exchange contracts or commodities, market risk for the Group consists solely of interest rate risk.

f) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate risk volatility of net interest income and market value of equity exposures. Positions are monitored regularly and approved hedging strategies are executed to ensure sensitivities and exposures are maintained within the established limits.

The sensitivity in the Statements of Profit or Loss and Other Comprehensive Income is the effect of assumed changes in interest rates on the net interest for one year, based on the floating rate financial assets and financial liabilities held at 30 June 2018, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing the fixed rate of loans and advances, available for sale financial assets (including the effect of any associated hedges), and interest rate swaps designated as cash flow hedges, at 30 June 2018 for the effects of the assumed changes in interest rates. The sensitivity of equity is analysed by maturity of the asset or interest rate swap, with sensitivity based on the assumption that there are parallel shifts in the yield curve.

Monitoring of adherence to policies, limits and procedures is controlled through the Management Asset and Liability Committee ("MALCO") and the Board Risk Committee.

The following table demonstrates the sensitivity to reasonably possible changes in interest rates, on the Group's income statement and in equity with all other variables held constant.

	Equity Sensitivity		Net Revenue Sensitivity	
	2018	2017	**2018**	2017
Consolidated	**%**	%	**$'000**	$'000
25 bp rise	**(0.50)**	(0.42)	**687**	754
25 bp fall	**0.50**	0.42	**(791)**	(849)
50 bp rise	**(1.01)**	(0.85)	**1,369**	1,501
50 bp fall	**1.01**	0.85	**(1,603)**	(1,721)

Notes to the Financial Statements (continued)

29. RISK MANAGEMENT (Continued)

f) Interest rate risk (continued)

The Group's exposure to interest rate risk at balance date is shown in the following table and does not differ materially from that of the Credit Union.

Consolidated		**Fixed interest rate maturing:**				
	Floating interest rate	**<1 yrs**	**1-5 yrs**	**> 5 yrs**	**Non-interest bearing**	**Total**
2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets						
Cash and cash equivalents	190,078	-	-	-	11,195	201,273
Loans and advances	4,416,060	1,087,352	1,771,458	440	-	7,275,310
Available for sale investment securities	-	777,119	-	-	31,917	809,036
Other investments	15,011	-	-	-	-	15,011
	4,621,150	1,864,471	1,771,458	440	43,112	8,300,630
Financial Liabilities						
Deposits	3,587,408	2,360,811	165,572	-	-	6,113,791
Borrowings	-	1,572,767	-	-	-	1,572,767
	3,587,408	3,933,578	165,572	-	-	7,686,558
Interest rate swaps - assets/(liabilities)	790,000	(285,000)	(505,000)	-	-	-
2017						
Financial Assets						
Cash and cash equivalents	148,063	-	-	-	19,261	167,324
Loans and advances	4,187,584	1,363,270	1,310,313	288	-	6,861,455
Available for sale investment securities	-	721,684	-	-	32,047	753,731
Other investments	15,738	-	-	-	-	15,738
	4,351,385	2,084,954	1,310,313	288	51,308	7,798,248
Financial Liabilities						
Deposits	3,363,432	2,232,067	205,821	-	693	5,802,013
Borrowings	-	1,431,448	-	-	-	1,431,448
	3,363,432	3,663,515	205,821	-	693	7,233,461
Interest rate swaps - assets/(liabilities)	835,000	(430,000)	(405,000)	-	-	-

Notes to the Financial Statements (continued)

29. RISK MANAGEMENT (Continued)

g) Interest rate swap contracts

The Group uses interest rate swap contracts in managing interest rate exposure. For interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates. The Group enters into interest rate swap contracts for the sole purpose of managing interest rate exposures in the Statements of Financial Position and not for speculative purposes.

	2018			2017		
		Fair Value			Fair Value	
	Notional Amount	**Asset**	**Liability**	Notional Amount	Asset	Liability
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Consolidated						
Derivatives at fair value through profit and loss						
Interest rate swaps	**593,575**	**522**	**(821)**	568,407	1,422	(1,733)
Derivatives held as cash flow hedges						
Interest rate swaps	**790,000**	**326**	**(576)**	835,000	400	(1,449)
	1,383,575	**848**	**(1,397)**	1,403,407	1,822	(3,182)
Credit Union						
Derivatives at fair value through profit and loss						
Interest rate swaps	**676,604**	**190**	**(1,768)**	603,456	2,003	(144)
Derivatives held as cash flow hedges						
Interest rate swaps	**790,000**	**326**	**(576)**	835,000	400	(1,449)
	1,466,604	**516**	**(2,344)**	1,438,456	2,403	(1,593)

29. RISK MANAGEMENT (Continued)

g) Interest rate swap contracts (continued)

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

	Net Fair Value		Notional Principal Amount	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Less than 1 year	**(507)**	(1,731)	**495,334**	626,820
1 to 2 years	**(54)**	189	**605,690**	493,322
2 to 5 years	**12**	182	**282,551**	283,265
> 5 years	**-**	-	**-**	-
	(549)	(1,360)	**1,383,575**	1,403,407

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group does not have a legally enforceable right to set-off any interest rate swap agreements.

Master netting arrangement – not currently enforceable

Agreements with derivative counterparties are based on the International Swaps and Derivatives Association ("ISDA") Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As neither the Group nor the Credit Union presently have a legally enforceable right of set-off, these amounts have not been offset in the Statements of Financial Position and accordingly derivative assets and derivative liabilities are shown on a gross basis in the Statements of Financial Position.

If under the ISDA Master Agreement there was a legally enforceable right of set-off, there would be a reduction in both the derivative asset and derivative liability of the Credit Union and the Group of $0.848 million as at 30 June 2018 ($1.822 million at 30 June 2017).

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Fair value methodologies

Disclosed below is the estimated fair value of the Group's financial instruments presented in accordance with the requirements of Accounting Standard AASB 7 *Financial Instruments: Disclosures.*

A financial instrument is defined by AASB 132 *Financial Instruments: Presentation* as any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A financial liability is a contractual obligation either to deliver cash or another financial asset to another entity, or, to exchange financial instruments with another entity under conditions that are potentially unfavourable.

The methodologies and assumptions used in measuring fair value depend on the terms and risk characteristics of the various instruments and include the following:

Cash and cash equivalents

Being cash on hand and at call deposits, the carrying amount is the fair value.

Loans and advances

The fair value of loans has been estimated using discounted cash flow analysis, based on current rates offered by the Group for loans with similar terms. The fair value of impaired loans has been estimated as their carrying amount net of the aggregate provision for impairment.

Available for sale investment securities

Estimated using discounted cash flow analysis, based on current market rates for similar arrangements, with the exception of shares held in other unlisted entities for which the fair value is their original cost because their fair value cannot be reliably measured as no active market exists for these assets.

As at 30 June 2018 Cuscal Limited shares are held at a price per share of $1.28. The price represents the best estimate of the fair value of the shares as at the reporting date determined with reference to the net assets of Cuscal Limited. There are no current intentions to dispose of these investments.

Other investments

Other investments represent both capital notes and shares in controlled entities. The fair value of capital notes is estimated using discounted cash flow analysis, based on current market rates for similar arrangements.

Derivative financial instruments

Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.

Other assets

This includes items such as sundry debtors, which are short-term by nature and the carrying amount is therefore a reasonable estimate of the fair value.

Deposits

The net fair value of deposits has been estimated using discounted cash flow analysis, based on current rates offered by the Group for deposits with similar terms.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

a) Fair value methodologies (continued)

Other payables

The carrying amount approximates net fair value because of the short term of the settlement of the amounts due.

Borrowings

Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.

The following table provides comparison of carrying amounts and net fair values for financial instruments:

	Carrying value		Fair value	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Consolidated				
Financial Assets				
Cash and cash equivalents	**201,273**	167,324	**201,273**	167,324
Loans and advances	**7,275,310**	6,861,455	**7,286,967**	6,871,431
Available for sale investment securities	**809,036**	753,731	**809,036**	753,731
Other investments	**15,011**	15,738	**15,011**	15,738
Derivative assets	**848**	1,822	**848**	1,822
Other assets	**24,734**	23,822	**24,734**	23,822
	8,326,212	7,823,892	**8,337,869**	7,833,868
Financial Liabilities				
Deposits	**6,113,791**	5,802,013	**6,107,356**	5,801,300
Other payables	**76,241**	61,912	**76,241**	61,912
Borrowings	**1,572,767**	1,431,448	**1,574,943**	1,433,117
Derivative liabilities	**1,397**	3,182	**1,397**	3,182
	7,764,196	7,298,555	**7,759,937**	7,299,511
Credit Union				
Financial Assets				
Cash and cash equivalents	**86,236**	117,836	**86,236**	117,836
Loans and advances	**7,275,310**	6,861,455	**7,286,967**	6,871,431
Available for sale investment securities	**807,201**	751,501	**807,201**	751,501
Other investments	**778,381**	790,257	**778,381**	790,257
Derivative assets	**516**	2,403	**516**	2,403
Other assets	**30,790**	30,320	**30,790**	30,320
	8,978,434	8,553,772	**8,990,091**	8,563,748
Financial Liabilities				
Deposits	**6,113,954**	5,802,234	**6,107,519**	5,801,521
Other payables	**81,505**	69,004	**81,505**	69,004
Borrowings	**2,219,820**	2,156,053	**2,222,929**	2,158,557
Derivative liabilities	**2,344**	1,593	**2,344**	1,593
	8,417,623	8,028,884	**8,414,297**	8,030,675

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

b) Fair value hierarchy - financial instruments measured at fair value

The following table sets out the fair value of financial instruments that are measured at fair value and analyses them by the level in the fair value hierarchy into which the fair value measurement is categorised:

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated Entity				
2018				
Financial Assets				
Financial assets available for sale	**-**	**809,036**	**-**	**809,036**
Derivative assets	**-**	**848**	**-**	**848**
	-	**809,884**	**-**	**809,884**
Financial Liabilities				
Derivative financial liabilities	**-**	**1,397**	**-**	**1,397**
	-	**1,397**	**-**	**1,397**
2017				
Financial Assets				
Financial assets available for sale	-	753,731	-	753,731
Derivative assets	-	1,822	-	1,822
	-	755,553	-	755,553
Financial Liabilities				
Derivative financial liabilities	-	3,182	-	3,182
	-	3,182	-	3,182
Credit Union				
2018				
Financial Assets				
Financial assets available for sale	**-**	**807,201**	**-**	**807,201**
Derivative assets	**-**	**516**	**-**	**516**
	-	**807,717**	**-**	**807,717**
Financial Liabilities				
Derivative financial liabilities	**-**	**2,344**	**-**	**2,344**
	-	**2,344**	**-**	**2,344**
2017				
Financial Assets				
Financial assets available for sale	-	751,501	-	751,501
Derivative assets	-	2,403	-	2,403
	-	753,904	-	753,904
Financial Liabilities				
Derivative financial liabilities	-	1,593	-	1,593
	-	1,593	-	1,593

Notes to the Financial Statements (continued)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

c) Fair value hierarchy - financial instruments not measured at fair value

The following table sets out the fair value of financial instruments that are not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total Fair Values	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Consolidated Entity					
2018					
Financial Assets					
Cash and cash equivalents	**201,273**	**-**	**-**	**201,273**	**201,273**
Loans and advances	**-**	**-**	**7,286,967**	**7,286,967**	**7,275,310**
Other investments	**-**	**15,011**	**-**	**15,011**	**15,011**
Other assets	**24,734**	**-**	**-**	**24,734**	**24,734**
	226,007	**15,011**	**7,286,967**	**7,527,985**	**7,516,328**
Financial Liabilities					
Deposits	**-**	**-**	**6,107,356**	**6,107,356**	**6,113,791**
Borrowings	**-**	**-**	**1,574,943**	**1,574,943**	**1,572,767**
Other payables	**76,241**	**-**	**-**	**76,241**	**76,241**
	76,241	**-**	**7,682,299**	**7,758,540**	**7,762,799**
2017					
Financial Assets					
Cash and cash equivalents	167,324	-	-	167,324	167,324
Loans and advances	-	-	6,871,431	6,871,431	6,861,455
Other investments	-	15,738	-	15,738	15,738
Other assets	23,822	-	-	23,822	23,822
	191,146	15,738	6,871,431	7,078,315	7,068,339
Financial Liabilities					
Deposits	-	-	5,801,300	5,801,300	5,802,013
Borrowings	-	-	1,433,117	1,433,117	1,431,448
Other payables	61,912	-	-	61,912	61,912
	61,912	-	7,234,417	7,296,329	7,295,373

Fair value hierarchy levels have not been disclosed for some financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

c) Fair value hierarchy - financial instruments not measured at fair value (continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total Fair Values $'000	Carrying Amount $'000
Credit Union					
2018					
Financial Assets					
Cash and cash equivalents	**86,236**	**-**	**-**	**86,236**	**86,236**
Loans and advances	**-**	**-**	**7,286,967**	**7,286,967**	**7,275,310**
Other investments	**-**	**778,381**	**-**	**778,381**	**778,381**
Other assets	**30,790**	**-**	**-**	**30,790**	**30,790**
	117,026	**778,381**	**7,286,967**	**8,182,374**	**8,170,717**
Financial Liabilities					
Deposits	**-**	**-**	**6,107,519**	**6,107,519**	**6,113,954**
Borrowings	**-**	**-**	**2,222,929**	**2,222,929**	**2,219,820**
Other payables	**81,505**	**-**	**-**	**81,505**	**81,505**
	81,505	**-**	**8,330,448**	**8,411,953**	**8,415,279**
2017					
Financial Assets					
Cash and cash equivalents	117,836	-	-	117,836	117,836
Loans and advances	-	-	6,871,431	6,871,431	6,861,455
Other investments	-	790,257	-	790,257	790,257
Other assets	30,320	-	-	30,320	30,320
	148,156	790,257	6,871,431	7,809,844	7,799,868
Financial Liabilities					
Deposits	-	-	5,801,521	5,801,521	5,802,234
Borrowings	-	-	2,158,557	2,158,557	2,156,053
Other payables	69,004	-	-	69,004	69,004
	69,004	-	7,960,078	8,029,082	8,027,291

Fair value hierarchy levels have not been disclosed for some financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values.

Notes to the Financial Statements (continued)

31. SUPERANNUATION COMMITMENTS

The Group has established a superannuation fund for employees of the Group, which existed for the full financial year. The benefit is the provision of retirement lump sums via accumulation type funds. The basis of contributions to the fund is by way of employer and employee contributions. The obligation to contribute to the fund is to ensure compliance with the superannuation guarantee charge.

32. EVENTS SUBSEQUENT TO REPORTING DATE

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

Registered Office

Australian Central Credit Union Ltd
ABN 11 087 651 125

Australian Financial Services Licence 244310
and Australian Credit Licence 244310

50 Flinders Street
Adelaide SA 5000

Telephone

13 11 82

Website

peopleschoicecu.com.au

Email

general@peopleschoicecu.com.au

Annual General Meeting

11.00am, Thursday 15 November 2018
Pullman Adelaide
16 Hindmarsh Square
Adelaide

Bankers

Cuscal Ltd
National Australia Bank Limited
Westpac Banking Corporation
Australia and New Zealand Banking Group Limited

Auditors

KPMG

Tax Agent

KPMG