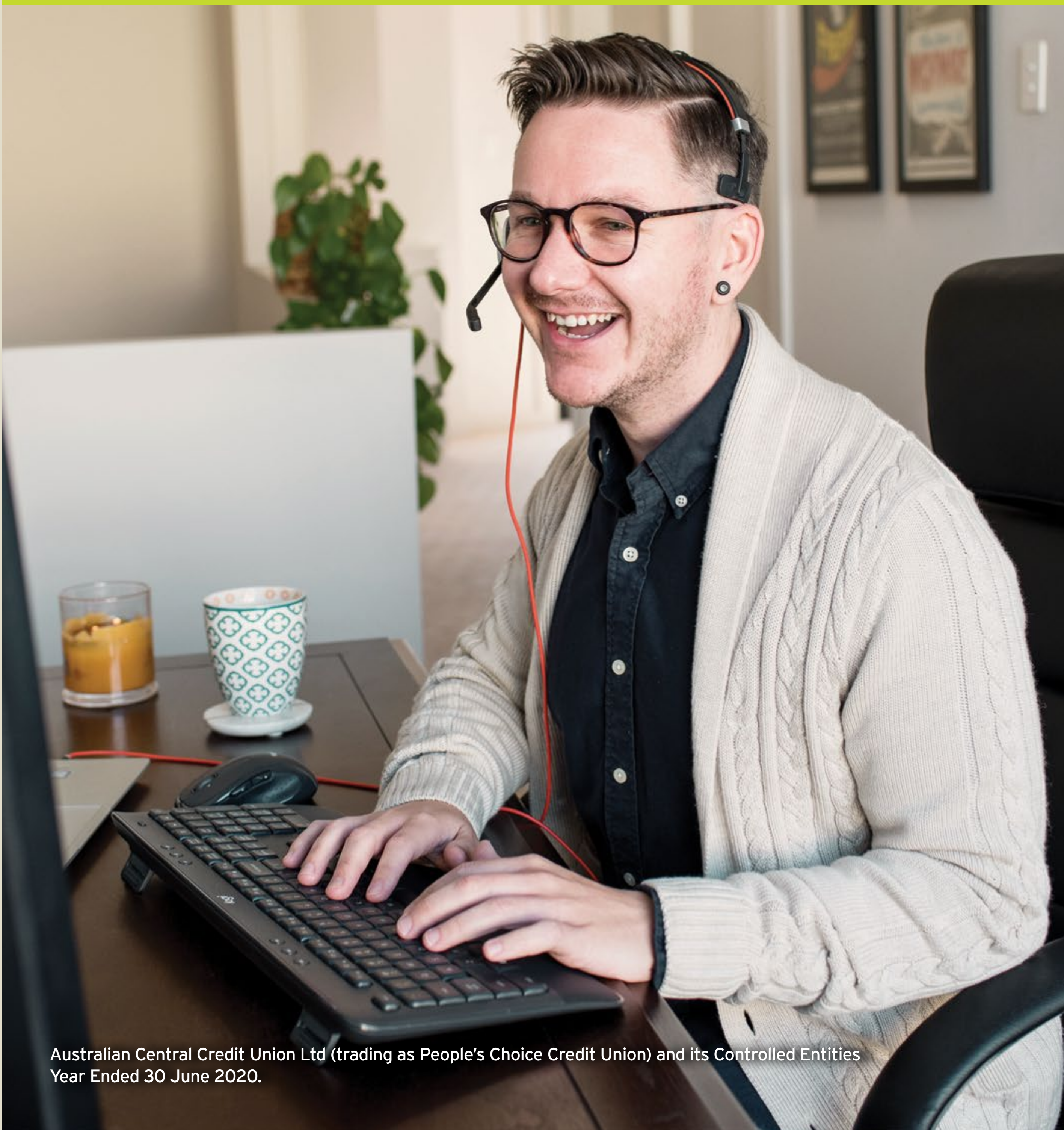
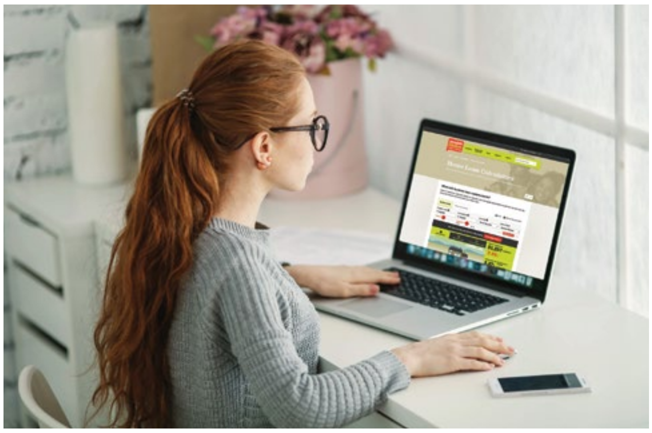
2020 Annual Report

people's choice CREDIT UNION



Australian Central Credit Union Ltd (trading as People's Choice Credit Union) and its Controlled Entities
Year Ended 30 June 2020.

Contents



Cover photograph: Rory Cummings is one of many Member Relationship Consultants in our National Contact Centre supporting members from home due to a shift during the year to working from home arrangements.

Chairman and Managing Director's Report

Steve Laidlaw, Chief Executive Officer and Managing Director, with Michael Cameron, Chairman.

Extraordinary times underscore member focus

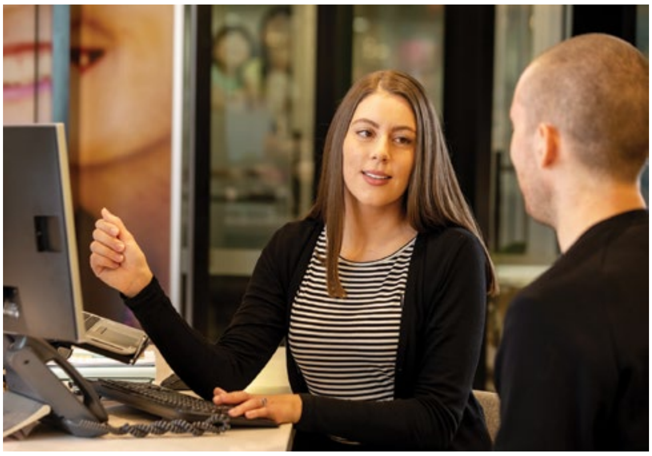
Our strength and resolve as a member-focused organisation has been put to the test more than ever before in 2020. The onset of the COVID-19 pandemic in March fundamentally changed how Australians live and work and highlighted the need for agile environments, not only in technology but also in the adaptability of people.

Through the challenges and changes brought about by COVID-19, everyone at People's Choice has remained absolutely committed to ensuring we meet our members' ongoing banking needs whilst providing additional support for those facing financial difficulty.

This commitment to our members has taken many forms. We have provided hardship assistance through our COVID-19 support package to more than 2,800 members. We successfully responded to a doubling of calls and online enquiries by reallocating staff from branches to our National Contact Centre. As a result, our team answered member calls within seconds. Our branch and mobile staff maintained essential banking services under difficult circumstances and our financial planners rallied to support clients, with a 50% increase in workload.

The reduction of branch transactions and sharp lift in digital banking during this time reflects an acceleration of digital adoption already present for some years.

People's Choice is well placed to flourish in this rapidly changing environment. Our member focus differentiates us from the shareholder obligations of the major banks, and our significant investment in technological and business transformation in recent years means we are poised to capitalise on consumers' increasing expectations of being able to do all their banking anytime, anywhere.



Miriam Makarucha, one of many branch staff members who supported increased member enquiries to our National Contact Centre due to COVID-19.

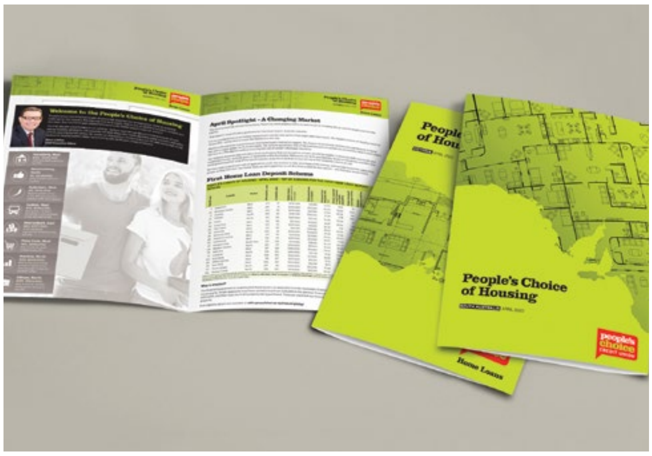
During 2019/20, People's Choice welcomed 16,939 new members and increased net membership by 5,699. Our ability to continue to grow our membership reflects high levels of member satisfaction and trust which in turn drives the willingness of our members to recommend People's Choice.

Our measure of members' trust and loyalty, the net promoter score, was +39 over the course of the year, 37 points above the average for the financial institutions surveyed. This score is calculated by DBM Consultants' ongoing survey of members to establish whether they are promoters (loyal, enthusiastic fans), detractors (unhappy) or passives (satisfied, for now).

Australia's largest financial comparison website, Canstar, awarded People's Choice for having the most satisfied home lending customers in 2020, while the Mozo comparison website recognised our member focus with awards for Most Recommended and Outstanding Customer Satisfaction. The Australian Financial Awards crowned People's Choice as the Most Reputable Credit Union in Australia, while global business magazine Forbes listed us among the World's Best Banks.

These sustained levels of member satisfaction and trust are reflected in the growth of our deposit and lending portfolios during 2019/20. Our retail deposit portfolio grew 6.39% to $6.619 billion, and total member loans and advances increased by 2.88% to $7.896 billion notwithstanding subdued lending activity across the industry in the fourth quarter due to COVID-19.

People's Choice grew its residential lending portfolio by 3.93% to $7.418 billion, approximately 1.5 times the annualised growth rate of the broader banking system. This strong performance at a time of intense competition and record low interest rates reflects our strength in offering a range of products to suit the different needs of borrowers, and being there for them as they navigate the home-buying experience.



The People's Choice of Housing reports reveal the most affordable and liveable suburbs in Adelaide and Melbourne.

Our commitment to supporting first homebuyers was acknowledged by being approved as a lender for the Australian Government's First Home Loan Deposit Scheme and once again being named by Canstar as the best customer-owned institution for first homebuyers in our three core markets of South Australia, Victoria and the Northern Territory.

We continued to publish our unique People's Choice of Housing reports on the most affordable and liveable suburbs in Adelaide and Melbourne: valuable, free resources that help our younger members be better informed and supported as they take their first steps towards home ownership.

People's Choice recorded a comparative profit before tax of $53.987 million, an increase of 12.2% from the previous year's $48.103 million. Statutory net profit before tax fell slightly to $31.206 million compared to $33.126 million last financial year.

This year People's Choice invested an additional $43.100 million in costs to transform its technology and member experience. This valuable investment will ensure we grow and remain sustainable by adapting the way we operate to consistently offer an exceptional experience to members.

As a result of the COVID-19 pandemic, People's Choice incurred additional costs of $7.181 million in 2020. This included an increase to credit provisioning as a result of rising economic uncertainty, staff support costs and increased costs due to regulatory requirements.

People's Choice remains in a strong position to manage through the economic challenges of COVID-19. Through our continued growth in 2019/20, we ended the financial year with total assets of $9.447 billion.

Steve Laidlaw briefing Hon Warren Snowdon MP as part of the Customer Owned Banking Association's regular government engagement activities.

Well positioned for long-term sustainability

Australia's financial services sector has faced unprecedented conditions in recent times, with significant changes stemming from regulatory and legislative reforms, the impacts of bushfires and most recently COVID-19. Competition from major banks and newer entrants such as neo-banks and non-bank lenders remains intense and record low interest rates continue to pressure margins.

Despite this, People's Choice is in a strong position in this environment. Significant investment in our transformation program enabled our agile response to COVID-19, and will empower us to remain relevant, resilient and sustainable for our members long into the future.

The continuing growth of our sector and our consistent performance on customer satisfaction metrics underlines our capacity to compete against larger players in a post-Royal-Commission world as consumers increasingly want to engage with institutions they can trust.

The Financial Services Royal Commission Roadmap will see the introduction of further reforms. We continue to work closely with our industry associations, the Customer Owned Banking Association and Business Council of Co-operatives and Mutuals, to help key stakeholders appreciate the role the sector plays and to ensure it is not unintentionally penalised from the consequences resulting from the reform agenda.

Our Board and people guide our success

People's Choice has made a number of outstanding appointments to the Board and Executive team to guide the organisation through its next stage of growth.

Michael Cameron was appointed our new Chairman at our 2019 Annual General Meeting as we farewelled John Cossons after 38 years of service. Michael's extensive corporate experience, customer focus and digital transformation experience are a natural fit to lead People's Choice into its next phase of growth, as we transform our technology and member experience to meet the future expectations of our members.

We also welcomed a new Non-Executive Director, Wendy Thorpe, to the Board. Wendy has more than 30 years' experience leading technology and operations in financial services. Wendy's experience at AXA, AMP Bank and ANZ, particularly in dealing with technological innovation, will be invaluable to People's Choice.

More recently, we announced two new appointments to our Executive team. Maria-Ann Camilleri and Samantha Bradley have been appointed to the Chief Member Officer and Chief People & Culture Officer roles respectively. Their extensive experience and leadership through change will significantly benefit our organisation. Maria-Ann's appointment follows the retirement of David Lewis, who we thank for his enormous contribution to People's Choice over his 29 years of service.

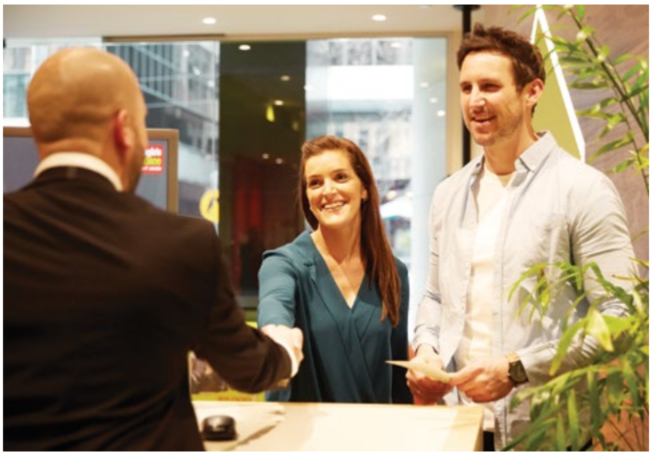
Our staff, all of whom are also members, have demonstrated extraordinary resilience and professionalism in supporting our members during the year. Their enthusiasm and adaptability are testament to the strength of our culture and values at People's Choice. We thank them, our Executive team and our Board for their commitment to our members as we look forward to the opportunities of the year ahead.

People's Choice has the culture, financial strength and agility to respond to changing member and consumer needs and to deliver on our Vision of being the most trusted financial services provider in Australia.

Michael Cameron
Chairman

Steve Laidlaw
Chief Executive Officer
and Managing Director

Year in Review



At the heart of People's Choice is the drive to support our members to achieve their financial goals.

Thriving through change

A culture of innovation and adaptability emerged during 2019/20 at People's Choice as major projects advanced while rapid responses were made to support members and staff through the COVID-19 pandemic.

At the heart of People's Choice is the drive to support our members to achieve their financial goals. We helped more than 7,900 members to buy their home in 2019/20, while more than 9,700 members turned to us to finance a car, renovation or holiday, and more than 900 members were supported with new advice from our financial planning services.

Understanding our members' changing needs is essential to ensure we are investing wisely to deliver the best possible experience for our members – now and into the future. During the year, our member feedback and research activities generated almost 4,000 responses through our 1,900-strong online community, the Green Room, and through 300 face-to-face or videoconference interviews. This has provided valuable insights into how we design our lending and savings products and our digital banking platforms.

We are making excellent progress in transforming our technology and operating model to support consumers' expectations of being able to do all their banking digitally if they wish. This multi-year program will see us launch a new website and digital banking platforms, supported by industry-leading tools for customer relationship management, loan origination and more that will provide members and staff with a first-class banking experience.

The advent of Open Banking has the potential to attract more new members to People's Choice in the future, as consumers will have the option to share their banking data to find the most suitable banking products and switch more easily.

Year in Review (continued)

People's Choice delivered the first phase of Open Banking three months ahead of government-mandated requirements as part of our broader transformation program.

The rollout of 920 new laptops and digital devices, as well as collaboration tools such as Microsoft Teams, has mobilised staff to work from anywhere, providing the flexibility expected from today's contemporary workforce. This was a crucial enabler for People's Choice's swift and smooth transition to working from home arrangements to protect staff from COVID-19 while maintaining essential banking services for our members. Within a very short time, over 80% of our head office, mobile and National Contact Centre staff were able to work from their homes, supported by a range of wellbeing initiatives.

Our focus on staff wellbeing – both for those working remotely and those continuing to provide outstanding service to members in branches, on the move and in head office – ensured we maintained high levels of employee engagement throughout the year while continuing to care for our people. The vast majority of staff reported high levels of satisfaction with their working arrangements, communication and connection with their leader across two Staff Wellness Surveys – a credit to the strength of our culture and strong leadership.

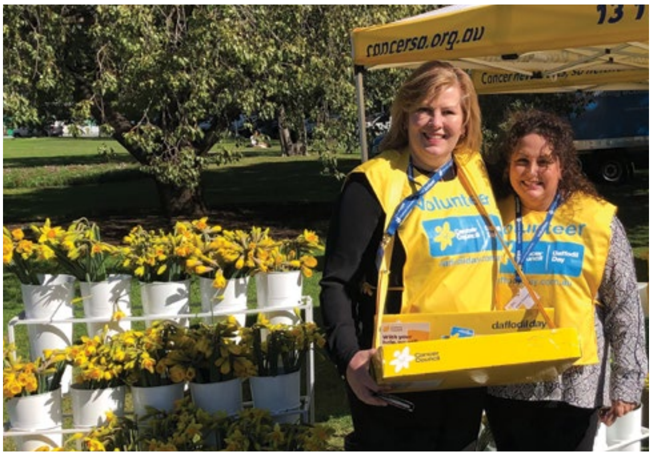
We continued to increase the capabilities of our people through a range of training and leadership programs, and through the development of a new competency framework and a company-wide change enabler network to ensure staff are equipped with the skills and knowledge to make the most of new tools and ways of working.

Environmental and operational efficiencies at our Adelaide head office contributed to the 50 Flinders Street building being the only one in Australia to maintain its 6-Star NABERS Energy and 6-Star NABERS Indoor Environment ratings without the purchase of green power.

A further innovation was seen in our treasury management, with $650 million in wholesale funding settled through our Light Trust 2019-1 transaction. People's Choice became a market leader and one of the first mutual financial institutions to complete a non-pool lender's mortgage insurance deal that delivered significant savings for the benefit of all members.

Standing by our communities

People's Choice maintained its generous levels of community support through the year, with our contribution far exceeding national averages. We contributed 5.4% of pre-tax profit to corporate community investment in 2019/20 – seven times the 0.79% average contribution made by major Australian and New Zealand companies (source: LBG Australia).



Lynne Jones, Senior Compliance Analyst, and Leanne Brown, Senior Financial Crimes Officer, volunteering at Cancer Council SA's Daffodil Day.

Our longstanding People's Choice Community Lottery continues to be a vital fundraising source for important causes around Australia. The 2019 Community Lottery raised $1,363,718 for 938 not-for-profit organisations such as sporting clubs, schools, charities and volunteer groups, including a record $62,500 raised for charity partner Cancer Council SA.

In response to Australia's devastating bushfires, we generated more than $150,000 to support bushfire recovery, including a $100,000 donation that lifted the Adelaide Strikers Bushfire Appeal to $123,102, and $33,090 raised by staff.

Our staff raised a further $24,816 for 36 charities through our Workplace Giving Program, Positive Impact Days and other fundraising, and our volunteering and blood donation programs allowed our staff to contribute time and effort to strengthening communities.

People's Choice also maintained a significant program of partnerships and donations, both large and small. Our sponsorships of the Adelaide Strikers Big Bash League cricket team and the Western Bulldogs AFL team contribute enormously to the community life of Adelaide and western Melbourne while helping build our profile, and in turn our membership, nationally. At a local level, we partnered with almost 50 local community organisations and events across our areas of operation, with a highlight being our new partnership with the Norwood SANFL club.

Including funds raised through the Community Lottery and other programs, People's Choice generated $3.1 million for the community during the year.

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 2020 and the Auditor's Report thereon.

DIRECTORS

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

Michael Andrew Cameron
Non-Executive Chairman (Appointed 14 November 2019)
BBus, FCA, FCPA, FAICD

Steven Peter William Laidlaw
Managing Director
BEc, BCom, FCA, FAICD

Amanda Elizabeth Heyworth
Non-Executive Director
BA Accounting, Dip. Finance and Investment, MBA, FAICD

John Patrick Patton
Non-Executive Director
FCA, MAICD

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

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

Wendy Thorpe
Non-Executive Director (Appointed 14 November 2019)
BA, BBus, GradDip, AppFin & Inv, AMP (Harvard), GAICD, FFin

John Leonard Cossons
Non-Executive Chair (Retired 14 November 2019)
FAMI, MAICD

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 and financial planning 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 before tax for the year ended 30 June 2020 of $31.206 million (2019: $33.126 million). The result for the year was impacted by the operational expenditure relating to the Group's technology transformation initiatives and the impact of the COVID-19 pandemic. This included an increase to the provision for loans and advances of $5.130 million as a result of the rising economic uncertainty due to the COVID-19 pandemic, staff support costs and increased costs due to regulatory requirements.

The table below details the impact on profit before tax for the year ended 30 June 2020, resulting in a comparative profit before tax of $53.987 million, an increase of 12.2% from 2019. This increase in comparative profit is primarily attributable to an improvement in both interest margin and operating costs.

	2020	2019	Movement	
	$000	$000	$000	%
Statutory profit before tax	**31,206**	**33,126**	**(1,920)**	**(5.8%)**
Technology transformation initiative	15,600	6,500		
COVID-19 pandemic impact	7,181	-		
Impairment of goodwill	-	8,477		
Comparative profit before tax	**53,987**	**48,103**	**5,884**	**12.2%**

The total assets for the Group at 30 June 2020 were $9.447 billion (2019: $8.810 billion), representing an increase of $637 million (7.2%) from 30 June 2019. Lending settlements for the twelve months ended 30 June 2020 were $1.432 billion (2019: $1.452 billion), and member retail deposits grew by $398 million (2019: $441 million) representing a portfolio increase of 6.4%. The residential lending portfolio increased by 3.9% from 30 June 2019 and total member loans and advances increased by 2.8% to $7.886 billion. For further analysis of the financial year performance refer to the Chairman and Managing Director's report commencing on page 4.

In response to the COVID-19 pandemic, the Group has granted repayment deferrals for more than 3,500 loan facilities as part of the COVID-19 pandemic support packages. The Group has also drawn on $130 million of the Term Funding Facility Allowance established by the Reserve Bank of Australia. While the impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy, the Group is expecting to continue to maintain sufficient liquidity and capital throughout this period.

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 2020 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.

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 page 13 and forms part of the Directors' Report for the year ended 30 June 2020.

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, the Company has applied an alternative rounding factor and amounts in the Financial Report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in Adelaide this 2nd day of September, 2020
in accordance with a resolution of the Board of Directors of the Credit Union.

M. A. CAMERON **Chairman**	**S. P. W. LAIDLAW** **Managing Director**

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 2020 there have been:

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

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

KPMG

KPMG

Paul Cenko
Partner

Adelaide

2 September 2020

Corporate Governance Statement

HOW WE DO BUSINESS

Australian Central Credit Union Ltd trades as People's Choice Credit Union ("People's Choice"). The Board and Management of People's Choice are committed to acting lawfully, responsibly, ethically and with the highest standards of integrity.

People's Choice has adopted a principles-based approach to achieve sound corporate governance and business practices by adopting policies at Board level and cascading them throughout the organisation. People's Choice is also committed to adhering to the regulatory "fit and proper" framework and has regard to the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations".

ROLE OF THE BOARD

The Board comprises Non-Executive Directors and a Managing Director, each of whom has extensive experience and brings accountability and judgement to the Board's deliberations with a view to benefitting members, employees and the wider community.

The role and responsibilities of the Board are set out in the Board Charter, and include responsibilities such as: overseeing the operations of People's Choice as a whole; providing strategic direction; appointing and reviewing the performance of the Managing Director, reviewing and approving risk management and internal compliance and controls, monitoring the performance of executive management, approving and monitoring capital expenditure and capital management, assessing the organisation's financial position and performance, approving and monitoring financial and other reporting, ensuring continuous improvement in the organisation's performance, ensuring the structure of remuneration for People's Choice is linked to the achievement of People's Choice's objectives, deciding the nature of delegations to management, and approving any significant changes in the legal structure of the People's Choice group.

Importantly, the Board is also responsible for assessing People's Choice's compliance with its regulatory requirements, as well as with operating policies and practices, to ensure People's Choice meets its statutory, regulatory and fiduciary obligations.

STRUCTURE OF THE BOARD

The size and composition of the Board is regularly assessed and determined by the Board within the parameters set out in People's Choice's Constitution ("Constitution"), which requires a minimum of four member-elected Non-Executive Directors and provides for the appointment of Board and merger-Non-Executive Directors and a Managing Director. The Constitution requires that member-elected Directors must constitute a majority of non-executive Directors at all times.

All Directors are appointed in accordance with the Constitution and supporting policies, which are structured so as to facilitate the appointment of Directors who are of appropriate fitness and propriety for the purposes of applicable legislation and policies and who have the appropriate skills, knowledge and experience to be a Director.

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
M.A Cameron* (Chairman)	2019
J.L. Cossons^	1981
A.E Heyworth	2017
V.S. Hickey	2014
J.P. Patton#	2016
K.A. Skipper	2002
W. Thorpe*	2019

Directors – Executive	Year First Appointed
S.P.W. Laidlaw (Managing Director)	2017

^ Director Cossons retired as a Director at the AGM held on 14 November 2019

* Directors Cameron and Thorpe were appointed to the Board on 14 November 2019 as Board appointed Directors with Director Cameron assuming the role of Chairman of the Board following the conclusion of the AGM.

Director Patton ceased to be a Board appointed Director and was appointed to the Board as a member elected Director on 14 November 2019.

Further information 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 standing Audit, Corporate Governance, Risk and Remuneration Committees. Each of these committees has been delegated particular functions and responsibilities and each committee's authority and responsibilities are set out in their individual terms of reference, as approved by the Board.

These 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 Board meetings and the minutes of all committee meetings are reviewed by the Board. The Board also has access to all information prepared for the consideration of committees.

In addition to these committees, the Constitution provides for the establishment of a Nominations Committee in connection with Director elections.

Set out below is a summary of each committee and its functions.

Audit Committee – the Audit Committee assists the Board in fulfilling its responsibilities by providing an objective review of the effectiveness of People's Choice's financial reporting and risk management framework. Activities undertaken by the Committee include overseeing People's Choice's internal and external audit functions and processes, reviewing financial information presented by management and reviewing the appropriateness of and compliance with policies and procedures to ensure compliance with People's Choice's regulatory requirements.

Corporate Governance Committee – the Corporate Governance Committee is responsible for overseeing and making recommendations to the Board on governance related matters, including in relation to the appointment of the Managing Director or Chief Executive Officer, the appointment and election of Non-Executive Directors, Board performance reviews, the "fit and proper" framework, the size and composition of the Board and Executive, Director succession plans, the conduct of the Director elections and the conduct of the Annual General Meeting.

Risk Committee – the Risk Committee is responsible for providing objective oversight of the implementation and operation of the People's Choice risk management framework including overseeing the formulation and implementation of an appropriate organisational wide risk management strategy, ensuring that appropriate systems are in place to monitor emerging risks, ensuring that a sound risk management culture is maintained, making recommendations to the Board on the setting of People's Choice's risk appetite, and ensuring that appropriate systems and resources are in place to identify and manage material risks and to monitor and review the performance of all aspects of capital management.

Remuneration Committee – the Remuneration Committee is responsible for overseeing and making recommendations to the Board in relation to the remuneration arrangements of People's Choice including the Board Remuneration Policy, the remuneration of the Managing Director, Chief Officers and other persons whose activities may affect the financial soundness of People's Choice and the performance of the Managing Director.

Nominations Committee – a Nominations Committee is established in association with Director elections and 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. 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, or who meet other criteria determined by the Board. The committee operates under the guidance of the Corporate Governance Committee.

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 of our website.

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 is in place to assist People's Choice to maintain a workplace which values and respects each individual. This policy has been developed in a way that recognises the diversity of People's Choice's workforce and sets measurable targets that support the achievement of diversity in the workplace. People's Choice's performance against these targets is reported to, and monitored by, the Board on an annual basis. In addition, a Workplace Gender Equality Report is prepared annually which is available on People's Choice's website.

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 of these policies and procedures are set out in the Board Charter, which can be found on the Corporate Governance Section of our website.

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		Remuneration	
		A(1)	B	A	B	A	B	A	B	A	B
J.L. Cossons (Chair)(3)	M	4	4			2	2				
M.A Cameron (Chairman)(4)	D	5	5			3	3			5	5
S.P.W. Laidlaw (Managing Director)	E	9	9								
A.E. Heyworth	M	9	9	4	4			5	5		
V.S. Hickey	M	9	9			5	5	2	1(2)	5	5
J.P. Patton	M	9	9	4	4			5	5		
K.A. Skipper	M	9	8(2)	4	3(2)	5	5				
W. Thorpe(4)	D	5	5					3	3	5	5

(1) *Seven scheduled Board meetings and two ad hoc meetings were held during the year.*
(2) *Meeting not attended during pre-approved leave of absence.*
(3) *Director Cossons retired as a Director at the AGM held on 14 November 2019.*
(4) *Director Cameron was appointed as the Chairman of the Board and Director Thorpe was appointed to the Board effective from the conclusion of the AGM held on 14 November 2019.*

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

To the members of Australian Central Credit Union Ltd

Opinion

We have audited the 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 the Company Financial Report are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's and Company's financial position as at 30 June 2020 and of their financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

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

- Statements of financial position as at 30 June 2020;
- Statements of profit or loss, Statements of 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 Company and the entities it controlled at the year-end or from time to time during the financial year

Basis for opinion

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

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

We are independent of the Group and the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial 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 opinion on the Financial Reports does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial 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.

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
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Reports

Our objective is:

- to obtain reasonable assurance about whether 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 opinion.

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 audit 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

2 September 2020

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 20 to 70 are in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Credit Union's and the Group's financial position as at 30 June 2020 and of their performance, for the financial year ended on that date;

   ii. complying with Australian Accounting Standards 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 2nd day of September, 2020
in accordance with a resolution of the Board of Directors of the Credit Union.

M. A. CAMERON	**S. P. W. LAIDLAW**
Chairman	**Managing Director**

Statements of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated		Credit Union	
		2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Interest income	4	**313,396**	345,672	**355,108**	378,462
Interest expense	4	**(128,505)**	(167,406)	**(180,185)**	(207,942)
Net interest income		**184,891**	178,266	**174,923**	170,520
Share in net profit of equity accounted investees	13	**1,281**	453	**-**	-
Other income	4	**59,808**	59,505	**66,183**	63,944
Non-interest income		**61,089**	59,958	**66,183**	63,944
Impairment losses on loans and advances	9	**(7,573)**	(1,763)	**(7,458)**	(1,756)
Other expenses	5	**(207,201)**	(203,335)	**(203,598)**	(192,053)
Profit before tax		**31,206**	33,126	**30,050**	40,655
Income tax expense	6	**(8,995)**	(12,042)	**(8,648)**	(11,800)
Profit after tax for the year		**22,211**	21,084	**21,402**	28,855
Profit attributable to:					
Members of the parent		**22,211**	21,084	**21,402**	28,855
Other comprehensive income (reclassifies to profit or loss)					
Cash flow hedges:					
Net change in fair value of cash flow hedges transferred to profit or loss		**1,399**	(60)	**1,399**	(60)
Effective portion of changes in fair value of cash flow hedges		**466**	(4,993)	**466**	(4,993)
Changes in fair value of financial assets held at FVOCI		**1,091**	907	**1,091**	907
Income tax on items of other comprehensive income		**(887)**	1,244	**(887)**	1,244
Other comprehensive income for the year, net of income tax		**2,069**	(2,902)	**2,069**	(2,902)
Total comprehensive income for the year		**24,280**	18,182	**23,471**	25,953

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

Statements of Financial Position

AS AT 30 JUNE 2020

	Note	Consolidated		Credit Union	
		2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Assets					
Cash and cash equivalents	7	**197,023**	135,312	**118,031**	92,784
Loans and advances	8	**7,886,087**	7,669,235	**7,886,087**	7,669,235
Investment securities	10 a	**1,137,226**	906,269	**1,137,226**	905,369
Other investments	10 b	**36,339**	17,106	**2,119,462**	876,232
Property, plant and equipment	11	**103,968**	28,910	**103,968**	28,910
Intangible assets	12	**6,082**	5,018	**6,082**	5,018
Interest in equity accounted investees	13	**11,222**	9,942	**4,240**	4,240
Current tax receivable	6	**-**	5	**-**	5
Deferred tax assets	6	**24,889**	16,025	**24,585**	15,979
Derivative assets	29 g	**13,364**	3,747	**19,208**	5,863
Other assets	14	**31,287**	18,619	**40,630**	25,164
Total Assets		**9,447,487**	8,810,188	**11,459,519**	9,628,799
Liabilities					
Deposits	15	**6,743,585**	6,421,521	**6,743,587**	6,421,664
Derivative liabilities	29 g	**17,849**	9,393	**3,438**	5,303
Other payables	16	**56,596**	87,136	**82,884**	101,082
Lease liabilities	11b	**61,481**	-	**61,481**	-
Borrowings	17	**1,896,068**	1,647,628	**3,904,609**	2,463,436
Current tax payable	6	**1,706**	-	**1,706**	-
Deferred tax liabilities	6	**11,854**	7,157	**9,759**	5,446
Provisions	18	**20,166**	18,524	**20,017**	18,374
Total Liabilities		**8,809,305**	8,191,359	**10,827,481**	9,015,305
Net Assets		**638,182**	618,829	**632,038**	613,494
Equity					
Reserves	19	**192,151**	185,999	**192,145**	185,993
Retained earnings		**446,031**	432,830	**439,893**	427,501
Total Equity		**638,182**	618,829	**632,038**	613,494

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 2020

Consolidated Entity	Note	Reserves $'000	Retained Earnings $'000	Total $'000
Opening balance at 1 July 2019		**185,999**	**432,830**	**618,829**
Profit for the year after tax		**-**	**22,211**	**22,211**
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	19	**326**	**-**	**326**
Taken to profit or loss	19	**979**	**-**	**979**
Change in fair value of financial assets held at FVOCI	19	**764**	**-**	**764**
Total comprehensive income for the period		**2,069**	**-**	**2,069**
Transactions recorded directly in equity				
Opening adjustment on initial application of AASB 16	2.1e	**-**	**(4,927)**	**(4,927)**
Redeemed member shares	19	**29**	**(29)**	**-**
General reserve for credit losses	19	**4,054**	**(4,054)**	**-**
Total recorded directly in equity		**4,083**	**(9,010)**	**(4,927)**
Closing balance at 30 June 2020		**192,151**	**446,031**	**638,182**
Opening balance at 1 July 2018		192,703	410,339	603,042
Profit for the year after tax		-	21,084	21,084
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	19	(3,495)	-	(3,495)
Taken to profit or loss	19	(42)	-	(42)
Change in fair value of financial assets held at FVOCI	19	635	-	635
Total comprehensive income for the period		(2,902)	-	(2,902)
Transactions recorded directly in equity				
Opening adjustment on initial application of AASB 9	19	(3,897)	1,502	(2,395)
Redeemed member shares	19	25	(25)	-
General reserve for credit losses	19	70	(70)	-
Total recorded directly in equity		(3,802)	1,407	(2,395)
Closing balance at 30 June 2019		185,999	432,830	618,829

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 2020

Credit Union	Note	Reserves $'000	Retained Earnings $'000	Total $'000
Opening balance at 1 July 2019		**185,993**	**427,501**	**613,494**
Profit for the year after tax		**-**	**21,402**	**21,402**
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	19	**326**	**-**	**326**
Taken to profit or loss	19	**979**	**-**	**979**
Change in fair value of financial assets held at FVOCI	19	**764**	**-**	**764**
Total comprehensive income for the period		**2,069**	**-**	**2,069**
Transactions recorded directly in equity				
Opening adjustment on initial application of AASB 16	2.1e	**-**	**(4,927)**	**(4,927)**
Redeemed member shares	19	**29**	**(29)**	**-**
General reserve for credit losses	19	**4,054**	**(4,054)**	**-**
Total recorded directly in equity		**4,083**	**(9,010)**	**(4,927)**
Closing balance at 30 June 2020		**192,145**	**439,893**	**632,038**
Opening balance at 1 July 2018		192,697	397,239	589,936
Profit for the year after tax		-	28,855	28,855
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	19	(3,495)	-	(3,495)
Taken to profit or loss	19	(42)	-	(42)
Change in fair value of financial assets held at FVOCI	19	635	-	635
Total comprehensive income for the period		(2,902)	-	(2,902)
Transactions recorded directly in equity				
Opening adjustment on initial application of AASB 9	19	(3,897)	1,502	(2,395)
Redeemed member shares	19	25	(25)	-
General reserve for credit losses	19	70	(70)	-
Total recorded directly in equity		(3,802)	1,407	(2,395)
Closing balance at 30 June 2019		185,993	427,501	613,494

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 2020

	Note	Consolidated		Credit Union	
		2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Cash from operating activities					
Interest received		**314,028**	345,798	**355,740**	378,587
Interest paid		**(134,784)**	(166,335)	**(202,444)**	(213,171)
Payment of interest on lease liabilities		**(1,839)**	-	**(1,839)**	-
Fees and commission received		**50,413**	44,753	**45,894**	42,353
Other income received		**6,128**	10,546	**16,158**	16,878
Increase in loans and advances		**(224,425)**	(399,110)	**(224,310)**	(399,103)
Net increase in deposits and withdrawable shares		**322,064**	307,731	**321,923**	307,711
Payments to employees and suppliers		**(218,106)**	(165,171)	**(201,944)**	(154,599)
Income taxes paid		**(9,196)**	(10,618)	**(9,196)**	(10,618)
Net cash from operating activities	20	**104,283**	(32,406)	**99,982**	(31,962)
Cash from investing activities					
Net decrease/(increase) in investment securities held at FVOCI		**(230,192)**	(96,599)	**(231,092)**	(97,535)
Acquisition/disposal of non-tradeable investments		**(19,231)**	(2,095)	**(1,243,228)**	(97,850)
Acquisition of property plant and equipment		**(30,445)**	(10,369)	**(30,445)**	(10,369)
Proceeds from sale of property, plant and equipment		**11**	25	**11**	25
Dividends and distributions received		**1,641**	622	**1,641**	622
Net cash from investing activities		**(278,216)**	(108,416)	**(1,503,113)**	(205,107)
Cash from financing activities					
Payment of principal portion of lease liabilities		**(12,795)**	-	**(12,795)**	-
Proceeds from borrowings		**130,004**	-	**1,442,390**	245,091
Proceeds from residential mortgage backed securities issue		**915,165**	433,213	**-**	-
Repayment of borrowings		**(1,217)**	(1,474)	**(1,217)**	(1,474)
Payments to Noteholders		**(795,513)**	(356,878)	**-**	-
Net cash from financing activities		**235,644**	74,861	**1,428,378**	243,617
Net increase/(decrease) in cash and cash equivalents		**61,711**	(65,961)	**25,247**	6,548
Cash and cash equivalents at 1 July		**135,312**	201,273	**92,784**	86,236
Cash and cash equivalents at 30 June	7	**197,023**	135,312	**118,031**	92,784

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

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 2020 was authorised for issue in accordance with a resolution by the Directors on 2 September 2020.

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 and financial planning 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").

In accordance with ASIC Class Order 10/654 dated 20 December 2016 the Group presents parent entity financial statements together with consolidated financial statements.

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 investment securities 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (continued)

d) 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 2.4 and 9 Impairment of loans and advances
- Note 11 Measurement of the lease term and determination of the incremental borrowing rate
- 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.

e) Changes in accounting policies

AASB 16 Leases
AASB 16 *Leases* (AASB 16) introduces a single lessee accounting model that requires a lessee to recognise assets (right of use underlying asset) and liabilities (obligation to make lease payments).

The Group adopted AASB 16 using the modified retrospective approach with a date of transition of 1 July 2019. On transition, an adjustment has been recognised in retained earnings. As permitted by AASB 16, the Group has not restated its comparative financial statements.

<u>Definition of a lease</u>
Previously, at the inception of a contract, the Group would determine whether an arrangement is, or contains, a lease under AASB 117 *Leases*. Under AASB 16, the Group now assesses whether a contract is, or contains, a lease under AASB 16 based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 were not reassessed under AASB 16.

<u>Treatment of leased assets</u>
The Group leases office and branch premises, ATMs, motor vehicles and IT equipment. These leases were previously classified as operating leases under AASB 117 based on an assessment of whether the lease transferred substantially all the risks and rewards of ownership of the underlying asset to the Group. They were not required to be recognised on the Statements of Financial Position. Under AASB 16, the Group has recognised right of use lease assets and lease liabilities.

For all operating leases that existed as at the transition date, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at the date of initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (continued)

e) Changes in accounting policies (continued)

The Group applied a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. The Group:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied the available relief on its assessment of whether leases are onerous under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review;
- Excluded initial direct costs from measuring the right of use lease asset at the date of initial application; and
- Used hindsight when determining the lease term.

On transition to AASB 16, the Group recognised right of use lease assets, lease liabilities and resulting opening adjustment to retained earnings. The impact is summarised below:

	1 July 2019
	$'000
Right of use lease assets presented in property and equipment	67,237
Deferred tax asset	2,111
Lease liabilities	74,275
Retained earnings	(4,927)

Reconciliation of operating lease commitment disclosure to statement of financial position at 1 July 2019

The following table reconciles the operating lease commitment disclosure reported at 30 June 2019 to the lease liabilities recognised at 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities at the date of initial adoption is 2.70%.

	$'000
Operating lease commitments as at 30 June 2019 as disclosed under AASB 117	**83,253**
Discounted using the incremental borrowing rate at 1 July 2019	(8,978)
Lease liabilities recognised at 1 July 2019	**74,275**

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (continued)

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.

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 Group considers all contractual terms of the loan or advance excluding any expected credit losses (ECLs). Included in this calculation are all fees paid or received that are integral to the contract. The ECL on loans and advances is calculated in accordance with Note 2.4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Financial assets and liabilities (continued)

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.

(i) Investment securities

Non-derivative investment securities held by the Group are initially recognised at fair value through other comprehensive income. Any resultant gain or loss on debt securities 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 fair value through other comprehensive income 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 are carried at cost, which is the best estimate of the fair value. 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.

Non-derivative 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.

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 or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Financial assets and liabilities (continued)

e) Financial instruments - derivative financial instruments

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)).

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 9.

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Financial assets and liabilities (continued)

e) Financial instruments - derivative financial instruments (continued)

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.

f) Other receivables

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

g) Other payables

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

2.4 Impairment of financial assets

Financial assets, including loans and advances, migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12 month ECL

The Group collectively assesses ECLs on exposures that have not significantly increased in credit risk since initial recognition and that were not credit impaired upon origination. For these exposures, the Group recognises a collective provision equal to the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months.

Stage 2: Lifetime ECL – asset is not impaired

The Group collectively assesses ECLs on exposures that have significantly increased in credit risk since initial recognition but are not credit impaired. Credit risk is considered to have significantly increased when the exposure is equal to or greater than 30 days past due or when other quantitative criteria are met. For these exposures, the Group recognises a collective provision equal to the lifetime ECL.

Stage 3: Lifetime ECL – asset is impaired

The Group assesses ECLs both collectively and individually on those exposures that are assessed as credit impaired. Exposures are credit impaired when they are equal to or greater than 90 days past due or where one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred, including loan modifications. For exposures that have become credit impaired, a lifetime ECL is recognised as a collective or specific provision.

The measurement of the ECLs reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Other supporting information available to the Group at the reporting date, such as past events, current conditions and forecasts of future economic conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Impairment of financial assets (continued)

The Group uses three alternative macro-economic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating the ECL; a Base scenario, an Upside scenario and a Downside scenario.

The table below provides a summary of the macro-economic variables used in the Base, Upside and Downside scenarios.

	Upside Scenario %	Base Scenario %	Downside Scenario %
Forecast unemployment rate	6.5	8.5	11.5
Property price increase/(fall)	5.0	(10.0)	(25.0)

The table below provides approximate levels of the provision for impairment of loans and advances under the Base, Upside and Downside scenarios, assuming 100% weighting was applied to each scenario and all other assumptions remain constant.

	Total ECL $'000	Impact $'000
100% Upside scenario	9,876	(4,149)
100% Base scenario	12,921	(1,104)
100% Downside scenario	20,729	6,704

The impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy. The Group has incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic and the associated support packages in the measurement of ECL. Customer support repayment deferrals provided as part of the COVID-19 pandemic support packages do not in itself result in a significant increase in credit risk and therefore will not trigger and automatic migration from Stage 1 (12 month ECL) to Stage 2 (lifetime ECL). It is recognised that uncertainty still exists in relation to the duration of the COVID-19 pandemic-related restrictions, the anticipated impact of government stimulus and regulatory actions.

The provision for impairment of loans and advances is categorised as follows:

(i) Specific Provision

Loans and advances that meet significant delinquency and loan size criteria are individually assessed for impairment to estimate the expected credit 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Impairment of financial assets (continued)

(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 written off and derecognised when the asset is impaired and there is no reasonable expectation that the outstanding principal and interest will be recovered.

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.

The Group considers that its cash and cash equivalents and investment securities have a low credit risk based on the external credit ratings of the counterparties, and as such no provision for impairment is recognised for these financial assets.

2.5 Non-financial assets and liabilities

The accounting policies listed below are effective for the current and previous financial years unless otherwise stated. Where there has been a change in an accounting policy between the current financial year and the previous financial year, details of the previous policy will be disclosed.

a) Acquisition of assets

All assets acquired, including property, plant and equipment and intangibles (other than goodwill), are initially recorded at cost 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 are 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 – 12 years

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Non-financial assets and liabilities (continued)

Leased assets

Policy applicable from 1 July 2019

The Group leases branch and office premises, ATMs, motor vehicles and IT equipment under non-cancellable leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Group assesses whether a contract is, or contains, a lease at contract inception. A lease is present if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Some branch leases contain extension options exercisable by the Group before the end of the non-cancellable period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options are exercisable only by the Group and not by the lessors. The Group assesses at the lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in the circumstances within its control.

The Group recognises a right of use lease asset and a lease liability at the lease commencement date. The right of use lease asset is initially measured at cost, and represents the initial lease liability plus any initial direct costs incurred, less any lease incentives received and an estimate of costs to dismantle and remove any improvements made to branches or office premises. Right of use lease assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Right of use lease assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life as follows:

Branch and office premises	3 – 12 years
ATMs	3 years
Motor vehicles	3 years
IT equipment	3 – 4 years

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the Group's incremental borrowing rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and make certain adjustments, where necessary, to reflect the terms of the lease and type of asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimated amount expected to be paid at the end of the lease or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right of use lease asset or is recorded in profit or loss if the asset has been reduced to nil.

Policy applicable prior to 1 July 2019

The accounting policy for leases for the 2019 comparatives figures differs in that, in accordance with AASB 117 *Leases*, leases of plant and equipment to which the Group assumed substantially all the risks and benefits of ownership were classified as finance leases. Other leases were classified as operating leases and not recognised in the Group's Statements of Financial Position. The Group did not hold any finance leases for the comparative period.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Non-financial assets and liabilities (continued)

b) Intangible assets (continued)

(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.

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

(ii) 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.

(iii) Amortisation

Intangible assets, other than goodwill, 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:

Software	2 – 7 years

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

(iv) 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.

An impairment loss in respect of goodwill is not reversed.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Derecognition of financial assets and liabilities (continued)

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

Interest revenue

Interest income from loans and advances is recognised as it accrues using the effective interest rate method. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts through the expected life of the loan or advance or, when appropriate, a shorter period, to the gross carrying amount of the loan or advance.

For loans and advances with fixed interest rates, where cash flows are revised for reasons other than credit risk, changes to the future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is recorded as positive or negative adjustment to the carrying amount of the loan or advance on the Statements of Financial Position with a corresponding increase or decrease in the interest revenue calculated using the effective interest method. Included in this calculation are all fees paid or received that are integral to the contract.

For loans and advances with floating rates, periodic re-estimation of cash flows reflect the movements in the market rates of interest which alters the EIR. However, as the loans and advances with floating rates are initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the loan or advance. Fees paid or received that are integral to the contract are included in the re-estimation of the cash flows.

Loan, access and other fee income

Loan fee income is an integral part of the EIR of the loan and as such is recognised over the expected life of the loan.

Performance obligations related to access fee income are completed at a point in time when a transaction takes place. Access fee income is recognised when the performance obligation has been completed.

Performance obligations related to other fee income, predominately service related, are completed over time. Other fee income is recognised over the period that the service is provided.

Insurance fees and commissions

Insurance fees and commissions are earned by the Group for acting in the capacity as an agent and referring insurance policies on to the relevant providers. The Group's contracted performance obligations include initial referrals, policy renewals and ongoing processing and promotion obligations.

The total consideration to be received under the contract is calculated and allocated to separate performance obligations. Revenue is recognised over time as each performance obligation is completed.

Variable commissions are recognised only at the point that the income is highly probable and not expected to be reversed in future periods. Underlying judgements, estimates and assumptions required in calculated variable commission are reviewed on an ongoing basis. For variable consideration received in advance of the performance obligations being completed or highly probable criterion being met, a contract liability is recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Revenue recognition (continued)

Financial planning fees and commissions

Financial planning fees and commission are earned for providing advice to members and arranging financial products on behalf of members. Performance obligations related to fees and commissions are satisfied at a point in time or over time and revenue is recognised accordingly.

Variable commissions are recognised only at the point that the income is highly probable and not expected to be reversed in future periods. Underlying judgements, estimates and assumptions required in calculated variable commission are reviewed on an ongoing basis. For variable consideration received in advance of the performance obligations being completed or highly probable criterion being met, a contract liability is recognised.

Mutual Aid income

Mutual Aid is an optional financial risk product, historically offered in connection with personal loans. People's Choice may grant relief of repayments on personal loans in accordance with the terms and conditions of the product. Mutual Aid income is received in full at the commencement of the loan.

The expected value of Mutual Aid revenue, taking into account the probability of refunds, is recognised over the average life of the associated loans. A contract liability is recognised to the extent that Group has not completed their performance obligations.

Dividends

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

2.8 Income tax

Income tax expense comprises current and deferred tax. Current and deferred taxes 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 they are expected to be settled or realised at the same time.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Income tax (continued)

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.

2.10 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.

2.12 Repurchase agreement

In response to the COVID-19 pandemic, the RBA has provided a term funding facility to the Credit Union, for a term of three years at fixed interest rate. Securities sold under this agreement to repurchase are retained on the Statement of Financial Position when the majority of the risk and rewards of ownership remain with the Group. The counterparty liability is included within Borrowings on the Statement of Financial Position when cash consideration is received.

3. NEW STANDARDS NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2020, earlier application is permitted; however, the Group has not early adopted them in preparing this financial report. These relate to standards that have limited/no application to the Group.

	Consolidated		Credit Union	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
4. REVENUE				
Interest income under the effective interest method				
Cash and cash equivalents	**1,084**	2,064	**386**	753
Loans and advances	**299,042**	324,178	**299,042**	324,178
Investment securities	**13,270**	19,430	**13,270**	19,411
Interest rate derivatives	**-**	-	**20,952**	7,072
Other investments	**-**	-	**21,458**	27,048
Total interest income under the effective interest method	**313,396**	345,672	**355,108**	378,462
Interest expense				
Deposits	**81,762**	114,955	**81,762**	114,955
Borrowings	**40,217**	51,932	**96,584**	92,987
Interest rate derivatives	**4,687**	519	**-**	-
Lease liabilities	**1,839**	-	**1,839**	-
Total interest expense	**128,505**	167,406	**180,185**	207,942
Net interest income	**184,891**	178,266	**174,923**	170,520
Other income				
Loan, access and other fee income	**25,196**	25,301	**33,223**	31,632
Insurance fees and commissions	**18,082**	16,096	**18,082**	16,096
Financial planning fees and commissions	**11,432**	12,021	**9,780**	10,129
Dividends received	**1,641**	622	**1,641**	622
Mutual Aid income	**3,356**	5,325	**3,356**	5,325
Net gain on sale of property, plant and equipment	**11**	25	**11**	25
Other income	**90**	115	**90**	115
Total other income	**59,808**	59,505	**66,183**	63,944
5. OTHER EXPENSES				
Salary and wages	**89,265**	86,398	**88,632**	85,714
Superannuation	**7,251**	7,416	**7,189**	7,351
Administrative expenses	**28,274**	25,860	**25,407**	23,719
Depreciation and impairment of property, plant and equipment	**18,907**	6,808	**18,907**	6,808
Amortisation on intangible computer software	**2,694**	2,844	**2,694**	2,844
Marketing costs	**8,165**	7,684	**8,257**	7,763
Occupancy expenses	**4,695**	17,161	**4,563**	17,026
Distribution channel costs	**23,901**	23,192	**23,901**	23,192
Information technology costs	**24,049**	17,495	**24,048**	17,494
Impairment of goodwill	**-**	8,477	**-**	142
Total other expenses	**207,201**	203,335	**203,598**	192,053

	Consolidated		Credit Union	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
6. INCOME TAX				
Profit before tax	**31,206**	33,126	**30,050**	40,655
Tax at the tax rate of 30% (2019: 30%)	**9,362**	9,938	**9,015**	12,196
Adjust for tax effect of:				
Fully franked dividends received	**(492)**	(186)	**(492)**	(186)
Non deductible impairment expense	**-**	2,543	**-**	43
Sundry items	**125**	(34)	**125**	(34)
Research and development tax incentive	**-**	(219)	**-**	(219)
Income tax expense	**8,995**	12,042	**8,648**	11,800
The components of tax expense comprise:				
Current tax	**11,938**	10,782	**11,717**	10,678
Deferred tax	**(2,943)**	1,260	**(3,069)**	1,122
	8,995	12,042	**8,648**	11,800
Income tax recognised in other comprehensive income				
Net gain/(loss) on cash flow hedges	**560**	(1,516)	**560**	(1,516)
Net gain/(loss) on investment securities held at FVOCI	**327**	272	**327**	272
	887	(1,244)	**887**	(1,244)
Current tax receivable/(payable)	**(1,706)**	5	**(1,706)**	5
Deferred tax assets comprise:				
Amounts recognised in profit or loss				
Loans and advances impairment	**3,181**	1,510	**3,181**	1,510
Accrued superannuation	**260**	229	**258**	227
Unearned fee income	**1,594**	2,266	**1,594**	2,266
Depreciation	**1,374**	1,550	**1,374**	1,549
Provisions	**8,134**	5,823	**7,832**	5,779
Derivative liabilities at fair value through profit or loss	**5,762**	1,759	**5,762**	1,759
Intangible assets	**416**	271	**416**	271
	20,721	13,408	**20,417**	13,362
Amounts recognised directly in Equity				
Cash flow hedges	**1,030**	1,590	**1,030**	1,590
Opening balance adjustment on adoption of AASB 9	**1,027**	1,027	**1,027**	1,027
Opening balance adjustment on adoption of AASB 16	**2,111**	-	**2,111**	-
Total deferred tax assets	**24,889**	16,025	**24,585**	15,979
Deferred tax liabilities comprise:				
Amounts recognised in profit or loss				
Intangibles	**-**	17	**-**	17
Equity accounted associates	**2,095**	1,711	**-**	-
Derivative assets at fair value through profit or loss	**5,762**	1,759	**5,762**	1,759
	7,857	3,487	**5,762**	1,776
Amounts recognised directly in Equity				
Fair value reserve - investment securities held at FVOCI	**3,997**	3,670	**3,997**	3,670
Total deferred tax liabilities	**11,854**	7,157	**9,759**	5,446
Franking Account balance (tax provision basis)	**186,771**	174,802		

	Consolidated		Credit Union	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
7. CASH AND CASH EQUIVALENTS				
Cash on hand and at bank	**13,547**	11,145	**13,547**	11,145
Deposits at call	**183,476**	124,167	**104,484**	81,639
	197,023	135,312	**118,031**	92,784
8. LOANS AND ADVANCES				
Revolving credit facilities	**201,873**	255,977	**201,873**	255,977
Term loans	**7,694,594**	7,419,481	**7,694,594**	7,419,481
Gross loans and advances	**7,896,467**	7,675,458	**7,896,467**	7,675,458
Provision for impairment (Note 9)	**(14,025)**	(8,456)	**(14,025)**	(8,456)
Loan origination and processing costs	**6,107**	4,972	**6,107**	4,972
Unearned income	**(2,462)**	(2,739)	**(2,462)**	(2,739)
Net loans and advances	**7,886,087**	7,669,235	**7,886,087**	7,669,235

The loan portfolio of the Group does not include any loans or groups of related loans which represent 10% or more of capital (2019: $Nil).

	Consolidated		Credit Union	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
9. IMPAIRMENT OF LOANS AND ADVANCES				
Specific provision:				
Balance at beginning of year	**1,200**	1,987	**1,200**	1,987
Opening adjustment on initial application of AASB 9	**-**	(709)	**-**	(709)
Increase/(decrease) in provision	**752**	(78)	**752**	(78)
Balance at end of year	**1,952**	1,200	**1,952**	1,200
Collective provision:				
Balance at beginning of year	**7,256**	3,123	**7,256**	3,123
Opening adjustment on initial application of AASB 9	**-**	4,131	**-**	4,131
Increase/(decrease) in provision	**4,817**	2	**4,817**	2
Balance at end of year	**12,073**	7,256	**12,073**	7,256
Total provision for impairment	**14,025**	8,456	**14,025**	8,456
Charge to profit or loss comprises:				
Provision for loan impairment	**5,569**	(76)	**5,569**	(76)
Loans written off during the year as uncollectible	**4,020**	3,361	**3,905**	3,354
Bad debts recovered	**(2,016)**	(1,522)	**(2,016)**	(1,522)
Total charge to profit or loss	**7,573**	1,763	**7,458**	1,756
Impaired Loans				
Gross impaired loans	**8,644**	10,214	**8,644**	10,214
Specific provision for impairment	**(1,952)**	(1,200)	**(1,952)**	(1,200)
Total impaired loans net of specific provisions	**6,692**	9,014	**6,692**	9,014
Restructured loans	**3,647**	4,098	**3,647**	4,098
Assets acquired through the enforcement of security	**4,001**	3,475	**4,001**	3,475

9. IMPAIRMENT OF LOANS AND ADVANCES (Continued)

Consolidated

	Stage 1	Stage 2	Stage 3 Collective	Stage 3 Specific	Total
	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2019	**3,281**	**1,810**	**2,164**	**1,201**	**8,456**
Changes due to loans and advances that have:					
Transferred to Stage 1	1,294	(815)	(242)	(237)	**-**
Transferred to Stage 2	(131)	505	(321)	(53)	**-**
Transferred to Stage 3 - collective	(10)	(154)	265	(101)	**-**
Transferred to Stage 3 - specific	-	(8)	(12)	20	**-**
New and increased provisions (net of provision releases)	(918)	4,228	1,137	1,123	**5,569**
Balance as at 30 June 2020	**3,516**	**5,566**	**2,991**	**1,953**	**14,025**
Balance as at 1 July 2018	-	-	-	-	-
Opening adjustment on initial application of AASB 9	3,740	1,439	2,074	1,278	8,531
Changes due to loans and advances that have:					
Transferred to Stage 1	1,440	(750)	(471)	(219)	-
Transferred to Stage 2	(34)	279	(149)	(96)	-
Transferred to Stage 3 - collective	(12)	(155)	167	-	-
Transferred to Stage 3 - specific	-	(23)	(20)	45	-
New and increased provisions (net of provision releases)	(1,853)	1,020	563	193	(77)
Balance as at 30 June 2019	3,281	1,810	2,164	1,201	8,456

Credit Union

	Stage 1	Stage 2	Stage 3 Collective	Stage 3 Specific	Total
	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2019	**3,281**	**1,810**	**2,164**	**1,201**	**8,456**
Changes due to loans and advances that have:					
Transferred to Stage 1	1,294	(815)	(242)	(237)	**-**
Transferred to Stage 2	(131)	505	(321)	(53)	**-**
Transferred to Stage 3 - collective	(10)	(154)	265	(101)	**-**
Transferred to Stage 3 - specific	-	(8)	(12)	20	**-**
New and increased provisions (net of provision releases)	(918)	4,228	1,137	1,123	**5,569**
Balance as at 30 June 2020	**3,516**	**5,566**	**2,991**	**1,953**	**14,025**
Balance as at 1 July 2018	-	-	-	-	-
Opening adjustment on initial application of AASB 9	3,740	1,439	2,074	1,278	8,531
Changes due to loans and advances that have:					
Transferred to Stage 1	1,440	(750)	(471)	(219)	-
Transferred to Stage 2	(34)	279	(149)	(96)	-
Transferred to Stage 3 - collective	(12)	(155)	167	-	-
Transferred to Stage 3 - specific	-	(23)	(20)	45	-
New and increased provisions (net of provision releases)	(1,853)	1,020	563	193	(77)
Balance as at 30 June 2019	3,281	1,810	2,164	1,201	8,456

	Consolidated		Credit Union	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
10. INVESTMENTS				
a) Investment securities				
Interest-bearing deposits	**59,301**	60,216	**59,301**	59,316
Negotiable certificates of deposit	**570,387**	459,114	**570,387**	459,114
Floating rate notes	**465,503**	355,022	**465,503**	355,022
Bonds	**10,118**	-	**10,118**	-
Shares in unlisted entities	**31,917**	31,917	**31,917**	31,917
Total investment securities	**1,137,226**	906,269	**1,137,226**	905,369
b) Other investments				
Capital notes	**-**	-	**2,113,724**	870,495
Other investments	**36,339**	17,106	**750**	749
Shares in controlled entities	**-**	-	**4,988**	4,988
Total other investments	**36,339**	17,106	**2,119,462**	876,232
Total Investments	**1,173,565**	923,375	**3,256,688**	1,781,601

c) Shares in controlled entities			% held by Holding Entity	
	2020	2019	**2020**	2019
	$	$	**%**	**%**
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. 3
Light Trust No. 4
Light Trust No. 5R
Light Trust No. 6
Light Trust Warehouse No. 1
Light Trust 2017-2
Light Trust 2016-2
Light Trust 2017-1
Light Trust 2018-1
Light Trust 2019-1[1]

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

[1] Registered on 2 July 2019

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 $'000	Right of Use Leases $'000	Total $'000
At 1 July 2019, net of accumulated depreciation	**2,463**	**17,648**	**2,224**	**6,575**	**-**	**28,910**
Opening adjustment on adoption of AASB16	**-**	**-**	**-**	**-**	**67,237**	**67,237**
Additions	**442**	**1,153**	**541**	**30,238**	**1,282**	**33,656**
Disposals	**-**	**-**	**-**	**-**	**(1,241)**	**(1,241)**
Transfers out of WIP	**-**	**-**	**-**	**(5,687)**	**-**	**(5,687)**
Depreciation expense	**(1,059)**	**(3,984)**	**(1,372)**	**-**	**(12,492)**	**(18,907)**
Balance at 30 June 2020	**1,846**	**14,817**	**1,393**	**31,126**	**54,786**	**103,968**
At 30 June 2020						
Cost	**8,922**	**39,135**	**25,749**	**31,126**	**105,620**	**210,552**
Accumulated depreciation and impairment	**(7,076)**	**(24,318)**	**(24,356)**	**-**	**(50,834)**	**(106,584)**
Net carrying amount	**1,846**	**14,817**	**1,393**	**31,126**	**54,786**	**103,968**
At 1 July 2018, net of accumulated depreciation	2,981	19,359	3,919	912	-	27,171
Additions	418	1,870	611	10,073	-	12,972
Disposals	-	-	(15)	-	-	(15)
Transfers out of WIP	-	-	-	(4,410)	-	(4,410)
Depreciation expense	(936)	(3,581)	(2,291)	-	-	(6,808)
Balance at 30 June 2019	2,463	17,648	2,224	6,575	-	28,910
At 30 June 2019						
Cost	8,872	38,693	28,081	6,575	-	82,221
Accumulated depreciation and impairment	(6,409)	(21,045)	(25,857)	-	-	(53,311)
Net carrying amount	2,463	17,648	2,224	6,575	-	28,910
Credit Union						
At 1 July 2019, net of accumulated depreciation	**2,463**	**17,648**	**2,224**	**6,575**	**-**	**28,910**
Opening adjustment on adoption of AASB16	**-**	**-**	**-**	**-**	**67,237**	**67,237**
Additions	**442**	**1,153**	**541**	**30,238**	**1,282**	**33,656**
Disposals	**-**	**-**	**-**	**-**	**(1,241)**	**(1,241)**
Transfers out of WIP	**-**	**-**	**-**	**(5,687)**	**-**	**(5,687)**
Depreciation expense	**(1,059)**	**(3,984)**	**(1,372)**	**-**	**(12,492)**	**(18,907)**
Balance at 30 June 2020	**1,846**	**14,817**	**1,393**	**31,126**	**54,786**	**103,968**
At 30 June 2020						
Cost	**8,248**	**39,135**	**25,749**	**31,126**	**105,620**	**209,878**
Accumulated depreciation and impairment	**(6,402)**	**(24,318)**	**(24,356)**	**-**	**(50,834)**	**(105,910)**
Net carrying amount	**1,846**	**14,817**	**1,393**	**31,126**	**54,786**	**103,968**
At 1 July 2018, net of accumulated depreciation	2,981	19,359	3,919	912	-	27,171
Additions	418	1,870	611	10,073	-	12,972
Disposals	-	-	(15)	-	-	(15)
Transfers out of WIP	-	-	-	(4,410)	-	(4,410)
Depreciation expense	(936)	(3,581)	(2,291)	-	-	(6,808)
Balance at 30 June 2019	2,463	17,648	2,224	6,575	-	28,910
At 30 June 2019						
Cost	8,198	38,693	28,081	6,575	-	81,547
Accumulated depreciation and impairment	(5,735)	(21,045)	(25,857)	-	-	(52,637)
Net carrying amount	2,463	17,648	2,224	6,575	-	28,910

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

This note provides information for leases where the Group is a lessee.

a) Right of use assets

Right of use leases includes office and branch premises, ATMs, motor vehicles and IT equipment. Any renewal rights, escalation and termination clauses have been considered in determining the right of use assets.

	2020 $'000
Branch and office premises	53,118
ATMs	26
Motor vehicles	349
IT equipment	1,293
Net carrying amount	**54,786**

b) Lease liabilities

	2020 $'000
Current	9,941
Non-current	51,540
Balance at 30 June	**61,481**

The total cash outflows for leases for the year ended 30 June 2020 was $14.634m.

12. INTANGIBLE ASSETS

	Consolidated		**Credit Union**	
Computer Software	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
At 1 July, net of accumulated amortisation	**5,018**	6,056	**5,018**	6,056
Additions	**3,758**	1,806	**3,758**	1,806
Amortisation	**(2,694)**	(2,844)	**(2,694)**	(2,844)
Balance at 30 June	**6,082**	5,018	**6,082**	5,018
At 30 June				
Cost	**26,586**	24,122	**26,586**	24,122
Accumulated amortisation	**(20,504)**	(19,104)	**(20,504)**	(19,104)
Net carrying amount	**6,082**	5,018	**6,082**	5,018

13. EQUITY ACCOUNTED INVESTEES

	Consolidated		Credit Union	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Interest in joint venture	**2,166**	1,827	**1,500**	1,500
Interest in associate	**9,056**	8,115	**2,740**	2,740
	11,222	9,942	**4,240**	4,240

	Consolidated	
	2020	2019
	$'000	$'000
Share of profit in joint venture	**339**	253
Share of profit in associate	**942**	200
	1,281	453

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	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Carrying amount of investment in joint venture	**2,166**	1,827	**1,500**	1,500
Share of joint venture's equity				
Paid up share capital	**1,500**	1,500		
Retained earnings	**666**	327		
	2,166	1,827		
Share of joint venture's balance sheet				
Cash	**2,426**	1,796		
Other current assets	**3,883**	2,423		
Non-current assets	**371**	450		
Current liabilities	**4,267**	2,626		
Non-current liabilities	**247**	216		
Share of net assets	**2,166**	1,827		
Share of joint venture's profit or loss				
Revenue	**83,947**	67,805		
Interest income	**21**	32		
Depreciation and amortisation	**(231)**	(187)		
Other expenses	**(83,201)**	(67,281)		
Profit/(loss) before income tax	**536**	369		
Income tax (expense)/benefit	**(197)**	(116)		
Profit/(loss) after income tax	**339**	253		

As at 30 June 2020, Mutual Marketplace has non-cancellable commitments of $1.330 million (2019: $1.585 million) to be settled over the next five 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% (2019: 27.5%) of the equity interests and holds 27.5% (2019: 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	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Carrying amount of investment in associates	**9,056**	8,115	**2,740**	2,740
Share of associate's balance sheet				
Current assets	**6,051**	4,537		
Non-current assets	**6,184**	4,224		
Current liabilities	**1,925**	1,564		
Non-current liabilities	**3,264**	775		
Share of associate's net assets	**7,046**	6,422		
Share of associate's profit or loss				
Revenue	**11,435**	10,203		
Expenses	**(10,331)**	(9,866)		
Profit/(loss) before income tax	**1,104**	337		
Income tax expense	**(162)**	(137)		
Profit/(loss) after income tax	**942**	200		
Dividend received	**-**	-		

Reconciliation to carrying amount of investment	**2020 $'000**	2019 $'000
Share of associate's net assets	**7,046**	6,422
Adjustments for 2015 shareholding restructure	**1,752**	1,752
Other adjustments	**258**	(59)
Carrying amount of investment in associates	**9,056**	8,115

	Consolidated 2020 $'000	Consolidated 2019 $'000	Credit Union 2020 $'000	Credit Union 2019 $'000
14. OTHER ASSETS				
Accrued interest receivable	**1,041**	1,673	**1,041**	1,673
Deferred borrowing costs	**3,562**	3,271	**3,562**	3,272
Prepayments	**10,366**	8,367	**10,366**	8,366
Other receivables	**16,318**	5,308	**25,661**	11,853
	31,287	18,619	**40,630**	25,164
15. DEPOSITS				
Retail deposits	**6,618,973**	6,221,412	**6,618,975**	6,221,555
Non-retail deposits	**123,867**	199,375	**123,867**	199,375
Withdrawable shares (issued and paid up at $2.00 per share)	**745**	734	**745**	734
	6,743,585	6,421,521	**6,743,587**	6,421,664

The deposit portfolio of the Group does not include any deposits or groups of related deposits which represent 10% or more of liabilities (2019: $Nil).

	Consolidated 2020 $'000	Consolidated 2019 $'000	Credit Union 2020 $'000	Credit Union 2019 $'000
16. OTHER PAYABLES				
Accounts payable and other payables	**35,845**	62,302	**60,730**	71,353
Accrued interest payable	**11,851**	19,678	**14,614**	25,076
Customer refunds	**8,900**	5,156	**7,540**	4,653
	56,596	87,136	**82,884**	101,082
17. BORROWINGS				
Wholesale funding facilities	**5,533**	6,750	**5,533**	6,750
Loans payable to securitisation trusts	**-**	-	**3,769,072**	2,456,686
Notes payable	**1,760,531**	1,640,878	**-**	-
Term funding facility	**130,004**	-	**130,004**	-
	1,896,068	1,647,628	**3,904,609**	2,463,436
Wholesale funding facility utilisation				
Wholesale funding facilities - utilised	**5,533**	6,750	**5,533**	6,750
Wholesale funding facilities - unutilised	**-**	-	**-**	-
Wholesale funding approved limits	**5,533**	6,750	**5,533**	6,750
Securitisation warehouse funding facility utilisation				
Securitisation warehouse funding facilities - utilised	**504,641**	659,076	**504,641**	659,076
Securitisation warehouse funding facilities - unutilised	**115,359**	130,924	**115,359**	130,924
Securitisation warehouse funding approved limits	**620,000**	790,000	**620,000**	790,000
Term funding facility utilisation				
Term funding facility - utilised	**130,004**	-	**130,004**	-
Term funding facility - unutilised	**104,960**	-	**104,960**	-
Term funding approved limit	**234,964**	**-**	**234,964**	**-**
18. PROVISIONS				
Provision for make good	**390**	17	**390**	17
Provision for annual leave	**6,865**	5,910	**6,816**	5,858
Provision for long service leave	**12,798**	12,474	**12,698**	12,376
Provision for rostered days off	**113**	106	**113**	106
Provision for onerous contracts	**-**	17	**-**	17
	20,166	18,524	**20,017**	18,374

The non-current component of the Group's provisions at 30 June 2020 is $1,568,261 (2019: $1,196,110).

	Consolidated		Credit Union	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
19. RESERVES				
Redeemed member shares	**816**	787	**816**	787
Fair value reserve - financial assets held at FVOCI	**9,327**	8,563	**9,327**	8,563
General reserve for credit losses	**12,664**	8,610	**12,664**	8,610
Hedging reserve - cash flow hedges	**(2,407)**	(3,712)	**(2,407)**	(3,712)
Asset revaluation reserve	**6**	6	**-**	-
Other equity reserves	**171,745**	171,745	**171,745**	171,745
	192,151	185,999	**192,145**	185,993

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.

Opening balance 1 July	**787**	762	**787**	762
Transfers from retained earnings	**29**	25	**29**	25
Balance	**816**	787	**816**	787

Fair value reserve - financial assets held at FVOCI

Nature and purpose:

The fair value reserve is the difference in the carrying amount and the financial assets held at FVOCI.

Opening balance 1 July	**8,563**	7928	**8,563**	7928
Net unrealised gains/(losses)	**764**	635	**764**	635
Balance	**9,327**	8,563	**9,327**	8,563

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.

Opening balance 1 July	**8,610**	12,437	**8,610**	12,437
Opening adjustment on initial application of AASB 9	**-**	(3,897)	**-**	(3,897)
Increase/(decrease) in general reserve for credit losses	**4,054**	70	**4,054**	70
Balance	**12,664**	8,610	**12,664**	8,610

	Consolidated		Credit Union	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'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	**(3,712)**	(175)	**(3,712)**	(175)
Effective portion of changes in fair values	**326**	(3,495)	**326**	(3,495)
Net change in fair value taken to profit or loss	**979**	(42)	**979**	(42)
Balance	**(2,407)**	(3,712)	**(2,407)**	(3,712)
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

	Consolidated		Credit Union	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'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	**22,211**	21,084	**21,402**	28,855
Adjustments for:				
Depreciation and amortisation	**21,601**	9,652	**21,601**	9,652
(Decrease)/Increase in provision for impairment	**5,569**	(76)	**5,569**	(76)
Bad debts written off	**2,004**	1,840	**1,889**	1,832
Dividend income classified as investing cash flow	**(1,641)**	(622)	**(1,641)**	(622)
Net (profit)/loss on sale of property, plant & equipment	**(11)**	(25)	**(11)**	(25)
Share of profit of equity accounted investees	**(1,281)**	(453)	**-**	-
Impairment of goodwill	**-**	8,477	**-**	142
Change in assets and liabilities:				
Increase/(decrease) in provisions	**1,642**	331	**1,643**	336
(Decrease)/increase in provision for income tax	**1,711**	164	**1,711**	164
Increase/(decrease) in deferred tax assets and liabilities	**(2,055)**	17	**(2,182)**	(121)
Increase/(decrease) in interest payable	**(7,827)**	(402)	**(10,462)**	739
Increase/(decrease) in other payables	**(22,755)**	11,312	**(7,780)**	18,854
(Increase) in loans and advances	**(224,425)**	(399,110)	**(224,310)**	(399,103)
Increase in deposits and withdrawable shares	**322,064**	307,731	**321,923**	307,710
(Increase)/decrease in interest receivable	**632**	125	**632**	125
Increase/(decrease) in derivative assets/liabilities	**144**	1,560	**(13,904)**	(5,925)
(Increase)/decrease in other assets	**(13,300)**	5,989	**(16,098)**	5,501
Net cash from operating activities	**104,283**	(32,406)	**99,982**	(31,962)

Reconciliation of liabilities arising from financing activities to financing cash flows

	Consolidated				
	Lease Liabilities	Wholesale Funding Facilities	Notes payable	Term Funding Facility	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2019	74,276	6,750	1,640,878	-	1,721,904
Financing cash inflows	-	-	915,166	130,004	1,045,170
Financing cash outflows	(12,795)	(1,217)	(795,513)	-	(809,525)
Balance at 30 June 2020	**61,481**	**5,533**	**1,760,531**	**130,004**	**1,957,549**

	Credit Union				
	Lease Liabilities	Wholesale Funding Facilities	Loans payable	Term Funding Facility	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2019	74,276	6,750	2,456,686	-	2,537,712
Financing cash inflows	-	-	1,312,386	130,004	1,442,390
Financing cash outflows	(12,795)	(1,217)	-	-	(14,012)
Balance at 30 June 2020	**61,481**	**5,533**	**3,769,072**	**130,004**	**3,966,090**

21. COMMITMENTS

Digital transformation initiative commitments

As at 30 June 2020, the Group has entered into contracts related to digital transformation initiatives which has resulted in capital and expense commitments of $63.1 million (2019:$63.3 million) to be settled within the next 6 years.

Credit commitments

The Group has the following credit commitments:

	Consolidated 2020 $'000	Consolidated 2019 $'000
Loans approved not settled	**63,214**	72,868
Members unconditionally cancellable unused credit facilities	**364,540**	428,070
Member funds available for redraw	**550,989**	492,438
	978,743	993,376

22. CONTINGENT ASSETS AND LIABILITIES

Guarantees

The Group has issued guarantees as follows:

	Consolidated 2020 $'000	Consolidated 2019 $'000
Guarantees issued for members	**1,814**	1,848

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.

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 $2,370 million (2019: $742 million) during the financial year as part of its ongoing securitisation program. The loan transfers made to SPE's comprise of warehouse funding facilities $286 million (2019: $467 million), term securitisation issues of $650 million (2019: nil) and the internal securitisation issue $1,434 million (2019: $275 million). The total value of transferred loans as at 30 June 2020 was $3,769 million (2019: $2,457 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.

One new SPE was established during the year (Light Trust 2019-1) and $1.858 million borrowing costs were capitalised (2019: nil).

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	
	2020	2019
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, card services, provides finance facilities, settlement with bankers, electronic funds deposit and central banking. In addition, this company operates the switching system that links the ATM network, 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).

Datacom Systems (AU) Pty Ltd

Datacom provides the Group with information technology services and products, including consulting.

25. SIGNIFICANT ALLIANCES (Continued)

SFDC Australia Pty Ltd

SFDC, an Australian subsidiary of Salesforce.com Inc, provides the Group with cloud computing services and Customer Relationship Management services.

Nucleus Software Exports Limited

This company provides the Group with FinnOne Neo Corporate, an end-to-end digital lending solution.

26. AUDITOR'S REMUNERATION

	Consolidated		Credit Union	
	2020	2019	**2020**	2019
	$	$	**$**	$
Amounts paid or payable to the external auditors - KPMG				
Auditing the financial report	**352,941**	304,262	**294,899**	253,190
Other regulatory activities and assurance services	**137,246**	123,312	**137,246**	123,312
Taxation services	**84,456**	81,334	**63,239**	52,890
Other services	**32,361**	142,959	**17,871**	142,959
	607,004	651,867	**513,255**	572,351

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.

M. A. Cameron (Chairman) (Appointed 14 November 2019)
S. P. W. Laidlaw (Managing Director)
A. E. Heyworth
J. P. Patton
K. A. Skipper AM
V. S. Hickey
W. Thorpe (Appointed 14 November 2019)
J. L. Cossons (Chair) (Retired 14 November 2019)

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 Member Officer
V. Pace	Chief Financial Officer
P. Corolis	Chief Transformation Officer (Appointed 18 May 2020) Formerly Chief Marketing, People & Transformation Officer (Appointed 13 December 2019, ceased 17 May 2020) Formerly Chief Risk Officer (Ceased 13 December 2019)
M. Tons	Chief Risk Officer (Appointed 18 May 2020) Formerly Acting Chief Risk Officer (Appointed 13 December 2019, ceased 17 May 2020)
G. Wenborn	Chief Digital & Technology Officer
D. Mattiske-Wood	Deputy CEO, Chief Strategy, Marketing & People Officer (Resigned 13 December 2019)
T. Shearn	Chief Legal Officer & Company Secretary (Appointed 18 May 2020)

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
2020	**5,382**	**220**	**65**	**-**	**5,667**
2019	4,750	240	85	-	5,075

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.

	2020 $'000	2019 $'000
Total aggregate loans as at the reporting date (30 June)	**1,142**	1,382
Total aggregate interest charged during the reporting period	**55**	65

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, A.E. Heyworth, 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 share.

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	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Financial Solutions Australasia Pty Ltd	**221**	246	**7,152**	6,782	**-**	-
Australian Central Services Pty Ltd	**345**	348	**604**	484	**-**	-
People's Choice Community Foundation Limited	**(559)**	(338)	**104**	34	**2**	143

	Residual Unitholder Net Distribution/ (Contribution)		Net Interest Rate Swap Expense/ (Income)	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Light Trust No. 3	**(224)**	(133)	**715**	638
Light Trust No. 4	**(233)**	(160)	**633**	318
Light Trust No. 5R	**7,963**	546	**12,323**	4,014
Light Trust No. 6	**(1,272)**	(1,326)	**1,762**	892
Light Trust Warehouse No. 1	**223**	(114)	**981**	338
Light Trust 2017-2	**(711)**	387	**931**	914
Light Trust 2016-2	**(1,504)**	(604)	**212**	(199)
Light Trust 2017-1	**(1,255)**	(1,827)	**1,823**	444
Light Trust 2018-1	**(2,572)**	(1,689)	**2,238**	232
Light Trust 2019-1[1]	**(1,201)**	-	**4,021**	-

[1] Registered on 2 July 2019

28. RELATED PARTIES (Continued)

Controlled entities

	Capital Notes held by the Credit Union		Outstanding balance of loans sold to	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Light Trust No. 3	**-**	2,827	**-**	63,386
Light Trust No. 4	**3,881**	4,670	**57,902**	72,171
Light Trust No. 5R	**2,066,858**	806,636	**1,994,172**	781,365
Light Trust No. 6	**-**	-	**159,899**	196,229
Light Trust Warehouse No. 1	**13,082**	15,025	**172,115**	196,304
Light Trust 2017-2	**15,837**	19,886	**194,710**	246,548
Light Trust 2016-2	**14,066**	21,449	**170,964**	260,778
Light Trust 2017-1	**-**	-	**224,235**	279,944
Light Trust 2018-1	**-**	-	**285,418**	359,960
Light Trust 2019-1[1]	**-**	-	**509,656**	-

[1] Registered on 2 July 2019

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	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Joint venture: Mutual Marketplace Pty Ltd	**70,515**	58,614	**3,489**	1,053
Associate: Data Action Pty Ltd	**7,372**	10,073	**699**	714
	77,887	68,687	**4,188**	1,767

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	
	2020	2019
	%	%
Liquidity ratio	**16.96**	12.31

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 2020 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.

29. RISK MANAGEMENT (Continued)

b) Liquidity risk management (continued)

Consolidated Entity	Contractual cash flows						
	At call	3 Months or less	3 to 12 months	1 to 5 years	Greater than 5 years	Total	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2020							
Financial Liabilities							
Deposits	**4,463,235**	**738,779**	**1,401,039**	**162,713**	**-**	**6,765,766**	**6,743,585**
Other payables	**-**	**56,596**	**-**	**-**	**-**	**56,596**	**56,596**
Lease liabilities	**-**	**2,139**	**10,180**	**51,558**	**18,315**	**82,192**	**61,481**
Borrowings	**-**	**29,039**	**87,012**	**590,046**	**2,017,562**	**2,723,659**	**1,896,068**
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	**-**	**1,378**	**2,102**	**1,119**	**-**	**4,599**	**4,485**
Total cash flows	**4,463,235**	**827,931**	**1,500,333**	**805,436**	**2,035,877**	**9,632,812**	**8,762,215**
2019							
Financial Liabilities							
Deposits	3,904,419	753,587	1,596,562	204,109	-	6,458,677	6,421,521
Other payables	-	87,136	-	-	-	87,136	87,136
Borrowings	-	28,410	85,219	451,609	1,991,326	2,556,564	1,647,628
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	-	1,285	2,909	1,617	-	5,811	5,646
Total cash flows	3,904,419	870,418	1,684,690	657,335	1,991,326	9,108,188	8,161,931
Credit Union							
2020							
Financial Liabilities							
Deposits	**4,463,237**	**738,779**	**1,401,039**	**162,713**	**-**	**6,765,768**	**6,743,587**
Other payables	**-**	**82,884**	**-**	**-**	**-**	**82,884**	**82,884**
Lease liabilities	**-**	**2,139**	**10,180**	**51,558**	**18,315**	**82,192**	**61,481**
Borrowings	**-**	**59,513**	**178,433**	**1,076,416**	**4,342,866**	**5,657,228**	**3,904,609**
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	**-**	**(3,183)**	**(7,973)**	**(7,621)**	**-**	**(18,777)**	**(15,770)**
Total cash flows	**4,463,237**	**880,132**	**1,581,679**	**1,283,066**	**4,361,181**	**12,569,295**	**10,776,791**
2019							
Financial Liabilities							
Deposits	3,904,582	753,587	1,596,562	204,109	-	6,458,840	6,421,664
Other payables	-	101,082	-	-	-	101,082	101,082
Borrowings	-	42,013	126,031	667,174	2,985,989	3,821,207	2,463,436
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	-	73	(781)	(1,273)	-	(1,981)	(560)
Total cash flows	3,904,582	896,755	1,721,812	870,010	2,985,989	10,379,148	8,985,622

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	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Deposits at call	**183,476**	124,167	**104,484**	81,639
Other assets	**31,287**	18,619	**40,630**	25,164
Investment securities	**1,105,309**	874,352	**1,105,309**	873,452
Derivative assets	**13,364**	3,747	**19,208**	5,863
Financial assets other than loans and advances	**1,333,436**	1,020,885	**1,269,631**	986,118
Loans and advances	**7,896,467**	7,675,458	**7,896,467**	7,675,458
Total financial assets	**9,229,903**	8,696,343	**9,166,098**	8,661,576
Credit commitments	**978,743**	993,376	**978,743**	993,376
Total potential exposure to credit risk	**10,208,646**	9,689,719	**10,144,841**	9,654,952
Distribution of financial assets:				
Neither past due nor impaired				
Financial assets other than loans and advances	**1,333,436**	1,020,885	**1,269,631**	986,118
Loans and advances	**7,267,522**	7,430,503	**7,267,522**	7,430,503
Past due but not impaired				
Loans and advances	**620,301**	234,741	**620,301**	234,741
Impaired				
Loans and advances	**8,644**	10,214	**8,644**	10,214
	9,229,903	8,696,343	**9,166,098**	8,661,576
Gross loans and advances past due but not impaired [(1)]				
1 - 30 days	**158,917**	172,460	**158,917**	172,460
31 - 60 days	**109,616**	19,523	**109,616**	19,523
61 - 90 days	**239,673**	16,819	**239,673**	16,819
> 90 days	**112,095**	25,939	**112,095**	25,939
Total	**620,301**	234,741	**620,301**	234,741
Gross loans and advances past due but not impaired, excluding loans and advances with approved repayment deferrals				
1 - 30 days	**76,863**	172,460	**76,863**	172,460
31 - 60 days	**11,337**	19,523	**11,337**	19,523
61 - 90 days	**11,184**	16,819	**11,184**	16,819
> 90 days	**35,311**	25,939	**35,311**	25,939
Total	**134,695**	234,741	**134,695**	234,741

(1) The 2020 figures for gross loans and advances which are past due but not impaired include loans with approved repayment deferrals provided as part of the COVID-19 pandemic support packages.

29. RISK MANAGEMENT (Continued)

c) Credit risk management (continued)

	Consolidated		Credit Union	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Geographic concentration of credit risk for gross loans and advances				
South Australia	**4,865,871**	4,738,998	**4,865,871**	4,738,998
Northern Territory	**1,643,093**	1,605,817	**1,643,093**	1,605,817
Victoria	**927,496**	871,148	**927,496**	871,148
New South Wales	**149,000**	154,856	**149,000**	154,856
Western Australia	**76,548**	79,203	**76,548**	79,203
Queensland	**141,209**	139,972	**141,209**	139,972
Australian Capital Territory	**77,732**	71,460	**77,732**	71,460
Tasmania	**15,518**	14,004	**15,518**	14,004
	7,896,467	7,675,458	**7,896,467**	7,675,458

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	
	2020	2019
	$'000	$'000
Capital Adequacy Ratio	**14.32%**	15.07%
Qualifying capital		
Tier 1	**528,323**	549,685
Tier 2	**12,664**	8,610
Total qualifying capital	**540,987**	558,295
Risk Weighted Assets	**3,778,457**	3,703,585

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 2020, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing the fixed rate of loans and advances, financial assets held at FVOCI (including the effect of any associated hedges), and interest rate swaps designated as cash flow hedges, at 30 June 2020 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	
	2020	2019	**2020**	2019
Consolidated	**%**	%	**$'000**	$'000
25 bp rise	**(0.69)**	(0.54)	**560**	638
25 bp fall	**0.50**	0.54	**(2,232)**	(741)
50 bp rise	**(1.38)**	(1.07)	**1,124**	1,259
50 bp fall	**0.46**	1.08	**(2,904)**	(1,941)

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
2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets						
Cash and cash equivalents	**183,476**	**-**	**-**	**-**	**13,547**	**197,023**
Loans and advances	**4,690,813**	**1,472,191**	**1,722,227**	**856**	**-**	**7,886,087**
Investment securities	**-**	**1,105,309**	**-**	**-**	**31,917**	**1,137,226**
Other investments	**36,339**	**-**	**-**	**-**	**-**	**36,339**
	4,910,628	**2,577,500**	**1,722,227**	**856**	**45,464**	**9,256,675**
Financial Liabilities						
Deposits	**4,464,244**	**2,120,682**	**158,659**	**-**	**-**	**6,743,585**
Borrowings	**-**	**1,896,068**	**-**	**-**	**-**	**1,896,068**
	4,464,244	**4,016,750**	**158,659**	**-**	**-**	**8,639,653**
Interest rate swaps - assets/(liabilities)	**340,000**	**(210,000)**	**(130,000)**	**-**	**-**	**-**
2019						
Financial Assets						
Cash and cash equivalents	124,167	-	-	-	11,145	135,312
Loans and advances	4,686,965	1,369,694	1,611,777	799	-	7,669,235
Investment securities	-	874,352	-	-	31,917	906,269
Other investments	17,106	-	-	-	-	17,106
	4,828,238	2,244,046	1,611,777	799	43,062	8,727,922
Financial Liabilities						
Deposits	3,905,295	2,319,505	196,721	-	-	6,421,521
Borrowings	-	1,647,628	-	-	-	1,647,628
	3,905,295	3,967,133	196,721	-	-	8,069,149
Interest rate swaps - assets/(liabilities)	600,000	(350,000)	(250,000)	-	-	-

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.

	2020			2019		
	Notional Amount	Fair Value Asset	Fair Value Liability	Notional Amount	Fair Value Asset	Fair Value Liability
	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated						
Derivatives at fair value through profit or loss						
Interest rate swaps	**1,665,585**	**13,364**	**(14,411)**	734,698	3,747	(4,090)
Derivatives held as cash flow hedges						
Interest rate swaps	**340,000**	**-**	**(3,438)**	600,000	-	(5,303)
	2,005,585	**13,364**	**(17,849)**	1,334,698	3,747	(9,393)
Credit Union						
Derivatives at fair value through profit or loss						
Interest rate swaps	**1,333,547**	**19,208**	**-**	708,255	5,863	-
Derivatives held as cash flow hedges						
Interest rate swaps	**340,000**	**-**	**(3,438)**	600,000	-	(5,303)
	1,673,547	**19,208**	**(3,438)**	1,308,255	5,863	(5,303)

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	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Less than 1 year	**(3,403)**	(4,006)	**825,603**	662,121
1 to 2 years	**(906)**	(1,468)	**766,731**	523,561
2 to 5 years	**(177)**	(172)	**405,365**	149,016
> 5 years	**1**	-	**7,886**	-
	(4,485)	(5,646)	**2,005,585**	1,334,698

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 $13.364 million as at 30 June 2020 ($3.747 million at 30 June 2019).

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.

Investment securities

The fair value of investment securities is estimated using discounted cash flow analysis, based on current market rates for similar arrangements, with the exception of shares held in other unlisted entities. Shares held in other unlisted entities are measured at fair value on initial recognition and subsequently measured when they can be reliably estimated. Where fair value cannot be measured reliably, the assets are measured at the carrying amount determined at the last date on which the fair value could be determined reliably, subject to impaired testing.

Shares held in other unlisted entities have been classified as Level 3 in the fair value hierarchy in the 2020 financial year due to the limited availability of relevant observable market transactions. Observable market transactions may include sales of shares held by other shareholders. In the absence of any share sales in the current year, the Group has considered the recoverability of the carrying amount of the shares held in other unlisted entities with reference to the unlisted entity's net assets per share. Should a share sale transaction occur in the future, the carrying amount of the Group's shares held in other unlisted entities may be affected.

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	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Consolidated				
Financial Assets				
Cash and cash equivalents	**197,023**	135,312	**197,023**	135,312
Loans and advances	**7,886,087**	7,669,235	**7,921,561**	7,703,193
Investment securities	**1,137,226**	906,269	**1,137,226**	906,269
Other investments	**36,339**	17,106	**36,339**	17,106
Derivative assets	**13,364**	3,747	**13,364**	3,747
Other assets	**31,287**	18,619	**31,287**	18,619
	9,301,326	8,750,288	**9,336,800**	8,784,246
Financial Liabilities				
Deposits	**6,743,585**	6,421,521	**6,752,046**	6,425,434
Other payables	**56,596**	87,136	**56,596**	87,136
Borrowings	**1,896,068**	1,647,628	**1,892,085**	1,649,445
Derivative liabilities	**17,849**	9,393	**17,849**	9,393
	8,714,098	8,165,678	**8,718,576**	8,171,408
Credit Union				
Financial Assets				
Cash and cash equivalents	**118,031**	92,784	**118,031**	92,784
Loans and advances	**7,886,087**	7,669,235	**7,921,561**	7,703,193
Investment securities	**1,137,226**	905,369	**1,137,226**	905,369
Other investments	**2,119,462**	876,232	**2,119,462**	876,232
Derivative assets	**19,208**	5,863	**19,208**	5,863
Other assets	**40,630**	25,164	**40,630**	25,164
	11,320,644	9,574,647	**11,356,118**	9,608,605
Financial Liabilities				
Deposits	**6,743,587**	6,421,664	**6,752,048**	6,425,577
Other payables	**82,884**	101,082	**82,884**	101,082
Borrowings	**3,904,609**	2,463,436	**3,901,662**	2,466,016
Derivative liabilities	**3,438**	5,303	**3,438**	5,303
	10,734,518	8,991,485	**10,740,032**	8,997,978

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				
2020				
Financial Assets				
Financial assets measured at FVOCI	**-**	**1,105,309**	**31,917**	**1,137,226**
Derivative assets	**-**	**13,364**	**-**	**13,364**
	-	**1,118,673**	**31,917**	**1,150,590**
Financial Liabilities				
Derivative financial liabilities	**-**	**17,849**	**-**	**17,849**
	-	**17,849**	**-**	**17,849**
2019				
Financial Assets				
Financial assets measured at FVOCI	-	874,352	31,917	906,269
Derivative assets	-	3,747	-	3,747
	-	878,099	31,917	910,016
Financial Liabilities				
Derivative financial liabilities	-	9,393	-	9,393
	-	9,393	-	9,393
Credit Union				
2020				
Financial Assets				
Financial assets measured at FVOCI	**-**	**1,105,309**	**31,917**	**1,137,226**
Derivative assets	**-**	**19,208**	**-**	**19,208**
	-	**1,124,517**	**31,917**	**1,156,434**
Financial Liabilities				
Derivative financial liabilities	**-**	**3,438**	**-**	**3,438**
	-	**3,438**	**-**	**3,438**
2019				
Financial Assets				
Financial assets measured at FVOCI	-	873,452	31,917	905,369
Derivative assets	-	5,863	-	5,863
	-	879,315	31,917	911,232
Financial Liabilities				
Derivative financial liabilities	-	5,303	-	5,303
	-	5,303	-	5,303

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 $'000	Level 2 $'000	Level 3 $'000	Total Fair Values $'000	Carrying Amount $'000
Consolidated Entity					
2020					
Financial Assets					
Cash and cash equivalents	**197,023**	**-**	**-**	**197,023**	**197,023**
Loans and advances	**-**	**-**	**7,921,561**	**7,921,561**	**7,886,087**
Other investments	**-**	**36,339**	**-**	**36,339**	**36,339**
Other assets	**31,287**	**-**	**-**	**31,287**	**31,287**
	228,310	**36,339**	**7,921,561**	**8,186,210**	**8,150,736**
Financial Liabilities					
Deposits	**-**	**-**	**6,752,046**	**6,752,046**	**6,743,585**
Borrowings	**-**	**-**	**1,892,085**	**1,892,085**	**1,896,068**
Other payables	**56,596**	**-**	**-**	**56,596**	**56,596**
	56,596	**-**	**8,644,131**	**8,700,727**	**8,696,249**
2019					
Financial Assets					
Cash and cash equivalents	135,312	-	-	135,312	135,312
Loans and advances	-	-	7,703,193	7,703,193	7,669,235
Other investments	-	17,106	-	17,106	17,106
Other assets	18,619	-	-	18,619	18,619
	153,931	17,106	7,703,193	7,874,230	7,840,272
Financial Liabilities					
Deposits	-	-	6,425,434	6,425,434	6,421,521
Borrowings	-	-	1,649,445	1,649,445	1,647,628
Other payables	87,136	-	-	87,136	87,136
	87,136	-	8,074,879	8,162,015	8,156,285

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					
2020					
Financial Assets					
Cash and cash equivalents	**118,031**	**-**	**-**	**118,031**	**118,031**
Loans and advances	**-**	**-**	**7,921,561**	**7,921,561**	**7,886,087**
Other investments	**-**	**2,119,462**	**-**	**2,119,462**	**2,119,462**
Other assets	**40,630**	**-**	**-**	**40,630**	**40,630**
	158,661	**2,119,462**	**7,921,561**	**10,199,684**	**10,164,210**
Financial Liabilities					
Deposits	**-**	**-**	**6,752,048**	**6,752,048**	**6,743,587**
Borrowings	**-**	**-**	**3,901,662**	**3,901,662**	**3,904,609**
Other payables	**82,884**	**-**	**-**	**82,884**	**82,884**
	82,884	**-**	**10,653,710**	**10,736,594**	**10,731,080**
2019					
Financial Assets					
Cash and cash equivalents	92,784	-	-	92,784	92,784
Loans and advances	-	-	7,703,193	7,703,193	7,669,235
Other investments	-	876,231	-	876,231	876,232
Other assets	25,164	-	-	25,164	25,164
	117,948	876,231	7,703,193	8,697,372	8,663,415
Financial Liabilities					
Deposits	-	-	6,425,577	6,425,577	6,421,664
Borrowings	-	-	2,466,016	2,466,016	2,463,436
Other payables	101,082	-	-	101,082	101,082
	101,082	-	8,891,593	8,992,675	8,986,182

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.

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

The 2020 Annual General Meeting (AGM) of Australian Central Credit Union Ltd trading as People's Choice Credit Union (People's Choice) will be held on Thursday 29 October 2020 at 3.00pm, Central Daylight Saving Time and will be hosted online at **https://web.lumiagm.com**

Bankers

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

Auditors

KPMG

Tax Agent

KPMG