CENTRAL WEST CREDIT UNION LIMITED
ABN 67 087 649 885

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2020

CENTRAL WEST CREDIT UNION LIMITED
ABN 67 087 649 885

Registered Office:
269 Clarinda Street
Parkes NSW 2870

Website: www.cwcu.com.au

Company Secretary:
Brett Hartin

Management:
Brett Hartin – General Manager
Ron Hetherington – Assistant General Manager

Auditor:
Intentus Chartered Accountants

Internal Auditor:
DBP Consulting Pty Ltd

Solicitors:
Matthews Williams
Daniels Bengtsson Pty Ltd

Bankers:
CUSCAL Limited
Centralised Banking Scheme with the National Australia Bank

Australian Financial Services License Number: 245415
Australian Credit Licence: 245415

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CENTRAL WEST CREDIT UNION LIMITED
ABN 67 087 649 885

DIRECTORS' REPORT

Your Directors submit the financial report of the Credit Union for the year ended 30 June 2020.

DIRECTORS

The names of the Directors in office at the date of this report, or who held office during the course of the financial year, are:

C.L. Berry
G.M Dean
A.J. Howe
S.M. Harwood
P.D. Norris
P.N. Scholefield Retired 12th November 2019
R.F. Staples

Unless otherwise stated, the Directors have been in office since the start of the financial year to the date of this report.

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Mr Brett Hartin – Diploma of Financial Services, Fellow of the Australasian Mutuals Institute. Mr Hartin has been the General Manager and Company Secretary of Central West Credit Union Limited since 1996. He has 31 years experience at management level in financial institutions including 29 years at Central West Credit Union Limited.

PRINCIPAL BUSINESS ACTIVITIES

The principal business activities of the Credit Union during the year were the provision of financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution. There were no significant changes in the nature of the Credit Union's activities during the year.

OPERATING RESULTS

The amount of profit of the Credit Union for the financial year after providing for income tax was $388,000 (2019: $527,000).

DIRECTORS' REPORT
(continued)

REVIEW OF OPERATIONS

The accompanying Statement of Financial Position shows that the Credit Union's total assets increased by $13,603,000 (7.75%) during the year ended 30 June 2020. This increase is primarily the result of an increase in member deposits resulting in increased liquid assets of $606,000 and loans to members $12,796,000.

The accompanying Statement of Comprehensive Income for the year ended 30 June 2020 reveals a profit from ordinary activities after income tax of $388,000. This represents a decrease of $139,000 (-26.38%) from the previous year. This result is primarily a result of five unrelated matters:

- Decreased net interest income of $-78,000 due to reducing interest rates.
- Increase government stimulus +$62,000.
- Increase superannuation correction to prior years -$93,000
- Increase in provision for doubtful debts -$81,000 and
- Decrease in taxation expense +$63,000.

The net profit for the year ended 30 June 2020 of $388,000 continues to provide the Credit Union with good reserves, necessary to enable the Credit Union to grow, absorb sudden changes in its business structure and to maintain adequate funds to satisfy statutory requirements as prescribed by the Australian Prudential Regulatory Authority (APRA).

REGULATORY DISCLOSURES

The Credit Union is required by APRA to publicly disclose certain information on its risk profile, risk management, capital adequacy, capital instruments and remuneration practices to contribute to the transparency of financial markets and to enhance market discipline. These disclosures can be found on the Credit Union's website, Disclosure documents; Legal and Corporate; *Prudential Disclosures* or via the following link: http://www.cwcu.com.au/disclosure-documents/legal-and-corporate

EVENTS OCCURRING AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union.

LIKELY DEVELOPMENTS AND RESULTS

There were no significant developments in the state of the affairs of the Credit Union for the majority of the year.

During February and March 2020 Australia began to experience the impacts of the Covid-19 virus which would be classified as a global pandemic by the World Health Organisation.

Covid-19 was a health pandemic that had economic repercussions. This necessitated Federal and State Government intervention to shut down the majority of the economy resulting in a significant contraction in economic activity. For the year ended 30 June 2020 the financial results of CWCU were impacted through significantly higher loan provisions.

LIKELY DEVELOPMENTS AND RESULTS (continued)

Intervention in the market by the Reserve Bank provided a level of certainty for financial institutions and injected billions of dollars into the financial system. The rapid reduction in official interest rates by the Reserve Bank has resulted in a contraction of our interest margin. CWCU responded to the pandemic by following the government's health advice and adhering to the government's restrictions, such as increasing cleaning and limiting the number of members in our office and branches. This proved effective as all staff have remained free of Covid-19 and all operations have continued unaffected.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICE HOLDERS

During the year, a premium was paid in respect of a contract insuring directors and officers of the company against liability. The officers of the Credit Union covered by the insurance contract include the directors, executive officers, secretary and employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under the insurance contract and the nature of liabilities covered is prohibited by a confidentiality clause in the contract. No insurance cover has been provided for the benefit of the auditors of the Credit Union.

ENVIRONMENTAL ISSUES

The Credit Union's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or State.

PROCEEDINGS ON BEHALF OF CREDIT UNION

No person has applied for leave of the Court to bring proceedings on behalf of the Credit Union or intervene in any proceedings to which the Credit Union is a party for the purpose of taking responsibility on behalf of the Credit Union for all or any part of those proceedings.

The Credit Union was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE

The auditors have provided a declaration of independence to the Board of Directors (the Board) prescribed by the *Corporations Act 2001* (Cwlth) as set out on page 7.

INFORMATION ON DIRECTORS

The Directors in office at the date of this report, or who held office during the course of the financial year are:

G.M. Dean

Age	59
Current Occupation	Senior Manager, Transport for NSW
Credit Union Experience	Credit Union Director for 10 years
	Director Member of Australasian Mutuals Institute
Current Board Positions	Chair of the Board of Directors
	Chair of the Corporate Governance Committee
	Chair of the Remuneration Committee
Interest in Shares	1 Member Share

A.J. Howe CA, MBA

Age	41
Current Occupation	Financial Analyst, Western NSW Local Health District
Credit Union Experience	Credit Union Director for 13 years
	Director Member of Australasian Mutuals Institute
Current Board Positions	Chair of the Risk Committee
	Member of the Audit Committee
Interest in Shares	1 Member Share

S.M. Harwood BA. LLB

Age	38
Current Occupation	Executive Director Freight, Transport For NSW
Credit Union Experience	Credit Union Director for 12 years
	Director Member of Australasian Mutuals Institute
Current Board Positions	Chair of the Audit Committee
	Member of the Risk Committee
Interest in Shares	1 Member Share

P.D. Norris

Age	68
Current Occupation	Retired
Credit Union Experience	Credit Union Director for 26 years
	Director Member of Australasian Mutuals Institute
Current Board Positions	Member of the Audit Committee
	Member of the Risk Committee
Interest in Shares	1 Member Share

INFORMATION ON DIRECTORS (continued)

R.F. Staples

Age	67
Current Occupation	Consultant
Credit Union Experience	Credit Union Director for 20 years
	Director Member of Australasian Mutuals Institute
Current Board Positions	Member of the Risk Committee
	Member of the Corporate Governance Committee
	Member of the Remuneration Committee
Interest in Shares	1 Member Share

C. L. Berry

Age	72
Current Occupation	Farmer (Retired Engineer, Cowra Shire Council)
Credit Union Experience	Credit Union Director for 28 years
	Director Member of Australasian Mutuals Institute
Current Board Positions	Member of the Audit Committee
	Member of the Corporate Governance Committee
	Member of the Remuneration Committee
Interest in Shares	1 Member Share

P.N. Scholefield

Age	77
Current Occupation	Farmer
	Company Director
Credit Union Experience	Credit Union Director for 24 years
	Director Member of Australasian Mutuals Institute
Current Board Positions	Retired 12th November 2019
Interest in Shares	1 Member Share

DIRECTORS' REPORT
(continued)

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of Committees of directors) held during the year and the numbers of meetings attended by each director were as follows:

	Board		Audit		Risk		Corporate Governance		Remuneration	
No. held	12		6		5		2		2	
	Eligible to attend:	No. Attended:	Eligible to attend:	No. Attended:	Eligible to attend:	No. Attended:	Eligible to attend:	No. Attended:	Eligible to attend:	No. Attended:
G.M. Dean	12	12	5	5	3	3	-	-	1	1
A.J. Howe	12	11	6	6	5	4	2	2	-	-
S.M. Harwood	11	8	6	4	5	5	-	-	1	0
P.D. Norris	12	12	6	6	5	5	-	-	-	-
C.L. Berry	12	11	1	1	-	-	2	2	2	2
R.F. Staples	12	11	-	-	2	2	2	2	2	2
P.N. Scholefield	4	2	-	-	-	-	1	1	-	-

* The 12 meetings held included two (2) special meetings held 12 Dec and 20 Dec.
Attendance details marked (-) denotes non-membership of the Committee.

DIRECTORS' BENEFITS

All Directors of the Credit Union have received or become entitled to receive a benefit for their duties and responsibilities as Directors. These benefits are detailed in the notes attached to these financial reports.

Signed in accordance with a resolution of the Board of Directors and is signed at Parkes on the 29th day of September 2020.

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G.M. Dean
Chair of the Board of Directors

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CHARTERED ACCOUNTANTS

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001 (CWLTH)*
TO THE DIRECTORS OF CENTRAL WEST CREDIT UNION LIMITED

I declare that to the best of my knowledge and belief, during the year ended 30 June 2020, there have been:

(i) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* (Cwlth) in relation to the audit; and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

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John O'Malley
Director

23 Sale Street
Orange
Dated: 29th September 2020

STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $'000	2019 $'000
Interest revenue	4.1	6,216	6,745
Interest expense	4.2	(1,798)	(2,249)
Net interest income		4,418	4,496
Fees, commissions and other income	5	589	514
Total interest and fee income		5,007	5,010
Non-interest expenses:			
Impairment (losses)/gains on loans receivable from members	6	(87)	(5)
General administration:			
- Employees compensation and benefit	6	(1,813)	(1,739)
- Depreciation and amortisation	6	(221)	(228)
- Information technology	6	(685)	(645)
- Occupancy expenses	6	(170)	(227)
- Other administration		(946)	(937)
- Procedures and compliance	6	(197)	(103)
- Corporate Governance	6	(150)	(168)
- Other operating expenses		(215)	(233)
Total non-interest expenses		(4,484)	(4,285)
Profit for the year before income tax		523	725
Income tax expense	8	(135)	(198)
Profit for the year after income tax		**388**	**527**
Other comprehensive income, net of income tax			
Movement in reserve for equity instruments at FVOCI	20	**(82)**	208
Total comprehensive income for the period		**(82)**	**208**

The Credit Union has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

The accompanying notes form part of these financial statements.

CENTRAL WEST CREDIT UNION LIMITED
ABN 67 087 649 885

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Retained Earnings $'000	Redeemed Capital Account $'000	Reserve for Credit Losses $'000	FVOCI Reserve $'000	Total $'000
As at 30 June 2018	18,871	151	346	-	19,368
Balance as at 1 July 2018					
Changes on initial adoption of AASB 9	-	-	-	208	208
Adjusted balance as at 1 July 2018	18,871	151	346	208	19,576
Profit for the year after income tax	527	-	-	-	527
Transfer to / (from) reserves	(4)	4	-	-	-
Transfer from retained earnings to reserve for credit losses	(13)	-	13	-	-
As at 30 June 2019	19,381	155	359	208	20,103
Profit for the year after income tax	388	-	-	-	388
Transfer to / (from) reserves	(10)	10	-	-	-
Movement in FVOCI reserve on revaluation of investment				(82)	(82)
Transfer from retained earnings to reserve for credit losses	(33)	-	33	-	-
As at 30 June 2020	19,726	165	392	126	20,409

The accompanying notes form part of these financial statements.

CENTRAL WEST CREDIT UNION LIMITED
ABN 67 087 649 885

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	2020 $'000	2019 $'000
Assets:			
Cash and liquid assets	9	7,265	10,369
Accrued receivables	10	653	628
Prepayments		72	111
Loans and advances to members	11	120,792	107,996
Investment securities	12	58,711	55,001
Property, plant and equipment	13	1,253	1,296
Right-of-use assets	15	209	-
Taxation assets	18	127	97
Intangibles	14	87	68
Total Assets		189,169	175,566
Liabilities:			
Deposits from members	16	166,458	153,970
Payables and other liabilities	17	1,621	1,022
Provisions	19	416	340
Lease Liabilities	15	178	-
Taxation liabilities	18	87	131
Total Liabilities		168,760	155,463
Net Assets		**20,409**	**20,103**
Members' Equity:			
Redeemed capital account		165	155
Reserve for credit losses		392	359
FOCI Reserve	20	126	208
Retained earnings		19,726	19,381
Total Members' Equity		**20,409**	**20,103**

The Credit Union has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

The accompanying notes form part of these financial statements.

CENTRAL WEST CREDIT UNION LIMITED
ABN 67 087 649 885

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities:			
Revenue inflows:			
Interest received on loans		5,110	5,137
Interest received on investments		1,145	1,758
Dividends received		34	16
Fees and commissions received		486	462
Other income		70	35
Revenue outflows:			
Interest paid on members' savings		(1,887)	(2,265)
Interest paid on borrowings		-	-
Payments to suppliers and employees		(4,099)	(4,064)
Income taxes paid		(178)	(167)
Net cash flows from revenue activities	32.3	681	912
Members' loan repayments		15,121	18,708
Members' loan fundings		(28,004)	(25,055)
Net increase in member deposits and shares		12,488	7,353
Net increase / (decrease) in members' clearing accounts		631	(19)
Net (increase) / decrease in deposits to other financial institutions		(3,820)	694
Net cash provided by operating activities		(2,903)	2,593
Cash flows from investing activities:			
Consideration for property, plant and equipment sold		55	-
Payment for property, plant and equipment		(119)	(24)
Payment for intangibles		(70)	(44)
Net cash used in investing activities		(134)	(68)
Cash flows from financing activities:			
Repayment of finance lease liabilities (principal)		(67)	-
Net cash used in financing activities		(67)	-
Net increase / decrease in cash held		(3,104)	2,525
Cash held at the beginning of the year		10,369	7,844
Cash held at the end of the year	32.2	**7,265**	**10,369**

The Credit Union has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. BASIS OF PREPERATION

Statement of Compliance

These financial statements are prepared for Central West Credit Union Limited (the Credit Union) as a single credit union, for the year ended 30 June 2020. The Credit Union is a company, limited by shares, incorporated and domiciled in Australia. The statements were authorised for issue on 29th September 2020 in accordance with a resolution of the Board.

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* (Cwlth). The entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial statements are presented in Australian dollars. The amounts presented in the financial statements have been rounded to the nearest thousand dollars ($'000).

Comparatives are consistent with prior years, except for the information relating to leases due to the modified retrospective adoption of AASB 16.

2. CHANGES IN ACCOUNTING POLICIES

Leases - Adoption of AASB 16

The Credit Union has adopted AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method from 1 July 2019 and therefore the comparative information for the year ended 30 June 2020 has not been restated and has been prepared in accordance with AASB 117 *Leases* and associated Accounting Interpretations.

Impact of adoption of AASB 16

The impact of adopting AASB 16 is described below:

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Leases - Adoption of AASB 16 (continued)

Credit Union as a lessee

Under AASB 117, the Credit Union assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Credit Union or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low value assets).

The Credit Union has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases are recognised in the statement of profit or loss and other comprehensive income on a straight line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition, the Credit Union has used the following expedients:

- contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16;
- lease liabilities have been discounted using the Company's incremental borrowing rate at 1 July 2019;
- right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by any prepaid or accrued lease payments;
- a single discount rate was applied to all leases with similar characteristics;
- used hindsight when determining the lease term is the contract contains options to extend or terminate the lease;
- for leases which were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are the same value as the leased asset and liability on 30 June 2019.

Financial statement impact of adoption of AASB 16

The impacts to reserves and retained earnings on adoption of AASB 9 at 1 July 2018 are shown below:

The Credit Union has recognised right-of-use assets of $274,493 at 1 July, 2019, for leases previously classified as operating leases.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Leases - Adoption of AASB 16 (continued)

Financial statement impact of adoption of AASB (continued)

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July, 2019 was 0.92%.

	$'000
Operating lease commitments at 30 June 2019 financial statements	90
Discounted using the incremental borrowing rate at 1 July, 2019	88
Add:	
Exercise of options	186
Less:	
Lease liabilities recognised at 1 July, 2019	274

Company as a lessor

For the arrangements where the Credit Union is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

The Credit Union has applied AASB 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Loans to members

(i) Basis of recognition

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost. Any material difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the loans using the effective interest method.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Credit Union at balance date, less any allowance or provision against debts considered doubtful. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the Board.

APRA has mandated that interest is not recognised as revenue after contractually obligated payments have not been made for more than 90 days for a loan facility.

(ii) Interest earned

Term Loans - The loan interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

Overdraft – The overdraft interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a member's account on the last of each month.

Non-Accrual Loan Interest – while still legally recoverable, interest is not brought where a loan is impaired.

(iii) Loan origination fees and discounts

Loan establishment fees and discounts are brought to account as income upon funding of the loan. The amounts brought to account are included as part of fee revenue.

(iv) Transaction costs

Transaction costs are expenses that are direct and incidental to the establishment of the loan. The amounts brought to account are included as part of interest revenue.

(v) Fees on loans

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Loan impairment

(i) Provision for impairment

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

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

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

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

Measurement of ECL

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

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

Note 21.2(i) details the credit risk management approach for loans.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Loan impairment (continued)

(ii) Reserve for credit losses

In addition to the above specific provision, the Board has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties in the future. The reserve is based on an estimation of potential risk in the loan portfolio based upon:

- The level of security taken as collateral;
- The actual number of days loans are delinquent; and
- Historical Bad Debt write-off performance.

(iii) Renegotiated loans

Loans which are subject to renegotiated terms which would have otherwise been impaired do not have the repayment arrears diminished and interest continues to accrue to income. Each renegotiated loan is retained at the full arrears position until the normal repayments are reinstated and brought up to date and maintained for a period of 6 months.

3.3 Bad debts written off

Bad debts are written off from time to time as determined by management and the Board when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provision for impairment previously recognised. If no provision had been recognised, the write offs are recognised as expenses in the Statement of Comprehensive Income.

3.4 Property, plant and equipment

(i) Determination of carrying values

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

(ii) Depreciation

The depreciable amount of all fixed assets including building assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Credit Union commencing from the time the asset is held ready for use. Estimated useful lives are as follows:

Property	40 years
Improvements	5 to 7 years
Plant and Equipment	3 to 7 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Comprehensive Income.

Assets with a cost less than $500 are not capitalised.

3.5 Intangible assets

Capitalised software costs that are not an integral part of the associated hardware are classified as intangibles, and are amortised over the useful life of the asset and assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation of the intangible asset is recognised as an expense in the Statement of Comprehensive Income.

Intangible assets are amortised over the expected useful life of the software of 3 to 5 years.

3.6 Financial instruments

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Credit Union becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Credit Union commits itself to either purchase or sale of the asset (i.e. trade date accounting is adopted).

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

(ii) Initial recognition and measurement (continued)

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

(iii) Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including arm's length transactions, reference to similar instruments and option pricing models.

Financial assets are classified into the following categories upon initial recognition:

- Amortised cost;
- Fair value through profit or loss (FVPL); or
- Fair value through other comprehensive income (FVOCI).

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

(ii) Classification and subsequent measurement (continued)

Subsequent measurement of financial assets

Financial assets at amortised costs

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Central West Credit Union's cash equivalents (NCD, FRN & TDs) fall into this category of financial instruments.

Financial assets at Fair Value through Profit or Loss (FVPL)

Financial assets that are within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised as fair value through profit or loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Fair Value through Other Comprehensive Income (FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. This category includes unlisted equity securities – CUSCAL Ltd and TAS.

(iii) Impairment

At the end of each reporting period, Central West assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are immediately recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

(iv) Derecognition

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

3.7 Members' deposits

(i) Basis for measurement

Member savings and term investments are initially measured at fair value plus transaction costs, and subsequently measured at amortised cost.

(ii) Interest payable

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

3.8 Employee benefits

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

Provision is made for the Credit Union's liability for employee benefits arising from services rendered by employees to the reporting date. Employee benefits expected to be settled within one year, have been measured at their nominal amount.

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Employee benefits (continued)

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

Annual leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at the reporting date. Annual leave is reflected as part of the sundry creditors and accruals.

Contributions are made by the Credit Union to an employee's superannuation fund and are charged to profit or loss as incurred.

3.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three (3) months or less, and bank overdrafts.

3.10 Leases

For comparative year
Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

For current year
At inception of a contract, the Credit Union assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Credit Union has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Credit Union has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Leases (continued)

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

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

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

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

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

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or the remeasurement is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

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

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Leases (continued)

Lessor accounting

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

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 Revenue from Contracts with Customers.

The lease income from operating leases is recognised on a straight line basis over the lease term. Finance income under a finance lease is recorded on a basis to reflect a constant periodic rate of return on the Credit Union's net investment in the lease.

3.11 Income tax

The income tax expense shown in the Statement of Comprehensive Income is based on the operating profit before income tax adjusted for any non tax-deductible or non-assessable items between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 27.5%.

Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation; and the anticipation that the Credit Union will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a future income tax benefit to be obtained.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Goods and services tax

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

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of the GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included where applicable GST is collected.

The net amount of GST recoverable from, or payable to the Australian Tax Office (ATO), is included as a current asset or current liability in the Statement of Financial Position.

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

3.13 Accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within Central West.

Management have made critical accounting estimates when applying Central West's accounting policies with respect to the impairment provisions for loans - refer Note 11.

3.14 New standards applicable for the current year

The Credit Union has adopted all standards which became effective for the first time at 30 June 2020, refer to Note 2 for details of the changes due to standards adopted.

3.15 New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Credit Union has decided not to early adopt these Standards. The Credit Union's assessment of the impact of these new standards and new interpretation is that these are not significant and not likely to impact the financial report of the Credit Union and as such have not been reported on.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020
(continued)

4. INTEREST REVENUE AND INTEREST EXPENSE

4.1 Interest revenue

	2020 $'000	2019 $'000
Interest revenue on assets carried at amortised cost:		
Receivables from financial institutions	1,106	1,608
Loans to members	5,110	5,137
Total interest revenue	6,216	6,745

4.2 Interest expense

	2020 $'000	2019 $'000
Interest expense on liabilities carried at amortised cost:		
Members savings deposits	881	1,077
Term deposits	917	1,172
Total interest expense	1,798	2,249

5. FEE, COMMISSIONS AND OTHER INCOME

Fees and commissions revenue

	2020 $'000	2019 $'000
Fee income on loans	63	69
Other fee income	233	187
Insurance commissions	86	103
Other commissions	104	103
Total fee and commission revenue	486	462

Other income

	2020 $'000	2019 $'000
Dividends received on available for sale assets	34	16
Bad debts recovered	7	7
Miscellaneous revenue	62	29
Total fee and commission revenue	103	52
Total fees, commissions and other income	589	514

6. NON INTEREST EXPENSE

6.1 Impairment losses

Loans and advances

	2020 $'000	2019 $'000
Increase in provision for impairment	87	5
Bad debts written off directly against profit	-	-
Total impairment losses	87	5

6.2 Prescribed disclosures

Depreciation and amortisation		
Depreciation	171	123
Amortisation of intangible assets	50	105
Total depreciation and amortisation	221	228
Information technology	685	645
Property expenses	170	227
Procedures and compliance	197	103
Corporate governance	150	168
Employee benefits expenses		
Salaries	1263	1,245
Annual leave	125	119
Long service leave	32	41
Sick leave	42	36
Superannuation and other	351	298
Total employee benefits expenses	1,813	1,739

6. NON INTEREST EXPENSE (Continued)

6.2 Individually significant items of expenditure

The following items of expense are shown as part of other administration and other operating expenses and are considered to be significant to the understanding of the financial performance of the Credit Union:

	2020 $'000	2019 $'000
Card transaction fees	435	403
Printing and stationery	15	23
ATM encashment fees	30	42
Insurance	78	69

7. AUDITOR'S REMUNERATION

Amounts received or due and receivable by the auditors of the Credit Union for:

Audit of the financial statements	43	42
Other services	9	9
	52	51

8. INCOME TAX

8.1 Current Tax Expense

The components of tax expense comprise:		
Current income tax payable	162	190
Decrease / (Increase) in deferred tax asset	(30)	8
Decrease / (Increase) in deferred tax liability	34	-
Change in tax rate	(8)	-
Rent payments treated as depreciation for accounting	(18)	-
Under provision in respect of prior years	(5)	-
Total tax expense	135	198

8. INCOME TAX (continued)

8.2 Reconciliation of Current Year Tax Payable to Income Tax Expense

	2020 $'000	2019 $'000
Prima facie tax on profit before income tax at 27.5%	144	199
Plus / (Less) tax effect of:		
- Employees compensation and benefit	3	2
- Entertainment	3	-
- Change in tax rate	8	-
- Depreciation and amortisation	1	1
- Dividend rebate	(10)	(4)
- Tax Free – Government Stimulus rec'd	(14)	-
	135	198
The applicable weighted average tax rates	27.5%	27.5%

9. CASH AND LIQUID ASSETS

Cash on hand	755	783
Cash at Bank	6,510	9,586
	7,265	10,369

10. ACCRUED RECEIVABLES

Sundry debtors and clearing accounts	298	234
Interest receivable on receivables from other financial institutions	355	394
	653	628

11. LOANS AND ADVANCES

	2020 $'000	2019 $'000
Overdrafts and revolving credit	1,502	1,523
Term loans	119,376	106,478
	120,878	108,001
Less: Provision for impaired loans	(86)	(5)
	120,792	107,996

11.1 Credit quality – security held against loans

Secured by mortgage over real estate	110,123	99,308
Partly secured by goods mortgage	4,575	4,443
Secured by members' deposits	369	417
Secured by Guarantee	1,417	981
Wholly unsecured	4,394	2,852
	120,878	108,001

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

Security held as mortgages against real estate:		
- Loan to valuation ratio of less than 80%	97,265	90,744
- Loan to valuation ratio of more than 80% but mortgage insured	7,495	7,494
- Loan to valuation ratio of more than 80% but not mortgage insured	5,363	1,070
	110,123	99,308

11.2 Concentration of loans

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

(i)	Loans to individuals or related groups of members which exceed 5% of capital – aggregate value	5,378	4,337

(ii) Loans to members are mainly concentrated in Central New South Wales. All loans are within Australia.

11. LOANS AND ADVANCES (continued)

11.2 Concentration of loans (continued)

	2020 $'000	2019 $'000
(iii) Loans by type were:		
- Residential loans and facilities	104,448	91,450
- Personal loans and facilities	9,085	9,255
- Business loans and facilities	7,345	7,296
	120,878	108,001

11.3 Movement in the provision for impairment

	2020	2019
Opening balance	5	17
Bad debts written off against provision	(6)	(17)
Loans provided for during the year	87	5
	86	5

11.4 Impaired Loans Written Off

	2020	2019
Increase to the provision	87	5
Amounts written off directly to expense	-	-
	87	5

11.5 Amounts arising from ECL

The loss allowance as of the year end by class of exposure/asset are summarised in the table below. Comparative amounts for 2019 represent allowance account for credit losses and reflect measurement basis under AASB 139.

	Gross Carrying Value 2020 $'000	ECL Allowance 2020 $'000	Carrying Value 2020 $'000	Gross Carrying Value 2019 $'000	Provision for Impairment 2019 $'000	Carrying Value 2019 $'000
Loans to members						
Mortgage	110,291	42	110,249	97,223	-	97,223
Personal	9,085	45	9,040	9,255	5	9,250
Overdrafts	1,502	-	1,502	1,523	-	1,523
Total	120,878	87	120,791	108,001	5	107,996

The Credit Union have performed an analysis of the ECL allowance and have determined, based on internal analysis, management judgements and other historical data, that the entire allowance for 2020 is classified as Stage 2.

11. LOANS AND ADVANCES (Continued)

11.6 Analysis of loans that are impaired based on age of repayments outstanding

	2020 Carrying Value $'000	2020 Provisions $'000	2019 Carrying Value $'000	2019 Provisions $'000
0 to 90 days in arrears	15	4	10	5
90 to 180 days in arrears	-	-	-	-
180 to 270 days in arrears	38	15	-	-
270 to 365 days in arrears	-	-	-	-
Over 365 days in arrears	-	-	-	-
Over limit facilities over 14 days	14	13	-	-
Total	67	32	10	5

Some impaired loans are secured by bill of sale over motor vehicles or other assets of varying value. It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and their condition.

11.7 Loans with repayments past due but not regarded as impaired

There are loans with a value of $3,201,250 past due which are not considered to be impaired, due to the very short number of days past due. It is not practicable to identify the security over all loans past due.

Loans with repayments past due but not impaired are in arrears as follows:

	0-3 months	3-6 months	6-12 months	> 1 year	Total
2020					
Mortgage & personal	3,201	-	-	-	3,201
Credit cards	-	-	-	-	-
Overdrafts	-	-	-	-	-
Total	3,201	-	-	-	3,201
2019					
Mortgage & personal	897	-	-	-	897
Credit cards	-	-	-	-	-
Overdrafts	-	-	-	-	-
Total	897	-	-	-	897

11. LOANS AND ADVANCES (Continued)

	2020 $'000	2019 $'000
11.8 Assets acquired via enforcement of security		
Residential Property	-	-

It is the policy of the Credit Union is to sell the assets via auction at the earliest opportunity after all measures to assist the members to repay the debts have been exhausted.

11.9 Key assumptions in determining impairment

In the course of the preparation of the financial statements the Credit Union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union estimates the potential impairment using the length of time the loan is in arrears and the historical losses arising in past years. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment.

Period of Impairment	% of balance
Up to 90 days	0
90 days to 181 days	40
181 days to 270 days	60
270 days to 365 days	80
Over 365 days	100

12. INVESTMENT SECURITIES

	2020 $'000	2019 $'000
Investment securities at amortised cost		
Negotiable Certificate of Deposits	1,974	1,976
Floating Rate Notes	32,700	27,300
Term Deposits	23,600	25,178
Equity investment securities designated as FVOCI		
Cuscal	424	534
TAS	13	13
Total Value of Investments	**58,711**	**55,001**

13. PROPERTY, PLANT AND EQUIPMENT

	2020 $'000	2019 $'000
Land	140	140
Buildings – at cost	1,565	1,564
Less: provision for depreciation	(619)	(574)
	946	990
Plant and equipment – at cost	939	1,092
Less: provision for depreciation	(772)	(926)
	167	166
Total property, plant and equipment	1,253	1,296

The movements in the carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year is shown below:

	Beginning balance $'000	Additions $'000	Disposals WDV $'000	Depreciation expense $'000	Carrying amount at year end $'000
Land	140	-	-	-	140
Buildings	990	2	-	(47)	945
Plant & Equipment	166	115	(55)	(58)	168
Totals	1,296	117	(55)	(105)	1,253

14. INTANGIBLE ASSETS

	2020 $'000	2019 $'000
Computer software – at cost	876	839
Less: accumulated amortisation	(789)	(771)
Total intangible assets	87	68

14. INTANGIBLE ASSETS (continued)

The movement in the carrying amounts for the member transaction system software between the beginning and end of the current financial year is shown below:

	Beginning balance $'000	Additions $'000	Disposals WDV $'000	Amortisation expense $'000	Carrying amount at year end $'000
Member Transaction System	68	69	-	(50)	87
Totals	68	69	-	(50)	87

15. LEASES

The Credit Union has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

Company as a lessee

The Credit Union has leases associated with assets such as buildings, due to the Cowra and Forbes branches.

Information relating to the leases in place and associated balances and transactions are provided below.

Terms and conditions of leases
The building leases are for the branches in Cowra and Forbes. The Cowra lease is for 3 years with two options of 2 years each. The Forbes lease is for 2 years with two options of 2 years each.

The Credit Union deems it appropriate to account for the leases first option, however the second options will be reconsidered closer to the time.

Right-of-use assets

	Buildings $	Total $
Year ended 30 June 2020		
Balance at beginning of year	-	-
Change due to adoption of AASB 16	274	274
Depreciation charge	(65)	(65)
Balance at end of year	209	209

15. LEASES (continued)

Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year $	1 – 5 years $	> 5 years $	Total undiscounted lease liabilities	Lease liabilities included in this Statement of Financial Position
2020					
Lease Liabilities	67	114	-	181	178

Extension options

A number of the building leases contain extension options which allow the Credit Union to extend the lease term by up to twice the original non-cancellable period of the lease. The Credit Union includes options in the leases to provide flexibility and certainty to the Credit Unions operations and reduce costs of moving premises and the extension options are at the Credit Union's discretion.

At commencement date and each subsequent reporting date, the Credit Union assesses where it is reasonably certain that the extension options will be exercised.

There are no potential future lease payments which are not included in the lease liability as the credit union has assessed that the exercise of the option is not reasonably certain.

Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases where the Credit Union is a lessee are shown below:

	2020 $
Interest expense on lease liabilities	2
Expenses relating to leases of low-value assets	-
Depreciation of right-of-use assets	65
	67
Statement of Cash Flows	
Total cash outflow for leases	67

16. DEPOSITS FROM MEMBERS

	2020 $'000	2019 $'000
Member deposits carried at amortised cost:		
- At call	115,909	100,228
- At term	50,452	53,640
Member withdrawable shares	97	102
	166,458	153,970

There were no defaults on interest and capital payments on this liability in the current or prior year.

16.1 Concentration of member deposits

Member deposits held by individuals or related groups of members that exceed 5% of liabilities	-	-

17. PAYABLES AND OTHER LIABILITIES

	2020 $'000	2019 $'000
Payables and accrued expenses	132	138
Accrued interest payable	195	284
Members' clearing accounts	1,289	595
Provision for FBT	5	5
	1,621	1,022

18. TAXATION ASSETS AND LIABILITIES

18.1 Taxation liabilities

Income tax	42	52
Deferred tax	45	79
	87	131

The movement in deferred tax liability during the year is as follows:

Opening balance	(79)	(1)
Tax due on assets held at fair value investments held in equity (due to initial adoption of AASB 9)	27	(78)
Charge to statement of comprehensive income as a result of the change in tax rate	7	-
Closing balance	(45)	(79)

18. TAXATION ASSETS AND LIABILITIES (continued)

	2020 $'000	2019 $'000
18.2 Taxation assets		
Loans	22	2
Employee Leave Entitlements	96	94
FBT provision	1	1
Make Good Provision	8	-
Superannuation	-	-
	127	97

(i) Deferred tax assets

The movement in deferred tax assets for each temporary difference during the year is as follows:

	2020 $'000	2019 $'000
Provision for impaired loans		
Opening balance	2	5
Charge to Statement of Comprehensive Income	18	(3)
Adjustment to statement of comprehensive income as a result of the change in tax rate	2	-
Closing balance	22	2
Employee leave entitlements		
Opening balance	94	90
Charge to Statement of Comprehensive Income	5	-
Adjustment to statement of comprehensive income	(3)	4
Closing balance	96	94
Superannuation		
Opening balance	-	9
Charge to Statement of Comprehensive Income	-	(9)
Closing balance	-	-
Other		
Opening balance	1	1
Adjustment to Statement of Comprehensive Income	8	-
Closing balance	9	1

19. PROVISIONS

	2020 $'000	2019 $'000
Annual leave	122	102
Long service leave	262	238
Make Good Lease Provision	32	-
	416	340

19.1 Reconciliation of provision balances

The movement in each provision category during the year is as follows

	2020	2019
Annual leave		
Opening balance	102	113
Additional provision raised during the year	125	119
Amounts used	(105)	(130)
Closing balance	122	102
Long service leave		
Opening balance	238	212
Additional provision raised during the year	32	41
Amounts used	(8)	(15)
Closing balance	262	238

20. FVOCI RESERVE

	2020	2019
FVOCI reserve – Shares		
Opening balance	208	-
Increase/(decrease): on revaluation of investment	(110)	287
Add/(deduct): deferred tax thereon	27	(79)
Impact of change in tax rate	1	-
Closing balance	126	208

The Credit Union has elected to recognise changes in fair value of certain investments in equity securities in Other Comprehensive Income. These changes are accumulated within the FVOCI reserve within equity. The Credit Union transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

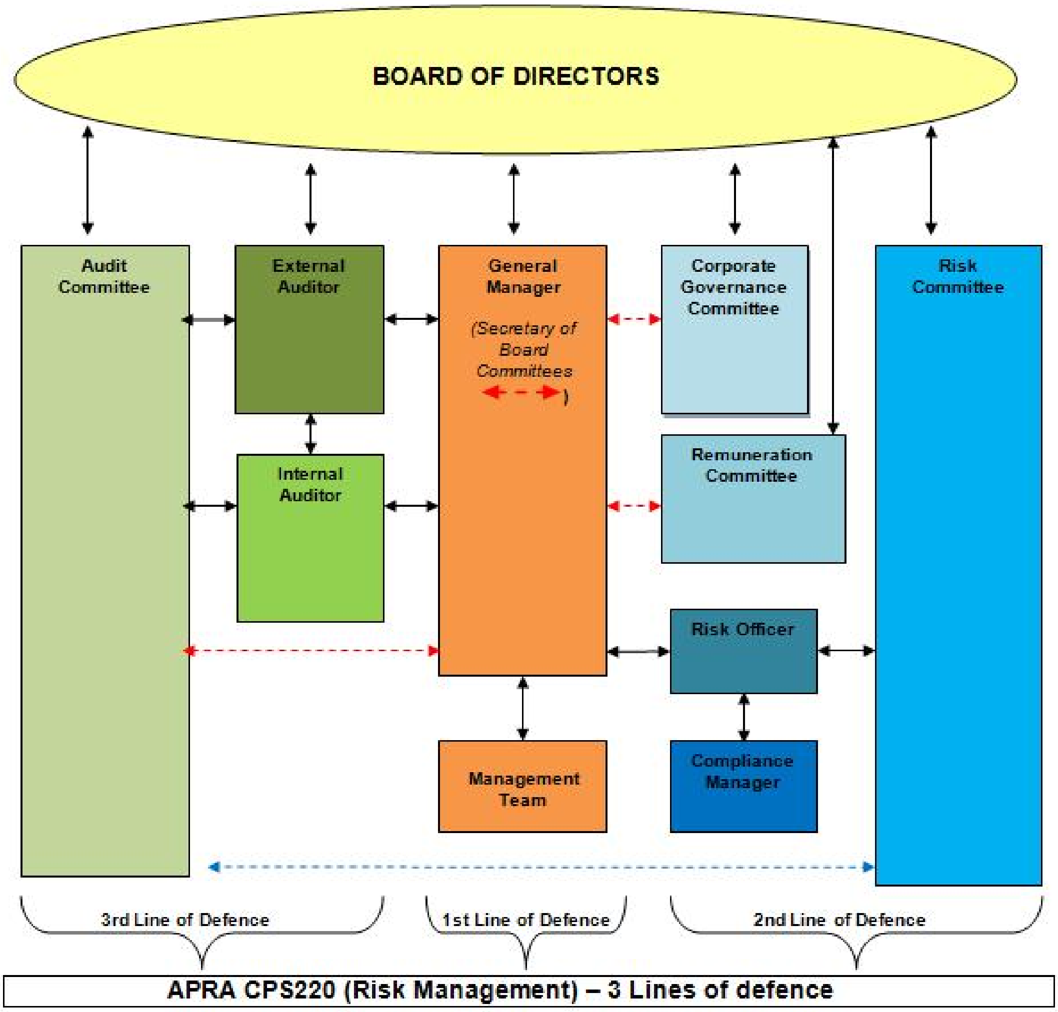
Introduction

The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union.

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

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

integral to the management of risk. The following diagram gives an overview of the risk management structure.



Board of Directors

This is the primary governing body. It approves the level of risk which the Credit Union is exposed to and the framework for reporting and mitigating those risks.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Risk Committee

The Risk Committee plays a key role in assisting the board of directors to fulfil its corporate governance and overseeing responsibilities in relation to the Credit Union's identification of risk, monitoring of risk and oversight of risk management systems developed to manage risk within the Board's risk appetite.

The Committee carries out regular review of the management and reporting practices of the Credit Union. Overseeing and appraising the effectiveness of the Credit Union's internal risk management program and systems, including: Compliance, Operational Risk, Fraud & AML programs, Due Diligence assessment, Lending & Collection policies, processes and Provisioning practices. The Committee considers the adequacy of the Credit Unions Credit, Capital, Liquidity, Operational and Market Risk controls. It also determines policies to ensure the Credit Union's Risk Strategy is adhered to and monitoring adherence to those policies.

The Risk Committee monitors compliance with the framework laid out in the policy and reports in turn to the Board with relevant recommendations for Board consideration.

Audit Committee

The Audit Committee plays a key role in assisting the board of directors to fulfil its corporate governance and overseeing responsibilities in relation to the Credit Union's financial reporting, internal control system, and the internal and external audit functions

The Committee carries out a regular review of all operational areas through the Internal Audit function, external compliance reviews and Management reporting to ensure that operational risks are being properly controlled and reported. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

The Audit Committee monitors compliance with the framework laid out in the policy and reports in turn to the Board with relevant recommendations for Board consideration.

Corporate Governance Committee

The Committee meets at least bi-annually to manage and monitor the corporate governance functions of the Board of Directors of Central West Credit Union to ensure that the Board discharges its corporate responsibilities to the benefit of all stakeholders.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Corporate Governance Committee (continued)

Duties of the Corporate Governance Committee include:

- Initiate and perform annual review of the Corporate Governance Policy for subsequent Board consideration, with a specific focus on developments in relation to the current regulatory environment and the Credit Union's current risk profile and complexity of business;
- Establishing and monitoring the Credit Union's Remuneration Policy;
- Establishing and monitoring the Credit Union's Board Performance Evaluation Policy and process; and
- Establishing and monitoring the Credit Union's Board Composition, Succession, and Renewal Policy.

Remuneration Committee

The Committee's primary responsibility is to ensure that the Credit Union's Remuneration Policy and practices appropriately align remuneration and risk management in compliance with prudential standards. This responsibility covers the following specific duties:

- Conducting regular reviews of the Remuneration Policy to ensure it is effective; compliant with prudential requirements and encompasses the three key groups subject to the policy; and
- Making recommendations to the Board regarding the remuneration of the three key groups subject to the policy, in particular the General Manager, the Assistant General Manager and the non-executive Directors.

Internal Audit

Internal audit has responsibility for implementing the controls testing and assessment as required by the Audit Committee.

External Audit

The external auditor has responsibilities to the Board, Credit Union members, APRA and ASIC.

Chief Risk Officer

The Credit Union's Chief Risk Officer is an external staffing resource which has been established to assist with the provision of structure, coordination of all risk related functions and systems, the maintenance of the Credit Union's overall Risk Management systems and development of a positive risk culture throughout the organisation.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Compliance Manager

The Credit Union's Compliance Manager is an internal staffing resource which has been established to assist with the provision of structure, coordination of compliance functions and systems, and the performance of regular internal "compliance checking" procedures. The Compliance Manager has a primary role of establishing, developing and increasing the culture of compliance within the Credit union.

Key Risk Management Policies

Key risk management policies encompassed in the overall risk management framework include:

- Interest rate risk;
- Liquidity management;
- Credit risk management; and
- Operations risk management including data risk management.

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

21.1 Market risk

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

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

(i) Interest rate risk

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

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

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

21.1 Market risk (continued)

(ii) Interest rate risk in the banking book

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

The interest rate risk on the banking book is reported to the Board monthly.

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

The table set out in Note 24 displays the period that each asset and liability will reprice as at the balance date. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

(iii) Method of managing risk

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

(iv) Interest rate sensitivity

The Credit Union's exposure to market risk is measured and monitored using interest rate sensitivity models.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

21.1 Market risk (continued)

(iv) Interest rate sensitivity (continued)

The policy of the Credit Union to manage the risk is to maintain a balanced 'on book' strategy by ensuring the cumulative sensitivity between assets and liabilities are not excessive. The measured sensitivity not to be exceeded is 2% of the Credit Unions' capital. The cumulative sensitivity is measured monthly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposits liabilities to rectify the imbalance to within acceptable levels. The policy of the Credit Union is not to undertake derivatives to match the interest rate risks. The Credit Union's exposure to interest rate risk is set out in Note 24 which details the contractual interest change profile.

The Board monitors these risks through monthly management reports.

There has been no change to the Credit Union's exposure to market risk or the way the Credit Union manages and measures market risk in the reporting period

21.2 Credit risk

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

(i) Credit risk – loans

The analysis of the Credit Union's loans by class is as follows:

Loan class	2020 Carrying value $'000	2020 Off balance sheet $'000	2020 Maximum Exposure $'000	2019 Carrying value $'000	2019 Off balance sheet $'000	2019 Maximum Exposure $'000
Housing	104,448	15,527	119,975	91,450	14,720	106,170
Personal	9,085	2,092	11,177	9,255	1,941	11,196
Commercial	7,345	1,301	8,646	7,296	1,296	8,592
Total	120,878	18,920	139,798	108,001	17,957	125,958

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

21.2 Credit risk (continued)

(i) Credit risk – loans (continued)

Carrying value is the value in the Statement of Financial Position. Maximum exposure is the value in the Statement of Financial Position plus the undrawn facilities (loans approved but not advanced, redraw facilities, etc.).

All loans and facilities are within Australia. The geographic distribution is not analysed into significant areas within Australia as the exposure classes are not considered material. Loans to members are mainly concentrated in Central New South Wales.

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

The Credit Union has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value to individual borrowers, non-mortgage secured loans and commercial lending;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies.

A regular review of compliance with these policies is conducted as part of the internal audit scope.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

21.2 Credit risk (continued)

(i) Credit risk – loans (continued)

Past due and impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a member enters into a lending agreement with the Credit Union that requires interest and a portion of the principal to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past due. Past due does not mean that a counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants or legal proceedings. Once the past due exceeds 90 days the loan is regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

Weekly reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days. For loans where repayments are doubtful, external consultants may be engaged to conduct recovery action once the loans are over 90 days in arrears. The exposure to losses is predominantly in personal loans and facilities not secured by registered mortgages over real estate.

If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the Statement of Comprehensive Income. In estimating these cash flows, management makes judgements about a counter-party's financial situation and the net realisable value of any underlying collateral.

In addition to specific provisions against individually significant financial assets, the Credit Union makes collective assessments for each financial asset portfolio segmented by similar risk characteristics.

Provisions in the Statement of Financial Position are maintained at a level that management deems sufficient to absorb probable incurred losses in the Credit Union's loan portfolio from homogenous portfolios of assets and individually identified loans.

A provision for incurred losses is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

21.2 Credit risk (continued)

(i) Credit risk – loans (continued)

Past due and impaired (continued)

The provisions for impaired and past due exposures relate to the loans to members.

Details of past due and impaired loans are as set out in Note 11.

Bad debts

Amounts are written off when collection of the loan or advance is considered to be remote. All write-offs are on a case by case basis and must be approved by the Board, taking account of the exposure at the date of the write off.

On secured loans, the write-off takes place upon the ultimate realisation of collateral value or from claims on any related mortgage insurance.

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

Collateral securing loans

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

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

Concentration risk – individuals

Concentration risk is a measurement of the Credit Union's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the Credit Union's regulatory capital (10%) a large exposure is considered to exist. No capital is required to be held against these exposures but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark to be higher than acceptable.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

21.2 Credit risk (continued)

(i) Credit risk – loans (continued)

Concentration risk – individuals (continued)

The aggregate value of large exposure loans are set out in Note 11. The Credit Union currently holds $5,378,194 in significant concentrations of exposures to members. Concentration exposures to counterparties are closely monitored.

Concentration risk – industry

There is no concentration of credit risk with respect to loans and receivables as the Credit Union has a large number of customers dispersed in areas of employment.

The Credit Union has a concentration in the retail lending for members who reside in Central NSW. This concentration is considered acceptable on the basis that the Credit Union was formed to service these members and the employment concentration in the area is not exclusive. Should members leave the area, the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans.

(ii) Credit risk – liquid investments

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Credit Union.

There is no concentration of credit risk with respect to investment receivables. The credit policy is that investments are only made to institutions that are creditworthy. Directors have established policies that, excluding CUSCAL, a maximum of 50% of capital can be invested with any one financial institution at a time.

The risk of losses from liquid investments is reduced by the nature and quality of the independent rating of the investment body and the limits to concentrating investments in one institution.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)
21.2 Credit risk (continued)

(ii) Credit risk – liquid investments

Under the liquidity support scheme, at least 3% of the Credit Union's total assets must be invested in CUSCAL and / or a Bank Financial Support Scheme (CUFSS) approved Authorised Deposit-taking Institution (ADI), to allow the scheme to have adequate resources to meet its obligations if needed.

All other rated investment must be with financial institutions with a Standards & Poors (S&P) short term rating in excess of BBB. Investments with unrated institutions are subject to financial review and board approval.

External credit assessment for institution investments

The Credit Union uses the ratings of S&P to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA Prudential Guidance Note AGN 112. The credit quality assessment scale within this standard has been complied with.

The investment exposure values associated with each credit quality step are as follows:

	2020 Carrying value $'000	2020 Past due value $'000	2020 Provision $'000	2019 Carrying value $'000	2019 Past due value $'000	2019 Provision $'000
CUSCAL (A+)	3,100	-	-	3,100	-	-
Banks (BBB and above)	52,174	-	-	51,711	-	-
Unrated	3,000	-	-	4,000	-	-
Total	58,274	-	-	58,811	-	-

(iii) Credit risk – guarantees

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. At 30 June 2020 the Credit Union had $30,000 in performance guarantees outstanding, secured by first mortgage over residential property or fixed term deposits.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

21.3 Liquidity risk

Liquidity risk is the risk that the Credit Union may encounter difficulties raising funds to meet commitments associated with financial instruments (e.g. borrowing repayments or member withdrawal demands). It is the policy of the Board that the Credit Union maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual daily cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the prudential liquidity ratio daily.

The Credit Union has a longstanding arrangement with the industry liquidity support provider Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support to the Credit Union should it be necessary at short notice.

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under the APRA Prudential Standards. The Credit Union policy is to apply at least 12% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. This ratio is checked daily. Should the liquidity ratio fall below this level, the management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits or available borrowing facilities. Note 25 describes the borrowing facilities as at the balance date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in Note 23.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

21.3 Liquidity risk (continued)

The ratio of minimum liquid funds over the past year is set out below:

	2020 $'000	2019 $'000	2020 (%)	2019 (%)
Total minimum liquidity holdings				
As at 30 June	41,938	39,642		
Total adjusted liabilities				
As at 30 June	193,488	178,767	21.67	22.18
Average for the year	185,577	174,652	20.47	22.41
Minimum during the year	182,083	172,678	19.69	21.92

21.4 Operational risk

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

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses through the implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of polices and systems to monitor the likelihood of the events and minimise the impact. Systems of internal control are enhanced through:

- the segregation of duties between employee duties and functions, including approval and processing duties;
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour;
- implementation of whistle blowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff;
- education of members to review their account statements and report exceptions to the Credit Union promptly;
- effective dispute resolution procedures to respond to member complaints;
- effective insurance arrangements to reduce the impact of losses;
- contingency plans for dealing with the loss of functionality of systems, premises or staff.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

21.4 Operational risk (continued)

Fraud

Fraud can arise from member card PINS and internet passwords being compromised where not protected adequately by the member. It can also arise from other systems failures. The Credit Union has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail banks, fraud is potentially a real cost to the Credit Union.

IT systems

The worst case scenario would be the failure of the Credit Union's core banking and IT network suppliers to meet customer obligations and service requirements.

The Credit Union has outsourced the IT systems management to an independent data processing centre (IDPC) which is owned by a collection of credit unions. This organisation has the experience in-house to manage any short-term problems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf of the Credit Union by the industry body CUSCAL to service the settlements with other financial institutions for direct entry, ATM, Visa, and BPAY.

A full disaster recovery plan is in place to cover medium to long-term problems which is considered to mitigate the risk to an extent such that there is no need for any further capital to be allocated.

21.5 Capital management

The capital levels are prescribed by APRA. Under the APRA prudential standards, capital is determined in three components:

- Credit risk;
- Market risk (trading book); and
- Operations risk.

The market risk component is not required as the Credit Union is not engaged in a trading book for financial instruments.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

21.5 Capital management (continued)

Regulatory capital

Tier 1 Capital

Tier 1 Capital is defined under APS 111 Capital Adequacy: Measurement of Capital.

For the Credit Union, Tier 1 Capital comprises of:

- Retained earnings;
- Redeemed capital account;
- Regulatory adjustments (equity holding in CUSCAL Ltd, net DTA/DTL position and intangible assets); and
- FVOCI Reserve.

Tier 2 Capital

Tier 2 Capital is defined under APS 111 Capital Adequacy: Measurement of Capital.

For the Credit Union, Tier 2 Capital comprises of:

- Reserve for credit losses.

	2020 $'000	2019 $'000
Common Equity Tier 1 Capital		
Retained earnings	19,726	19,381
FVOCI Reserve	126	208
Redeemed capital account	165	155
Less: regulatory adjustments	(651)	(712)
Net Tier 1 Capital	19,366	19,032
Tier 2 Capital		
Reserve for credit losses	392	359
	392	359
Total Capital	19,758	19,391

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

21.5 Capital management (continued)

Risk weighted assets

The risk weights attached to each asset are based on the weights prescribed by APRA in its Guidance Note AGN 112. The general rules apply the risk weights according to the level of the underlying security.

	Risk weighting	Carrying Value $'000	Risk weighted value $'000
Cash	0%	755	-
Deposits in highly rated ADIs	20-50%	65,169	21,936
Standard loans secured against eligible residential mortgages	35-100%	101,057	37,347
All claims on private sector counterparties other than ADIs	100%	19,335	19,335
Other assets	100%	2,525	2,525
Assets secured against deposits	0%	487	-
Total		189,328	81,143

Capital adequacy ratio

The capital ratio as at the end of the financial year over the past 5 years is as follows:

2020	2019	2018	2017	2015
20.89%	21.60%	22.32%	23.80%	24.69%

The level of capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets.

To manage the Credit Union's capital, the Board reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to APRA if the capital ratio falls below 15%. A 5 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

21.5 Capital management (continued)

Pillar 2 capital on operational risk

The Credit Union uses the standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams. The operational risk capital requirement is calculated by mapping the Credit Union's 3 year average net interest income and net non-interest income from these streams.

Based on this approach, the Credit Union's operational risk requirements is as follows:

Operational risk regulatory capital: $10,571,842

It is considered that the standardised approach accurately reflects the Credit Union's operations risk.

Internal capital adequacy management

The Credit Union manages its internal capital levels for both current and future activities which are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Credit Union's forecasts for asset growth or unforeseen circumstances are assessed by the Board.

The Credit Union have determined to maintain a minimum capital level of 12% as compared to the risk weighted assets of the Credit Union at any given time.

22. CATEGORIES OF FINANCIAL INSTRUMENTS

	Note	2020 $'000	2019 $'000
Financial assets – carried at amortised cost			
Cash and liquid assets	9	7,265	10,369
Investment Securities	12	58,274	54,454
Accrued receivables	10	653	628
Loans to members	11	120,792	107,996
Total cash		186,984	173,447
FVOCI investments	12	437	547
TOTAL FINANCIAL ASSETS		187,421	173,994

22. CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

	Note	2020 $'000	2019 $'000
Financial liabilities – carried at amortised cost			
Deposits from members	16	166,458	153,970
Lease liabilities	15	178	-
Payables and other liabilities	17	1,616	1,017
TOTAL FINANCIAL LIABILITIES		168,252	154,987

23. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

Monetary assets and liabilities have differing maturity profiles depending on the contractual term. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. Financial assets and liabilities are at the undiscounted values (including future interest expected to be paid or received). Accordingly these values will not agree to the Statement of Financial Position.

2020	Carrying Amount $'000	0 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	5 + years $'000	No maturity $'000	Total Cash Flows $'000
Financial assets							
Cash on hand	755	-	-	-	-	755	755
Cash at bank and investments	64,784	16,272	13,407	30,315	-	6,510	66,504
Loans to members	120,792	1,700	4,872	23,174	91,134	-	120,880
FVOCI equity investments	437	-	-	-	-	437	437
Total financial assets	186,768	17,972	18,279	53,489	91,134	7,702	188,576
Financial Liabilities							
Trade payables and other liabilities	1,616	1,616	-	-	-	-	1,616
Lease liabilities	178	17	50	114			181
Deposits from members	166,457	23,850	24,728	1,874	-	116,006	166,458
Total financial liabilities	168,252	25,483	24,778	1,988	-	116,006	168,255

23. MATURITY PROFILE OF FINANCIAL INSTRUMENTS (continued)

Monetary assets and liabilities have differing maturity profiles depending on the contractual term. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. Financial assets and liabilities are at the undiscounted values. Accordingly these values will not agree to the Statement of Financial Position.

2019	Carrying Amount $'000	0 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	5 + years $'000	No maturity $'000	Total Cash Flows $'000
Financial assets							
Cash on hand	783	-	-	-	-	783	783
Cash at bank and investments	66,781	12,186	27,983	17,026	-	9,586	66,781
Loans to members	103,297	1,062	4,977	20,846	76,412	-	103,297
Available for sale investments	547	-	-	-	-	547	547
Total financial assets	171,408	13,248	32,960	37,872	76,412	10,916	171,408
Financial Liabilities							
Trade payables and other liabilities	1,017	1,017	-	-	-	-	1,017
Deposits from members	154,545	22,274	28,068	3,873	-	100,330	154,545
Total financial liabilities	155,562	23,291	28,068	3,873	-	100,330	155,562

24. INTEREST RATE CHANGE PROFILE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities have conditions which allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings). The table below shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date or maturity date.

24. INTEREST RATE CHANGE PROFILE OF FINANCIAL INSTRUMENTS (continued)

2020	Within 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Non-interest rate sensitive $'000	Total $'000
Financial assets						
Cash and liquid assets	6,510	-	-	-	755	7,265
Receivables due from other financial institutions	10,000	5,974	13,200	29,100	-	58,274
Accrued receivables	653	-	-	-	-	653
Loans to members	91,119	1,700	4,872	23,174	13	120,878
FVOCI equity investment	-	-	-	-	437	437
Total financial assets	108,282	7,674	18,072	52,274	1,205	187,507
Financial Liabilities						
Deposits from members	122,558	17,200	24,728	1,875	97	166,458
Lease liabilities	6	11	49	112	-	178
Trade payables and other liabilities	-	-	-	-	1,616	1,616
Total financial liabilities	122,564	17,211	24,777	1,987	1,713	168,252

2019	Within 1 month $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Non-interest rate sensitive $'000	Total $'000
Financial assets						
Cash and liquid assets	9,586	-	-	-	783	10,369
Receivables due from other financial institutions	6,000	5,976	26,678	15,800	-	54,454
Accrued receivables	628	-	-	-	-	628
Loans to members	81,103	1,062	4,977	20,846	13	108,001
Available for sale investments	-	-	-	-	547	547
Total financial assets	97,317	7,038	31,655	36,646	1,343	173,999
Financial Liabilities						
Deposits from members	105,499	16,926	27,693	3,750	102	153,970
Trade payables and other liabilities	-	-	-	-	1,017	1,017
Total financial liabilities	105,499	16,926	27,693	3,750	1,119	154,987

25. FINANCIAL COMMITMENTS

	2020 $'000	2019 $'000
Loans approved, but not funded	4,214	3,542
Loan redraw facilities available	11,426	11,225
Loan facilities available to members for overdrafts and line of credit loans, as follows:		
- Total value of approved facilities	4,792	4,725
- At term	(1,512)	(1,534)
- Net undrawn value	3,280	3,191

26. EXPENDITURE COMMITMENTS

26.1 Lease expenditure commitments

Operating leases		
Within 1 year	-	71
1 to 5 years	-	19
Over 5 years	-	-
	-	90

This commitment relates to two (2) premises lease for the branches located in Cowra and Forbes. These leases are now accounted for on balance sheet as per the requirements of AASB 16, detailed in notes 2 and 15.

26.2 Other expenditure commitments

The costs committed under contracts with Ultradata and TransAction Solutions (TAS) are as follows:

Within 1 year	316	531
1 to 5 years	-	321
Over 5 years	-	-
	316	852

26. EXPENDITURE COMMITMENTS (continued)

26.3 Other

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

27. STANDBY BORROWING FACILITIES

The Credit Union has the following credit facilities with CUSCAL:

	2020 $'000	2019 $'000
Overdraft facility		
Gross	1,000	1,000
Current borrowings	-	-
Net available	1,000	1,000

There are no restrictions as to withdrawal of these funds subject to the availability of funds to CUSCAL at the time of draw down.

The borrowing facilities are secured by a fixed and floating charge over the assets and undertakings of the Credit Union.

28. CONTINGENT LIABILITIES

The Credit Union is a member of CUFSS Ltd, a company established to provide financial support to member Mutual ADIs in the event of a liquidity or capital problem arising. As a member, the Credit Union is committed to maintaining an amount equivalent to 3% of total assets as deposits in a nominated account. The maximum call for each member ADI would be 3% of the Credit Union's total assets. The Credit Union has the opportunity under certain circumstances to draw on this scheme.

At 30 June 2020 the Credit Union had $30,000 in performance guarantees outstanding, secured by first mortgage over residential property or fixed term deposits.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

29.1 Remuneration of key management personnel

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly including any Director. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

KMP have been taken to comprise of the Directors and the four members (five 2019) of the executive management team during the financial year, responsible for the day-to-day financial and operational management of the Credit Union.

	Year ended 30 June 2020			Year ended 30 June 2019		
	Directors	Other KMP	Total	Directors	Other KMP	Total
Short-term benefits	145	552	697	149	601	750
Post-employment benefits	13	55	68	14	56	70
Other long-term benefits	-	-	-	-	-	-
Termination benefits	-	-	-	-	-	-
Total	158	607	765	163	657	820

Compensation includes all employee benefits as defined in AASB 119 *Employee Benefits*. Employee benefits are all forms of consideration paid, payable or provided by the Credit Union, or on behalf of the Credit Union, in exchange for services rendered to the Credit Union.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

29.1 Remuneration of key management personnel (continued)

Compensation includes:

(i) short-term employee benefits, such as wages, salaries, paid annual leave, paid sick leave, and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as salary packaged) for current employees;

(ii) post-employment benefits such as pensions, and other retirement benefits;

(iii) other long-term employee benefits, including long-service leave or other long-service benefits, and, if they are not payable wholly within twelve months after the end of the period, bonuses; and

(iv) termination benefits.

29.2 Loans to key management personnel and their close members of family

	Year ended 30 June 2020			Year ended 30 June 2019		
	Directors	Other KMP	Total	Directors	Other KMP	Total
Opening balance	1,865	638	2,503	1,083	632	1,715
Interest charged	78	20	98	67	27	94
Closing Balance	2,035	596	2,631	1,865	638	2,503
Amount of impairment loss expense recognised	-	-	-	-	-	-

Loans provided to staff / spouse jointly for any purpose are provided at the lower of the current FBT Benchmark rate as advised by the ATO or the rate of interest on offer to members for a similar loan / overdraft facility. Loans provided to Directors and KMP's close members of family are on conditions no more favourable than those extended to members generally. Security has been obtained for these loans in accordance with the Credit Union's lending policy.

There is no provision for impairment in relation to any loan extended to KMP or their close members of family. No loan impairment expense in relation to these loans has been recognised during the period.

29.3 Other transactions

There were no other transactions during the financial year between the Credit Union and members of the Board.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

29.4 KMP and their close members of family saving, term deposit and revolving credit facility accounts

	Year ended 30 June 2020			Year ended 30 June 2019		
	Directors	Other KMP	Total	Directors	Other KMP	Total
Opening balance	1,409	104	1,513	1,761	86	1,847
Interest paid	23	1	24	74	1	75
Closing Balance	1,762	195	1,957	1,409	104	1,513

Directors and related parties have received interest on deposits with the Credit Union during the financial year. Interest has been paid on terms and conditions no more favourable to those available on similar transactions to members of the Credit Union.

30. ECONOMIC DEPENDENCY

The Credit Union has an economic dependency on the following suppliers of services:

(i) CUSCAL Limited – This entity supplies the Credit Union rights to members' cheques and Redicards in Australia and provides services in the form of settlement with bankers for member chequeing, Redicard transactions and the production of members' cheque books and Redicards for use by members. It also provides central banking facilities. In addition, CUSCAL operates the switching computer used to link Redicards and Visa cards operated through reditellers, and other approved ATM suppliers and merchants, to the Credit Union EDP systems.

(ii) TransAction Solutions – this company operates the computer facility on behalf of the Credit Union, in conjunction with other Credit Unions. The Credit Union has a management contract with the bureau to supply computer support staff and services to meet the day to day needs of the Credit Union and compliance with relevant prudential standards.

(iii) Credit Union Financial Support System (CUFSS) – this entity provides emergency liquidity support to the Credit Union.

(iv) Ultradata Australia Pty Ltd – this company supplies and maintains the application software utilised by the Credit Union.

31. SEGMENTAL REPORTING

The Credit Union operates exclusively in the retail financial services industry within Australia.

32. STATEMENT OF CASH FLOWS

32.1 Cash flows presented on a net basis

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

(i) member deposits to and withdrawals from savings, money market and other deposit accounts;
(ii) sales and purchases of maturing certificates of deposit.

32.2 Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at call with other financial institutions. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2020 $'000	2019 $'000
Cash balance comprises:		
- Cash on hand	755	783
- Imprest accounts	6,510	9,586
- Deposits at call less than 90 days	-	-
	7,265	10,369

32.3 Reconciliation of cash flows from revenue activities to profit for the year after income tax

	2020 $'000	2019 $'000
Profit for the year after income tax	388	527
Non-cash items		
Provision for loan impairment	87	5
Depreciation and amortisation	221	228
(Gain) / loss on disposal of property, plant and equipment	(1)	-
Movements in assets and liabilities		
Deferred taxes	(63)	8
Provision for income tax	(10)	22
Provision for employee entitlements	44	(20)
Provision for make good	32	-
Interest and other receivables	78	137
Accrued interest payable	(89)	(16)
Creditors and accruals	(6)	21
Net cash flows from revenue activities	681	912

33. CORPORATE INFORMATION

The Credit Union is a company limited by shares, and is registered under the *Corporations Act 2001* (Cwlth).

The address of the registered office is:	Central West Credit Union Limited 269 Clarinda Street Parkes NSW 2870
The address the principal place of business is:	269 Clarinda Street Parkes NSW 2870

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

34. CORPORATE GOVERNANCE DISCLOSURES

Board

The Credit Union Board has responsibility for the overall management and strategic direction of the Credit Union.

Board members are independent of management and are either Board appointed or elected by members on a rotation of every 3 years. Currently there is one Board appointed Director.

Each Director must be eligible to act under the constitution as a member of the Credit Union and *Corporations Act 2001* (Cwlth) criteria. Directors need to also satisfy the fit and proper criteria set down by APRA.

The Board has established policies to govern conduct of the Board meetings, director conflicts of interest and training so as to maintain director awareness of emerging issues and to satisfy all governance requirements.

The Board:

- Monitors the matters of operational risk management and APRA reporting obligations;
- Monitors the compliance with applicable laws;
- Reviews General Manager performance and remuneration;
- Approves financial budgets and performance criteria;
- Ratifies funding that exceeds General Manager’s approved delegation levels prior to funding; and
- Ratifies management approved interest rate changes.

34. CORPORATE GOVERNANCE DISCLOSURES (continued)

Board remuneration

The Board receives remuneration from the Credit Union in the form of Director fees approved by members and reimbursement of out of pocket expenses. There are no other benefits received from the Credit Union by the Directors.

Audit Committee

An Audit Committee has been formed to assist the Board in relevant matters of financial prudence. The directors form the majority of this Committee with General Manager participation as secretary.

The Audit Committee is established to oversight the financial reporting and audit process. Its role includes:

- Monitoring audit reports received from internal and external auditors and management's responses thereto;
- Liaising with the auditors (internal and external) on the scope of their work and experience in conducting an effective audit;
- Ensuring the external auditors remain independent in the areas of work conducted;
- Monitoring the matters of operational risk management and APRA reporting obligations; and
- Monitoring the compliance with applicable laws

Risk Committee

The Risk Committee plays a key role in assisting the board of directors to fulfil its corporate governance and overseeing responsibilities in relation to the Credit Union's identification of risk, monitoring of risk and oversight of risk management systems developed to manage risk within the Board's risk appetite.

The Risk Committee has no direct decision making power, however will be required to provide suggestions and recommendations to the board of directors in relation to matters and issues that it has considered on behalf of the board. The responsibility for formal decisions on all board related issues remains with the board as a whole, despite the fact that the board may rely upon committee recommendations to make such decisions.

34. CORPORATE GOVERNANCE DISCLOSURES (continued)

Risk Committee (continued)

The primary objective of the Committee is to assist the Board of Directors in fulfilling its responsibilities relating to the following risk management and reporting practices of the Credit Union:

- Oversee and appraise the effectiveness of the Credit Union's internal risk management program and systems, including:
  - Compliance program;
  - Operational Risk Program;
  - Fraud & AML programs;
  - Due Diligence assessment process;
  - Lending & Collection process; and
  - Provisioning practices.
- Consider the adequacy of the Credit Unions Credit, Capital, Liquidity, Operational and Market Risk controls;
- Undertake any role assigned to the committee in accordance with any Board policy including the Board's Lending & Collections policy and Provisioning Policy.
- Determination of policies that ensure that the Credit Union's Risk Strategy is adhered to and monitoring adherence to those policies.

Policies

The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union's ethical guidelines to staff and to reinforce the practice of providing efficient service to members with courtesy and recognition of members as owners.

The ethical principles adopted by the Credit Union are in accordance with the Mutual Banking Code of Practice.

34. CORPORATE GOVERNANCE DISCLOSURES (continued)

Policies (continued)

Key risk management policies include:

- Capital adequacy management
- Liquidity management
- Credit risk management
- Data risk management
- Operations risk management
- Human resources
- Work health & safety
- Accounting
- Business continuity management
- Corporate governance

Compliance

The Credit Union has a Compliance Manager who is responsible for maintaining the awareness of staff for all changes in compliance legislation and responding to staff inquiries on compliance matters. The officer also monitors the Financial Services Reform (FSR) and Australian Credit license (ACL) obligations and responds to all member complaints and disputes should they arise.

External audit

Audit is performed by Intentus Chartered Accountants. Whose history with auditing credit unions exceeds 35 years and who audit 4 credit unions in NSW. Intentus utilises sophisticated computer assisted audit software to supplement the compliance testing.

The work performed by the external auditors is examined by the Audit Committee to ensure that it is consistent with the current external audit reporting role and does not impair their independence.

Internal audit

An internal audit function has been established using the services of DBP Consulting Pty Ltd (Glenn Pannam) to deal with the areas of internal control compliance and regulatory compliance.

34. CORPORATE GOVERNANCE DISCLOSURES (continued)

Regulation

The Credit Union is regulated by:

- Australian Prudential Regulation Authority (APRA) for the prudential risk management of the Credit Union.
- Australian Securities and Investments Commission (ASIC) for adherence to *Corporations Act 2001* (Cwlth), Accounting Standards disclosures in the financial statements and FSR requirements. The FSR legislation requires the Credit Union to disclose details of products and services, maintain training for all staff that deal with the members and provide an effective and independent complaints handling process.

Under the FSR licensing arrangements all staff which deal with the public are required to be trained and certified to a level of skill commensurate with the services provided.

Both ASIC and APRA conduct periodic inspections and the auditor's report to both regulators annually on compliance with respective requirements. The external auditors also report to both ASIC on the FSR compliance and APRA on the prudential policy compliance.

Work Health & Safety (WHS)

The nature of the finance industry is such that the risk of injury to staff and the public are less apparent than in other high risk industries. Nevertheless the Credit Union's two most valuable assets are staff and members and steps need to be taken to maintain their security and safety when circumstances warrant.

WHS policies have been established for the protection of both members and staff and are reviewed at least annually for relevance and effectiveness.

Staff are trained in robbery procedures and offices are designed to detract from such acts by:

- Minimum cash levels being held in accessible areas
- Cameras and monitoring equipment visible throughout the office

Office premises are examined regularly to ensure that the electrical safety and physical safety measures are appropriate to the needs to the public and staff.

34. CORPORATE GOVERNANCE DISCLOSURES (continued)

Work Health & Safety (WHS) (continued)

The Credit Union has established an independent WHS review that is completed on a bi-annual basis. The resulting Independent reports are reviewed by the Audit Committee, with any concerns raised actioned in a prompt manner. Secure cash handling policies are in place and injury from lifting heavy weights and RSI are managed by proper techniques to minimise the risk of damage.

All staff have access to trauma counsellors where required following an incident which may impair their feeling of safety in the work place.

CENTRAL WEST CREDIT UNION LIMITED
ABN 67 087 649 885

DIRECTORS' DECLARATION

The Directors of Central West Credit Union Limited declare that:

(a) The financial statements and notes set out on pages 8 to 72:

(i) comply with Accounting Standards and the *Corporations Act 2001* (Cwlth); and

(ii) give a true and fair view of the financial position as at 30 June 2020 and performance for the year ended on that date of the Credit Union.

(b) In the Directors' opinion 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.

This declaration is made in accordance with a resolution of the Board of Directors and is signed at Parkes on the 29th day of September 2020 for and on behalf of the Directors by:

____

G.M. Dean
Director
Chair of the Board of Directors

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF CENTRAL WEST CREDIT UNION LIMITED
ABN 67 087 649 885

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Central West Credit Union Ltd (the Credit Union), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by those charged with governance.

In our opinion:

(a) the financial report of the Central West Credit Union Limited is in accordance with the *Corporations Act 2001* (Cwlth), including:

   (i) giving a true and fair view of the Credit Union's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* (Cwlth)

(b) The financial report also complies with International Financial Reporting Standards as discussed in Note 1.

Basis for Opinion

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

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* (Cwlth). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf . This description forms part of our auditor's report.

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J O'Malley

John O'Malley
Director

23 Sale Street
Orange
Dated: 30th September 2020