CENTRAL WEST CREDIT UNION LIMITED
ABN 67 087 649 885

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2022

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:
RMB Matthews Williams Lawyers
Daniels Bengtsson Pty Ltd

Bankers:
CUSCAL Limited

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

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ABN 67 087 649 885
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CENTRAL WEST CREDIT UNION LIMITED
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DIRECTORS' REPORT

Your Directors submit the financial report of the Credit Union for the year ended 30 June 2022.

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:

Carl Lindsay Berry	(Retired 30th November 2021)
Graeme Mark Dean	
Lara Ann Dwyer	(Board appointed Director, commenced 1st July 2021)
Amity Jane Howe	
Susanna Maree Harwood	
Luke Myles Nash	(Board appointed Director, commenced 1st July 2021)
Benjamin Luke Adams	(Member Elected Director, commenced 30th November 2021)
Peter David Norris	(Retired 30th November 2021)
Robert Frederick Staples	

Unless otherwise stated, the Directors have been in office since the start of the 2022 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. Mr Hartin has been the General Manager and Company Secretary of Central West Credit Union Limited since 1996. He has 33 years' experience at management level in financial institutions including 31 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 $689,000 (2021: $789,000).

REVIEW OF OPERATIONS

The Statement of Financial Position shows that the Credit Union's total assets increased by $33,226,000 (15.5%) during the year ended 30 June 2022. This increase is primarily the result of an increase in member deposits resulting in increased liquid assets of $20,942,000 and loans to members $11,872,000.

The Statement of Comprehensive Income for the year ended 30 June 2022 records a profit from ordinary activities after income tax of $689,000. This represents a decrease of $100,000 (12.7%) from the previous year. This result is primarily a result of six unrelated matters:

- Decrease COVID government stimulus -$303,000.
- Increase in Net Interest Income +$460,000
- Decrease in Impairment gains -$66,000
- Increase in Depreciation/Amortisation expense -$109,000
- Increase in IT expense -$91,000 and
- Decrease in taxation expense +$55,000.

The net profit for the year ended 30 June 2022 of $689,000 continues to provide the Credit Union with sufficient 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 Covid19 virus which would be classified as a global pandemic by the World Health Organisation. This position continues.

Covid-19 is a health pandemic that has economic repercussions. This necessitated Federal and State Government intervention to shut down the majority of the economy resulting in significant impact on economic activity.

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. CWCU continues to respond to the pandemic by following the government's health advice and adhering to any government restrictions. This has proven effective as the majority of staff have remained free of Covid-19 and operations have continued primarily in a "business as usual" manner.

To protect staff, members and the wider community, the Credit Union continues to carefully monitor any Covid -19 developments and implement various practical protection measures.

The direct financial impacts on the Credit Union's operations to date have been minimal, with demand for deposit and lending services remaining strong.

Current economic conditions have recently seen the Reserve Bank of Australia embark on a cycle of interest rate increases with a view to managing inflationary pressures & tightening credit conditions. The increasing interest rate environment will directly impact the Credit Union's total interest income and expense results during the 2023 financial year, requiring a continued & diligent focus on the management of interest rate margins.

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	61
Current Occupation	Business Manager, Parkes Early Childhood Centre Inc.
Credit Union Experience	Credit Union Director for 12 years
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	43
Current Occupation	Accountant, Self Employed
Credit Union Experience	Credit Union Director for 15 years
Current Board Positions	Member of the Risk Committee
	Chair of the Audit Committee
Interest in Shares	1 Member Share
S.M. Harwood BA, LLB	
Age	40
Current Occupation	Executive Director Freight, Transport For NSW
Credit Union Experience	Credit Union Director for 14 years
Current Board Positions	Member of the Audit Committee
	Member of the Risk Committee
Interest in Shares	1 Member Share
P.D. Norris	
Age	70
Current Occupation	Retired
Credit Union Experience	Credit Union Director for 28 years
Current Board Positions	Retired November 2021
Interest in Shares	1 Member Share

INFORMATION ON DIRECTORS (continued)

R.F. Staples

Age	69
Current Occupation	Retired Engineer
Credit Union Experience	Credit Union Director for 22 years
Current Board Positions	Chair 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	74
Current Occupation	Farmer (Retired Engineer, Cowra Shire Council)
Credit Union Experience	Credit Union Director for 30 years
Current Board Positions	Retired November 2021
Interest in Shares	1 Member Share

L. M. Nash BAcc

Age	28
Current Occupation	Management Accountant, Parkes Shire Council
Credit Union Experience	Joined the Credit Union Board in July 2021
Current Board Positions	Member of the Audit Committee
	Member of the Risk Committee
Interest in Shares	1 Member Share

L. A. Dwyer

Age	46
Current Occupation	Manager, Western NSW Local Health District
Credit Union Experience	Joined the Credit Union Board in July 2021
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

B. L. Adams B.Comm (Acc), Dip FP

Age	48
Current Occupation	Business Advisor, Yates Baker Mclean Accountants & Business Advisors
Credit Union Experience	Joined the Credit Union Board in November 2021
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

DIRECTORS' MEETINGS

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

	Board	Audit	Risk	Corporate Governance	Remuneration
No. held	14	5	4	2	2
No. attended:					
G.M. Dean	14	-	-	2	2
A.J. Howe	12	5	4	-	-
S.M. Harwood	11	5	3	-	-
R.F. Staples	12	-	4	2	1
B.L. Adams	8	3	-	1	1
L.A. Dwyer	14	4	-	1	2
L.M. Nash	14	4	3	-	-
P.D. Norris	5	2	1	-	-
C.L. Berry	6	2	-	1	-

* The 14 meetings held included four (4) special meetings held 13 Aug, 26 Nov, 22 Dec and 21 Jan.
All Directors were eligible to attend all meetings for the Committees which they were a member, with the exception of the following Board Meeting eligibility B.L. Adams (8), C.L. Berry (6) and P.D. Norris (6), Audit committee members eligibility P.D. Norris (2), B.L. Adams (3), L.A. Dwyer (4), L.M. Nash (4) and C.L. Berry (2), Risk Committee members eligibility P.D. Norris (1) and L.M. Nash (3), Corporate Governance eligibility B.L. Adams (1), L.A. Dwyer (1) and C.L. Berry (1) and Remuneration committee eligibility B.L. Adams (1)

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 28th day of September 2022.

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G.M. Dean
Chair of the Board of Directors

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 2022, 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.

intentus

Leanne Smith

intentus

127 Keppel Street
Bathurst
Dated: 28 September 2022

Leanne Smith
Director

CENTRAL WEST CREDIT UNION LIMITED
ABN 67 087 649 885

STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $'000	2021 $'000
Interest revenue	4.1	5,419	5,331
Interest expense	4.2	(488)	(860)
Net interest income		4,931	4,471
Fees, commissions and other income	5	650	975
Total interest and fee income		5,581	5,446
Non-interest expenses			
Impairment (losses)/gains on loans receivable from members	12.1	1	67
General administration			
- Employees compensation and benefit	6	(1,752)	(1,715)
- Depreciation and amortisation	6	(332)	(223)
- Information technology	6	(825)	(734)
- Occupancy expense	6	(123)	(165)
- Other administration		(1,085)	(1,122)
- Procedures and compliance	6	(204)	(202)
- Corporate Governance	6	(182)	(152)
- Other operating expenses		(203)	(169)
Total non-interest expenses		(4,705)	(4,415)
Profit before income tax		876	1,031
Income tax expense	8	(187)	(242)
Profit after income tax		**689**	**789**
Other comprehensive income, net of income tax			
Movement in reserve for equity instruments at Fair Value through Other Comprehensive Income (FVOCI)	20	**60**	**50**
Total comprehensive income for the period		**60**	**50**

CENTRAL WEST CREDIT UNION LIMITED
ABN 67 087 649 885

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Retained Earnings $'000	Redeemed Capital Account $'000	Reserve for Credit Losses $'000	Fair Value through Comprehensive Income (FVOCI) Reserve $'000	Total $'000
As at 30 June 2020	19,726	165	392	126	20,409
Profit for the year after income tax	789	-	-	-	789
Transfer to / (from) reserves	(10)	10	-	-	-
Movement in FVOCI reserve on revaluation of investment	-	-	-	50	50
Transfer from retained earnings to reserve for credit losses	(38)	-	38	-	-
As at 30 June 2021	20,467	175	430	176	21,248
Profit for the year after income tax	689	-	-	-	689
Transfer to / (from) reserves	(7)	7	-	-	-
Movement in FVOCI reserve on revaluation of investment	-	-	-	60	60
Transfer from retained earnings to reserve for credit losses	(27)	-	27	-	-
As at 30 June 2022	21,122	182	457	236	21,997

CENTRAL WEST CREDIT UNION LIMITED
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	2022 $'000	2021 $'000
Assets:			
Cash and liquid assets	9	12,436	11,978
Accrued receivables	10	588	378
Prepayments		256	157
Loans and advances to members	11	147,644	135,772
Investment Securities	13	84,589	64,105
Property, plant and equipment	14	1,115	1,185
Right-of-use assets	16	78	144
Taxation assets	8.3	119	116
Intangibles	15	515	279
Total Assets		247,340	214,114
Liabilities:			
Deposits from members	17	223,451	190,655
Payables and other liabilities	18	1,225	1,486
Provisions	19	467	452
Lease liabilities	16	46	114
Taxation liabilities	8.4	154	159
Total Liabilities		225,343	192,866
Net Assets		**21,997**	**21,248**
Members' Equity:			
Redeemed Capital Account		182	175
Reserve for credit losses		457	430
FVOCI reserve	20	236	176
Retained profits		21,122	20,467
Total Members' Equity		**21,997**	**21,248**

CENTRAL WEST CREDIT UNION LIMITED
ABN 67 087 649 885

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities:			
Revenue Inflows:			
Interest received on loans		4,762	4,743
Interest received on investments		537	835
Dividends received		86	14
Fees and commission received		505	585
Other income		59	376
Revenue Outflows:			
Interest paid on members' savings		(525)	(985)
Interest paid on borrowings		-	-
Payments to suppliers and employees		(4,462)	(4,306)
Income taxes paid		(196)	(159)
Net cash from revenue activities	33.3	766	1,103
Members' loan repayments		24,632	25,066
Members' loan fundings		(36,519)	(39,994)
Net increase in member deposits and shares		32,796	24,197
Net increase / (decrease) in members' clearing accounts		(308)	17
Net (increase) / decrease in deposits to other financial institutions		(20,402)	(5,327)
Net cash provided by operating activities		965	5,062
Cash flows from investing activities:			
Consideration for property, plant and equipment sold		-	-
Payment for property, plant and equipment		(27)	(31)
Payment for intangibles		(413)	(251)
Net cash used in investing activities		(440)	(282)
Cash flows from financing activities:			
Repayment of lease liabilities		(67)	(67)
Net cash used in investing activities		(67)	(67)
Net increase / decrease in cash held		458	4,713
Cash held at the beginning of year		11,978	7,265
Cash held at the end of the year	33.2	**12,436**	**11,978**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

1. BASIS OF PREPARATION

1.1 Reporting Entity

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.

1.2 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 2022. The Credit Union is a company, limited by shares, incorporated and domiciled in Australia. The statements were authorised for issue on 28 September 2022 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.

1.3 Basis of Accounting

(a) 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.

1. BASIS OF PREPARATION (CONTINUED)

(b) 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.

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

- Note 12 and Note 11- Impairment of loans and advances with regards to the expected credit loss modelling and judgements, including:
  - Determining criteria for significant increase in credit risk: An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Credit Union takes into account qualitative and quantitative reasonable and supportable forward-looking information;
  - Choosing appropriate models and assumptions for the measurement of expected credit loss; and
  - Establishing groups of similar financial assets for the purposes of measuring expected credit loss: When expected credit loss is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.
- Note 23 and Note 13 - Fair value assumptions used investment securities;
- Note 16 - Estimation of the lease term, treatment of options and determination of the appropriate rate to discount the lease payments.
- Note 23.2, Note 14 and Note 15 – impairment and estimated useful lives of property, plant and equipment and intangible assets

2. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Judgement has been exercised in considering the impacts that the Coronavirus (COVID- 19) pandemic has had, or may have, on the Credit Union based on known information. The consideration extends to the nature of the products and service offered, customers, staffing and geographic regions in which the Credit Union operates. The key estimates and judgements associated with COVID-19 are detailed in Note 11.5 (regarding expected credit loss on loans to members).

3. CHANGES IN ACCOUNTING POLICIES

3.1 New standards applicable for the current year

There were no new accounting standards which became effective for the first time in the year ended 30 June 2022 which impacted on the Credit Union.

3.2 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.

4. INTEREST REVENUE AND INTEREST EXPENSE

4.1 Interest revenue

	2022 $'000	2021 $'000
Interest revenue on assets carried at amortised cost:		
Receivables from financial institutions	657	588
Loans to members	4,762	4,743
Total interest revenue	5,419	5,331

4.2 Interest expense

	2022 $'000	2021 $'000
Interest expense on liabilities carried at amortised cost:		
Members savings deposits	357	471
Term deposits	131	389
Total interest expense	488	860
Net interest income	4,931	4,471

Accounting Policy

Interest revenue and interest expense are recognised using the effective interest rate (EIR) method for financial assets and financial liabilities carried at amortised cost. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs that are integral to the lending arrangement are recognised in the income statement over the expected life of the instrument in accordance with the EIR method.

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the re-measurement recognised as part of interest income (financial assets) or interest expense (financial liabilities).

The calculation of EIR does not include ECL. Interest income for financial assets that have become credit impaired subsequent to initial recognition is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying amount after deducting the impairment loss).

5. FEE, COMMISSIONS AND OTHER INCOME

Fees and commissions revenue

	2022 $'000	2021 $'000
Fee income on loans	55	64
Other fee income	294	353
Insurance commissions	47	60
Other commissions	109	108
Total fee and commission revenue	505	585

Other income

	2022 $'000	2021 $'000
Dividends received	86	14
Bad debts recovered	11	16
Miscellaneous revenue	48	360
Total fee and commission revenue	145	390
Total fees, commissions and other income	650	975

Accounting Policy

Fees and commissions

Fees and commission income include fees other than those that are an integral part of EIR.

Fee income relating to deposit or loan accounts is either:

- transaction based and therefore recognised at a point in time when the transaction takes place, or
- related to performance obligations carried out over a period of time and therefore recognised on a systematic basis over the life of the agreement as the services are provided.

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

Insurance commission

Upfront commission – revenue in the form of a commission generated on successful placement of an insurance application is recognised at a point in time on inception of the policy.

Renewal commission – Commission income for renewals is recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of a significant reversal in a subsequent period. The receipt of renewal commission income is outside the control of the Credit Union and is a key judgement area.

Dividend income

Dividends are brought to account in profit or loss when the right to receive income is established.

6. NON-INTEREST EXPENSE

Prescribed disclosures	2022 $'000	2021 $'000
Depreciation and amortisation		
Depreciation	155	164
Amortisation of intangible assets	177	59
Total depreciation and amortisation	332	223
Information technology	825	734
Property expenses	123	165
Procedures and compliance	204	202
Corporate governance	182	152
Employee benefits expenses		
Salaries	1,272	1,269
Annual leave	131	126
Long service leave	33	34
Sick leave	52	43
Superannuation and other	264	243
Total employee benefits expenses	1,752	1,715

6.1 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:

Card transaction fees	515	482
Printing and stationery	13	12
ATM encashment fees	11	33
Insurance	99	87

7. AUDITOR'S REMUNERATION

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

Audit of the financial statements	50	47
Other services	11	10
	61	57

8. INCOME TAX

8.1 Current Tax Expense

	2022 $'000	2021 $'000
The components of tax expense compromise:		
Current income tax payable	199	242
Movement in deferred tax asset	(4)	12
Movement in deferred tax liability	(21)	(17)
Change in tax rate	-	-
Under provision in respect of prior years	6	5
Total tax expense	180	242

8.2 Reconciliation of Current Year Tax Payable to Income Tax Expense

Prima facie tax on profit before income tax at 25% (2021: 26%)	219	268
Plus / (Less) tax effect of:		
- Employees compensation and benefit	(3)	(8)
- Entertainment	(2)	(1)
- Change in tax rate	-	-
- Depreciation and amortisation	(1)	(1)
- Dividend rebate	(26)	(3)
- Tax Free - Government Stimulus rec'd	-	(13)
	187	242
The applicable weighted average tax rates	25%	26%

8.3 Taxation assets comprise:

Provision for impaired loans	1	2
FBT provision	1	1
Employee leave entitlements	109	105
Make Good provision	8	8
	119	116

8.4 Taxation liabilities comprise:

Income Tax	71	97
Tax due on assets held at fair value investments held in Equity (due to initial adoption of AASB 9)	83	62
	154	159

8. INCOME TAX (CONTINUED)

Accounting Policy

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 25%.

Deferred tax assets are recognised 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.

9. CASH AND LIQUID ASSETS

	2022 $'000	2021 $'000
Cash on hand	606	1,066
Cash at Bank	11,830	10,912
	12,436	11,978

Accounting Policy

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.

10. ACCRUED RECEIVABLES

Sundry debtors and clearing accounts	360	270
Interest receivable on receivables from other financial institutions	228	108
	588	378

11. LOANS AND ADVANCES

	2022 $'000	2021 $'000
Overdrafts and revolving credit	1,149	1,211
Term loans	146,497	134,565
	147,646	135,776
Less: Provision for impaired loans	(2)	(4)
	147,644	135,772

11.1 Credit quality – security held against loans

	2022 $'000	2021 $'000
Secured by mortgage over real estate	138,252	126,078
Partly secured by goods mortgage	4,935	5,165
Secured by members' deposits	237	331
Secured by Guarantee	1,970	2,028
Wholly unsecured	2,252	2,174
	147,646	135,776

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:

	2022 $'000	2021 $'000
Security held as mortgages against real estate:		
- Loan to valuation ratio of less than 80%	119,820	111,724
- Loan to valuation ratio of more than 80% but mortgage insured	14,018	11,269
- Loan to valuation ratio of more than 80% but not mortgage insured	4,414	3,085
	138,252	126,078

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:

	2022 $'000	2021 $'000
(i) Loans to individuals or related groups of members which exceed 5% of capital – aggregate value	13,483	5,641

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

	2022 $'000	2021 $'000
(iii) Loans by type were:		
- Residential loans and facilities	133,692	120,472
- Personal loans and facilities	7,664	8,519
- Business loans and facilities	6,290	6,785
	147,646	135,776

11. LOANS AND ADVANCES (CONTINUED)

Accounting Policy

(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.

11.3 Movement in the provision for impairment

	2022 $’000	2021 $’000
Opening balance	4	86
Bad debts written off against provision	(1)	(15)
Loans provided for during the year	(1)	(67)
	2	4

11.4 Impaired Loans Written Off

	2022	2021
Increase/(decrease) to the provision	(1)	(67)
Amounts written off directly to expense	-	-
	(1)	(67)

11. LOANS AND ADVANCES (CONTINUED)

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.

	Gross Carrying Value 2022 $'000	ECL Allowance 2022 $'000	Carrying Value 2022 $'000	Gross Carrying Value 2021 $'000	ECL Allowance 2021 $'000	Carrying Value 2021 $'000
Loans to members						
Mortgage	138,833		138,833	126,046	4	126,088
Personal	7,664	(1)	7,665	8,519	-	8,544
Overdrafts	1,149		1,149	1,211	-	1,211
Total	147,646	(1)	147,647	135,776	4	135,843

An analysis of the Credit Union's credit risk exposure class of financial asset and "stage" without reflecting the effects of any collateral or other credit enhancements is demonstrated in the following tables:

	Stage 1 2022 $'000	Stage 2 2022 $'000	Stage 3 2022 $'000	Total 2022 $'000
Loans to members				
Mortgage	-	-	-	-
Personal	-	1	-	1
Overdrafts	-	-	-	-
Total	-	1	-	1

	Stage 1 2021 $'000	Stage 2 2021 $'000	Stage 3 2021 $'000	Total 2021 $'000
Loans to members				
Mortgage	-	-	-	-
Personal	-	4	-	4
Overdrafts	-	-	-	-
Total	-	4	-	4

The Credit Union have performed an analysis of the ECL allowance and have determined, based on internal analysis, management judgements and other historical data.

The tables below represent the reconciliation from the opening balance to the closing balance of the ECL allowance for loans and advances to customers for which impairment requirements under AASB 9 apply, for the current and previous financial years.

11. LOANS AND ADVANCES (CONTINUED)

11.5 Amounts arising from ECL (Continued)

2022

	Stage 1 Collective provision 12-month ECL $'000	Stage 2 Collective provision Lifetime ECL Not credit-impaired $'000	Stage 3 Collective provision Lifetime ECL Credit impaired $'000	Stage 3 Specific provision Lifetime ECL Credit impaired	Total $'000
Balance at 1 July 2021	-	4	-	-	4
Transfers during the period to:					
- Stage 1	-	-	-	-	-
- Stage 2	-	-	-	-	-
- Stage 3	-	-	-	-	-
Net re-measurement of ECL	-	(2)	-	-	(2)
Write-backs	-	-	-	-	-
Write-offs	-	(1)	-	-	(1)
Balance at 30 June 2022	-	1	-	-	1

2021

	Stage 1 Collective provision 12-month ECL $'000	Stage 2 Collective provision Lifetime ECL Not credit-impaired $'000	Stage 3 Collective provision Lifetime ECL Credit impaired $'000	Stage 3 Specific provision Lifetime ECL Credit impaired	Total $'000
Balance at 1 July 2020	82	5	-	-	87
Transfers during the period to:					
- Stage 1	-	-	-	-	-
- Stage 2	-	-	-	-	-
- Stage 3	-	-	-	-	-
Net re-measurement of ECL	(67)	(1)	-	-	(68)
Write-backs	-	-	-	-	-
Write-offs	(15)	-	-	-	(15)
Balance at 30 June 2021	-	4	-	-	4

11. LOANS AND ADVANCES (CONTINUED)

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

	2022 Carrying Value $'000	2022 Provisions $'000	2021 Carrying Value $'000	2021 Provisions $'000
0 to 90 days in arrears	-	-	11	3
90 to 180 days in arrears	-	-	-	-
180 to 270 days in arrears	-	-	-	-
270 to 365 days in arrears	-	-	-	-
Over 365 days in arrears	-	-	-	-
Over limit facilities over 14 days	-	-	2	-
Total	-	-	13	3

The impaired loans are generally not secured against residential property, in 2022 $0 (2021 $0) was secured by residential property. 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 $1,844,931 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
2022					
Mortgage & Personal	1,845	-	-	-	1,845
Credit cards	-	-	-	-	-
Overdrafts	-	-	-	-	-
Total	1,845	-	-	-	1,845
2021					
Mortgage & Personal	3,162	-	-	-	3,162
Credit cards	-	-	-	-	-
Overdrafts		-	-	-	-
Total	3,162	-	-	-	3,162

11. LOANS AND ADVANCES (Continued)

	2022 $'000	2021 $'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.

12. LOAN IMPAIRMENT

Accounting Policy

(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.

The Credit Union measures loss allowances at an amount equal to lifetime expected credit losses (ECL), except for the following, for which they are measured as 12 months ECL.

- Debt investment securities that are determined to have a low credit risk in considering their credit risk rating (refer Note 21); and
- Other financial instruments on which credit risk has not significantly increased since initial recognition.

The Credit Union considers credit risk to have increased significantly when a loan is 30 days or more in arrears.

Forward-looking approach

The approach to determining the ECL includes forward-looking information.

The Credit Union has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio segment. Consideration has also been given to the level of undue cost and effort involved in utilising complex statistical models, which is not considered appropriate for the size and complexity of the portfolio.

12. LOAN IMPAIRMENT (Continued)

(i) Provision for impairment (Continued)

The Credit Union has considered other forward-looking considerations such as the impact of future unemployment rates, property prices, regulatory change and external market risk factors, which are deemed to have a material impact and therefore an adjustment has been made to the ECL for such factors. The Credit Union considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by the Credit Union for other purposes such as strategic planning and budgeting. Periodically the Credit Union carries out stress testing of more extreme shocks to calibrate its determination of other potential scenarios.

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.

Additional information regarding the estimation of the ECL provision at reporting date is contained in Note 11.

Measurement of ECL

Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Credit Union expects to receive).

Credit risk categorisation

For the purpose of calculating ECLs, assets are categorised into three 'stages' as follows:

Stage 1: no significant increase in credit risk since initial recognition

On initial recognition, and for financial assets where there has not been a significant increase in credit risk since the date of advance, provision is made for losses from credit default events expected to occur within the next 12 months. Expected credit losses (ECL) for these stage 1 assets continue to be recognised on this basis unless there is a significant increase in the credit risk of the asset.

12. LOAN IMPAIRMENT (Continued)

(i) Provision for impairment (Continued)

Stage 2: significant increase in credit risk

Financial assets are categorised as being within stage 2 where an instrument has experienced a significant increase in credit risk since initial recognition. For these assets, provision is made for losses from credit default events expected to occur over the lifetime of the instrument. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Credit Union uses the criteria of 30 days past due or loans under credit watch as the criteria to identify whether there has been a significant increase in credit risk.

Stage 3: credit impaired (or defaulted) loans

Financial assets are transferred into stage 3 when there is objective evidence that an instrument is credit impaired. Provisions for stage 3 assets are made on the basis of credit default events expected to occur over the lifetime of the instrument. Assets are considered credit impaired when:

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

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

Interest income on stage 3 credit impaired loans is recognised in the income statement on the loan balance net of the ECL provision. The balance sheet value of stage 3 loans reflects the contractual terms of the assets and continues to increase over time with the contractually accrued interest.

Transfers between stages
Transfers from stage 1 to 2 occur when there has been a significant increase in credit risk and from stage 2 to 3 when credit impairment is indicated as described above. For assets in stage 2 or 3, loans can transfer back to stage 1 or 2 once the criteria for a significant increase in credit risk or impairment are no longer met.

(ii) Reserve for credit losses

In addition to the above specific provision, APRA requires the establishment of a general reserve under APS220 Credit Quality, for credit losses to cover future expected losses not yet identified, which are inherent in its lending activities.

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.

12. LOAN IMPAIRMENT (Continued)

(iii) Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

(iv) Credit-impaired financial assets

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

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

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

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

(v) Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Credit Union cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Credit Union presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

12. LOAN IMPAIRMENT (Continued)

(vi) Write-off

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

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.

12.1 Impairment loss

	2022 $'000	2021 $'000
Increase / (decrease) in provision for impairment	(1)	(67)
Bad debts written off directly against profit	-	-
Total impairment losses	(1)	(67)

13. INVESTMENT SECURITIES

Investment securities at amortised cost		
Negotiable Certificate of Deposits	-	-
Floating Rate Notes	41,750	35,300
Term Deposits	20,753	17,801
Government Bonds	21,500	10,500
Equity investment securities designated as FVOCI		
Cuscal	573	491
TAS	13	13
Total Value of Investments	84,589	64,105

Equity investments are held in unlisted companies.

Accounting Policy

The basis on which fair value is determined is outlined in note 23.3 and is categorised as Level 2 in the fair value hierarchy.

14. PROPERTY, PLANT AND EQUIPMENT

	2022 $'000	2021 $'000
Land	140	140
Buildings – at cost	1,578	1,578
Less: provision for depreciation	(714)	(668)
	864	910
Plant and equipment – at cost	872	952
Less: provision for depreciation	(761)	(817)
	111	135
Total property, plant and equipment	1,115	1,185

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	910	-	-	(46)	864
Plant & Equipment	135	27	(9)	(42)	111
Totals	1,185	27	(9)	(88)	1,115

Accounting Policy

(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.

14. 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:

Buildings	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.

15. INTANGIBLE ASSETS

	2022 $'000	2021 $'000
Computer software – at cost	1,540	1,127
Less: accumulated amortisation	(1,025)	(848)
Total intangible assets	515	279

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	279	413	-	(177)	515
Totals	279	413	-	(177)	515

15. INTANGIBLE ASSETS (CONTINUED)

Accounting Policy

Capitalised software costs that are not an integral part of the associated hardware are classified as intangible assets 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.

16. LEASES

Company as a lessee

The Credit Union has leases associated with assets such as buildings.

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 2022		
Balance at beginning of year	144	144
Depreciation charge	(66)	(66)
Balance at end of year	78	78

	Buildings $	Total $
Year ended 30 June 2021		
Balance at beginning of year	209	209
Depreciation charge	(65)	(65)
Balance at end of year	144	144

16. 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
2022					
Lease Liabilities	36	10	-	46	46
2021					
Lease Liabilities	67	47	-	114	114

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:

	2022 $'000	2021 $'000
Interest expense on lease liabilities	1	-
Expenses relating to leases of low-value assets	-	2
Depreciation of right-of-use assets	66	65
	67	67

Statement of Cash Flows
Total cash outflow for leases

16. LEASES (CONTINUED)

Accounting Policy

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.

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.

16. LEASES (CONTINUED)

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.

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.

17. DEPOSITS FROM MEMBERS

	2022 $'000	2021 $'000
Member deposits carried at amortised cost:		
- At call	179,429	143,913
- At term	43,935	46,651
Member withdrawable shares	87	91
	223,451	190,655

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

17.1 Concentration of member deposits

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

Accounting Policy

Basis for measurement

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

18 PAYABLES AND OTHER LIABILITIES

	2022 $'000	2021 $'000
Payables and accrued expenses	128	133
Accrued interest payable	33	70
Members' clearing accounts	1,060	1,278
Provision for FBT	4	5
	1,225	1,486

18.1 Financial liabilities at amortised cost classified as trade and other payables

	2022	2021
Trade and other payables	1,225	1,486
Less provision for FBT	(4)	(5)
	1,221	1,481

19 PROVISIONS

	2022	2021
Annual leave	122	125
Long service leave	313	295
Make Good Lease Provision	32	32
	467	452

19.1 Reconciliation of provision balances

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

	2022	2021
Annual leave		
Opening balance	125	122
Additional provision raised during the year	131	125
Amounts used	(134)	(122)
Closing balance	122	125
Long service leave		
Opening balance	295	262
Additional provision raised during the year	33	34
Amounts used	(15)	(1)
Closing balance	313	295
Make good lease provision		
Opening balance	32	32
Additional provision raised during the year	-	-
Amounts used	-	-
Closing balance	32	32

19 PROVISIONS (CONTINUED)

Accounting Policy

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.

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 recognised as an expense in the profit or loss as incurred.

20 FVOCI RESERVE

	2022 $'000	2021 $'000
FVOCI reserve – Shares		
Opening balance	176	126
Increase/(decrease): on revaluation of investment	80	67
Add/(deduct): deferred tax thereon	(20)	(17)
Impact of change in tax rate	-	-
Closing balance	236	176

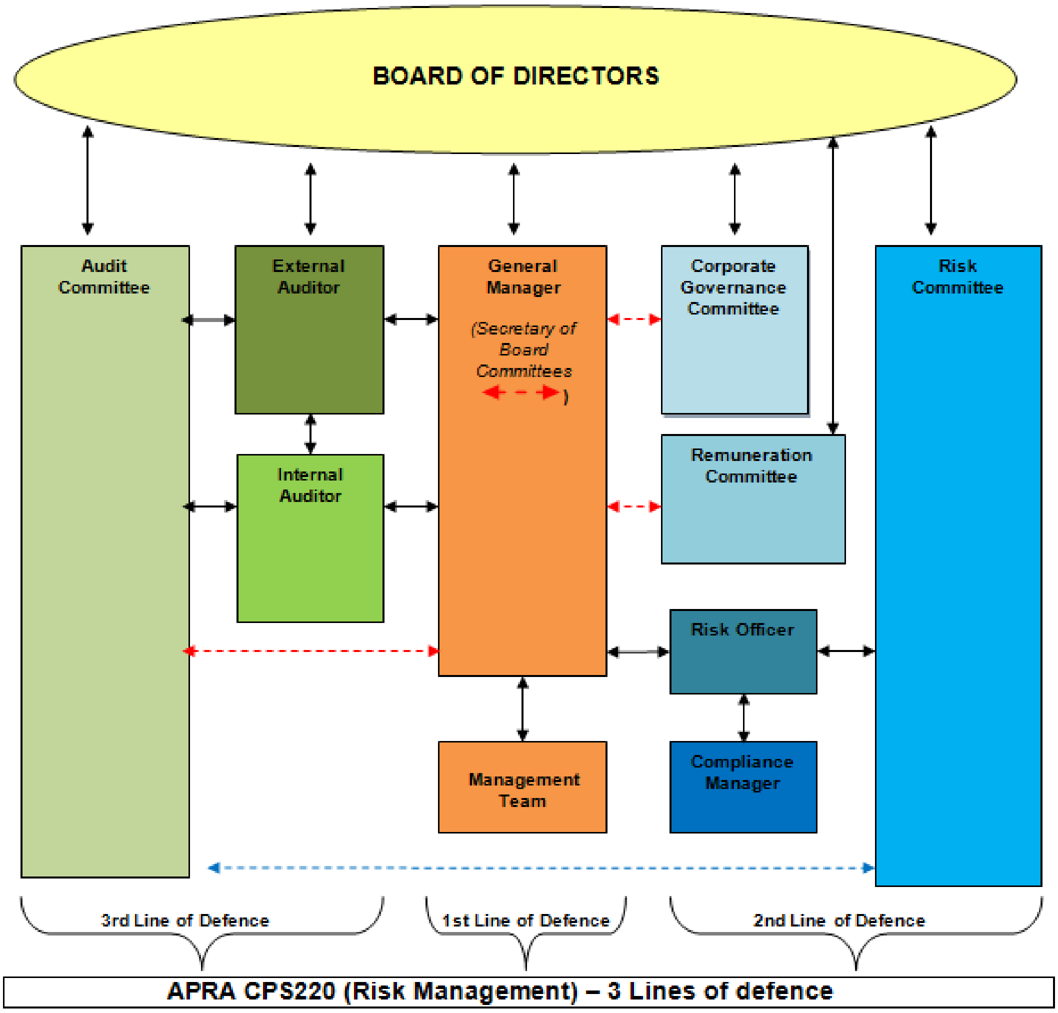
The Credit Union has elected to recognise changes in fair value of certain investments in equity securities in Other Comprehensive Income. These changes are accumulated within the FVOCI reserve within equity. The Credit Union transfers amounts from this reserve to retained earnings when the relevant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

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.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 a contracted 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.

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. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

21.1 Market risk

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

(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 25 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.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

21.1 Market risk (Continued)

(iv) Interest rate sensitivity

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

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 25 which details the contractual interest change profile.

The Board monitors these risks through monthly management reports.

Based on the calculations as at 30 June 2022, the net profit impact for a 1% (2021: 1%) movement in interest rates would be $690,992 (2021: $105,986).

The Credit Union performs a sensitivity analysis to measure market risk exposures.

The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing on the banking book of the Credit Union for the next 12 months. In doing the calculation the assumptions applied were that:

- the interest rate change would be applied equally over the loan products and term deposits;
- the rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period;
- the term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposits with similar terms and rates applicable;
- savings deposits would not reprice in the event of a rate change;
- the value and mix of call savings to term deposits will be unchanged; and
- the value and mix of personal loans to mortgage loans will be unchanged.

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. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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	2022 Carrying value $'000	2022 Off balance sheet $'000	2022 Maximum Exposure $'000	2021 Carrying value $'000	2021 Off balance sheet $'000	2021 Maximum Exposure $'000
Housing	133,692	16,179	149,871	120,472	14,695	135,167
Personal	7,664	1,640	9,304	8,519	1,735	10,254
Commercial	6,290	1,958	8,248	6,785	1,613	8,398
Total	147,646	19,777	167,423	135,776	18,043	153,819

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)

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.

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.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

21.2 Credit risk (Continued)

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.

The aggregate value of large exposure loans are set out in Note 11. The Credit Union currently holds \$13,482,583 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.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

21.2 Credit risk (Continued)

(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.

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:

	2022 Carrying value $'000	2022 Past due value $'000	2022 Provision $'000	2021 Carrying value $'000	2021 Past due value $'000	2021 Provision $'000
CUSCAL (A+)	5,250	-	-	3,100	-	-
Banks (BBB and above)	85,179	-	-	56,501	-	-
Unrated	2,000	-	-	4,000	-	-
Total	92,429	-	-	63,601	-	-

The Credit Union has critically assessed the need for an ECL on its investment securities and has determined that no ECL is required at 30 June 2022 (30 June 2021: Nil).

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

21.2 Credit risk (Continued)

(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 2022, the Credit Union had $30,000 in performance guarantees outstanding, secured by first mortgage over residential property or fixed term deposits.

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 28 describes the borrowing facilities as at the balance date. These facilities are in addition to the support from CUFSS.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

21.4 Liquidity risk (Continued)

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in Note 24.

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

	2022 $'000	2021 $'000	2022 (%)	2021 (%)
Total minimum liquidity holdings				
As at 30 June	65,185	47,278		
Total adjusted liabilities				
As at 30 June	252,466	217,399	25.82	21.75
Average for the year	245,026	212,609	25.02	23.38
Minimum during the year	236,589	204,605	23.29	21.73

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

21.5 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.

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. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

21.6 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.

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.

	2022 $'000	2021 $'000
Common Equity Tier 1 Capital		
Retained earnings	21,122	20,467
FVOCI Reserve	236	176
Redeemed capital account	182	175
Less: regulatory adjustments	(1,220)	(900)
Net Tier 1 Capital	20,320	19,918

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

21.5 Capital management (Continued)

	2022 $'000	2021 $'000
Tier 2 Capital		
Reserve for credit losses	457	430
	457	430
Total Capital	20,777	20,348

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%	22,106	-
Deposits in highly rated ADIs	20-50%	74,553	19,501
Standard loans secured against eligible residential mortgages	35-100%	125,040	48,996
All claims on private sector counterparties other than ADIs	100%	22,240	22,240
Other assets	100%	2,973	2,973
Assets secured against deposits	0%	366	-
Total		247,278	93,710

Capital adequacy ratio

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

2022	2021	2020	2019	2018
19.19%	19.81%	20.89%	21.60%	22.32%

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: $13,106,404

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	2022 $'000	2021 $'000
Financial assets – carried at amortised cost			
Cash and liquid assets	9	12,436	11,978
Investment Securities	13	84,003	63,601
Accrued receivables	10	588	378
Loans to members	11	147,644	135,772
Total cash		244,671	211,729
FVOCI investments	13	586	504
TOTAL FINANCIAL ASSETS		245,257	212,233
Financial liabilities – carried at amortised cost			
Deposits from members	17	223,451	190,655
Lease liabilities	16	46	114
Payables and other liabilities	18	1,221	1,481
TOTAL FINANCIAL LIABILITIES		224,718	192,250

23. FAIR VALUE MEASUREMENT

23.1 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).

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.

(ii) 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).

23. FAIR VALUE MEASUREMENT (Continued)

23.1 Financial instruments (Continued)

Subsequent measurement of financial assets

Financial assets at amortised cost

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 and cash equivalents, loans and advances to members and trade receivables fall into this category of financial instruments as well as negotiable certificates of deposits (NCDs), floating rate notes (FRNs) and term deposits.

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

AASB 9 requires the use of forward-looking information to recognise expected credit losses - the **'expected credit loss model' (ECL).** Instruments within the scope of the requirements comprise all financial assets measured at amortised cost and investment debt securities measured at FVOCI. These include cash, receivables, loans and advances to members and investment securities.

The Credit Union considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial asset.

23. FAIR VALUE MEASUREMENT (Continued)

23.1 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.

23.2 Impairment of non-financial assets

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

23.3 Measurement of fair values

A number of the Credit Union's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Credit Union uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Credit Union recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Management have made critical accounting estimates when applying the Credit Union's accounting policies with respect to the valuation of land. In accordance with AASB 13 fair value for land should be based on highest and best use and should take into account a number of factors including: physical characteristic e.g. location or size, any legal restriction e.g. zoning and financial feasibility, recent sales evidence for comparable properties, and overall market conditions.

The fair value of the Credit Union's investment in unlisted equity securities, is based on consideration of sales in a limited market and the investee's net tangible assets.

24. 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.

2022	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	606	-	-	-	-	606	606
Cash at bank and investments	95,833	10,143	19,740	58,505	-	11,830	100,218
Loans to members	147,644	1,939	7,431	33,391	95,227	-	137,988
FVOCI equity investments	586	-	-	-	-	586	586
Total financial assets	244,669	12,082	27,171	91,896	95,227	13,022	239,398
Financial Liabilities							
Trade payables and other liabilities	1,221	1,221	-	-	-	-	1,221
Lease liabilities	46	9	28	10	-	-	47
Deposits from members	223,451	21,053	21,268	1,702	-	179,516	223,539
Total financial liabilities	224,718	22,283	21,296	1,712	-	179,516	224,807

2021	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	1,066	-	-	-	-	1,066	1,066
Cash at bank and investments	74,513	4,775	15,187	45,361	-	10,912	76,235
Loans to members	135,772	1,841	5,284	25,483	95,436	-	128,044
FVOCI equity instruments	504	-	-	-	-	504	504
Total financial assets	211,855	6,616	20,471	70,844	95,436	12,482	205,849
Financial Liabilities							
Trade payables and other liabilities	1,481	1,481	-	-	-	-	1,481
Lease liabilities	114	17	50	47	-	-	114
Deposits from members	190,655	21,465	23,363	1,902	-	144,004	190,734
Total financial liabilities	192,250	22,963	23,413	1,949	-	144,004	192,329

25. 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.

2022

	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	11,830	-	-	-	606	12,436
Receivables due from other financial institutions	2,003	8,000	19,250	54,750	-	84,003
Accrued receivables	588	-	-	-	-	588
Loans to members	104,872	1,939	7,431	33,391	13	147,646
FVOCI equity investment	-	-	-	-	586	586
Total financial assets	119,293	9,939	26,681	88,141	1,205	245,259
Financial Liabilities						
Deposits from members	184,295	16,173	21,202	1,694	87	223,451
Lease liabilities	3	6	27	10	-	46
Trade payables and other liabilities	-	-	-	-	1,221	1,221
Total financial liabilities	184,298	16,179	21,229	1,704	1,308	224,718

2021

	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	10,912	-	-	-	1,066	11,978
Receivables due from other financial institutions	701	4,000	15,000	43,900	-	63,601
Accrued receivables	378	-	-	-	-	378
Loans to members	103,155	1,841	5,284	25,483	13	135,776
FVOCI equity investment	-	-	-	-	504	504
Total financial assets	115,146	5,841	20,284	69,383	1,583	212,237
Financial Liabilities						
Deposits from members	149,433	15,931	23,310	1,890	91	190,655
Lease liabilities	5	11	49	112	-	177
Trade payables and other liabilities	-	-	-	-	1,481	1,481
Total financial liabilities	149,438	15,942	23,359	2,002	1,572	192,313

26. FINANCIAL COMMITMENTS

	2022 $'000	2021 $'000
Loans approved, but not funded	2,813	2,619
Loan redraw facilities available	13,376	12,076
Loan facilities available to members for overdrafts and line of credit loans, as follows:		
- Total value of approved facilities	4,745	4,567
- At term	(1,157)	(1,219)
- Net undrawn value	3,588	3,348

27. EXPENDITURE COMMITMENTS

27.1 Other expenditure commitments

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

	2022 $'000	2021 $'000
Within 1 year	629	580
1 to 5 years	1,652	2,113
Over 5 years	-	-
	2,281	2,693

27.2 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.

28. STANDBY BORROWING FACILITIES

The Credit Union has the following credit facilities with CUSCAL:

Overdraft facility	2022 $'000	2021 $'000
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.

29. 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 2022, the Credit Union had $30,000 in performance guarantees outstanding, secured by first mortgage over residential property or fixed term deposits.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES

30.1 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 (four 2021) 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 2022			**Year ended 30 June 2021**		
	Directors	**Other KMP**	**Total**	**Directors**	**Other KMP**	**Total**
Short-term benefits	159	538	697	139	544	683
Post-employment benefits	23	70	93	13	63	76
Other long-term benefits	-	-	-	-	-	-
Termination benefits	-	-	-	-	-	-
Total	182	608	790	152	607	759

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.

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.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

30.2 Loans to key management personnel and their close members of family (Continued)

	Year ended 30 June 2022			Year ended 30 June 2021		
	Directors	Other KMP	Total	Directors	Other KMP	Total
Opening balance	2,107	502	2,609	2,035	596	2,631
Interest charged	61	15	76	66	13	79
Write-off	-	-	-	-	-	-
Closing Balance	3,001	780	3,781	2,107	502	2,609
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.

30.3 Other transactions

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

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

	Year ended 30 June 2022			Year ended 30 June 2021		
	Directors	Other KMP	Total	Directors	Other KMP	Total
Opening balance	1,400	161	1,561	1,762	195	1,957
Interest paid	8	-	8	8	-	8
Closing Balance	4,572	310	4,882	1,400	161	1,561

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.

31. 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 Visa Cards in Australia and provides services in the form of settlement with bankers for member chequeing, Visa Card transactions and the production of members' cheque books and Visa Cards for use by members. It also provides central banking facilities. In addition, CUSCAL operates the switching computer used to link Visa Cards operated through 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.

32. SEGMENTAL REPORTING

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

33. STATEMENT OF CASH FLOWS

33.1 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.

33.2 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:

	2022 $'000	2021 $'000
Cash balance comprises:		
- Cash on hand	606	1,066
- Imprest accounts	11,830	10,912
- Deposits at call less than 90 days	-	-
	12,436	11,978

33. STATEMENT OF CASH FLOWS (CONTINUED)

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

	2022 $'000	2021 $'000
Profit for the year after income tax	689	789
Non-cash items		
Provision for loan impairment	1	(67)
Depreciation and amortisation	332	223
(Gain) / loss on disposal of property, plant and equipment	-	-
Movements in assets and liabilities		
Deferred taxes	17	29
Provision for income tax	(26)	55
Provision for employee entitlements	15	36
Provision for make-good	-	-
Interest and other receivables	(219)	162
Accrued interest payable	(37)	(125)
Creditors and accruals	(6)	1
Net cash flows from revenue activities	766	1,103

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, at 30 June 2022 there were two Board appointed Directors.

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, for elected Directors, and approved by the Board for appointed Directors. All Directors are reimbursed for 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.

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;

34. CORPORATE GOVERNANCE DISCLOSURES (CONTINUED)

Risk Committee (Continued)

- 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.

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.

34. CORPORATE GOVERNANCE DISCLOSURES (CONTINUED)

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.

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.

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 66:

  (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 2022 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 28th day of September 2022 for and on behalf of the Directors by:

____

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

intentus
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S 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 2022, 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 2022 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 (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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 2022 but does not include the financial report and our auditor's report thereon.

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

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

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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Leanne Smith

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Leanne Smith
Director

127 Keppel Street
Bathurst
Dated: 29th September 2022