Annual Report

for the year ended 30th June 2020

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Ford Co-operative Credit Society Limited ABN 74 087 651 456 trading as Geelong Bank | AFSL/Australian Credit Licence 244351 | BSB 803 199

Geelong Bank

Where we grow

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CORPORATE INFORMATION

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

Following the closure of car manufacturing at Ford in October 2016, the FCCS Board saw an opportunity to advance the company's growth, relevance and value amongst members and the local community with a brand transformation. In 2018 FCCS made a decision to change its name to Geelong bank.

Geelong Bank provides a customer owned alternative; our customers are also our shareholders. We are focused on providing customer benefits and value rather than pursuing large profits. Geelong Bank provides a range of deposit accounts, home loans, personal loans, general insurance, foreign currency and every day banking products, delivered personally by our Geelong team, by Mobile Lending Consultants and through digital channels.

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

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

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

CORPORATE DIRECTORY

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

CHAIR'S REPORT

Dear Fellow Members of Geelong Bank,

It is with pleasure that I present my first report as Chair for the 2019/20 financial year on behalf of your Board of Directors.

The 2019/2020 financial year started positively with above target growth in deposits, loans and new memberships. We comprehensively marketed Geelong Bank through radio and newspaper advertising, combined with social media promotion to continue the building of Geelong Bank recognition since the re-branding from FCCS in November 2018. Our Superfund Maximiser Account and Used Car Loan received 5 star ratings from Canstar.

Our annual strategy planning day was held on 5 March 2020. Discussions were highly interactive and robust resulting in an enthusiastic and optimistic view of Geelong Bank's growth prospects for the 2020/2021 financial year. Just ten days later, the Premier of Victorian, Daniel Andrews, announced a State of Emergency, as the entire country was placed into lockdown due to the COVID-19 pandemic. With the situation seemingly under control, restrictions were eased in mid-May but a second wave of community transmissions of the virus and the subsequent implementation of stricter measures, put increased pressures on our Members and team.

As an essential service, Geelong Bank has remained open to serve our Members, the majority remotely using digital technology. We have supported many Members who have suffered financial hardship and will continue to do so. Our Directors, management and team members have been diligent in observing COVID-19 safe measures and have adapted well to changed work practices such as social distancing or operating home and conducting meetings via ZOOM.

Operating Environment

Prior to COVID-19, Geelong Bank had been on track to meet our target of 10% growth in our loan portfolio. Demand slowed from mid-March, resulting in growth of 5.76% (7.92% 2018/2019). Conversely, our deposit portfolio grew by 11.90% (6.97% 2018/2019) as new and existing Members sought higher returns and security for their savings. Profit was down on the previous year due to four reductions of 0.25 each to the official cash rate by the Reserve Bank of Australia (RBA), which adversely affect our net interest margin.

- Operating profit before tax $500,000 ($509,000 2018/19)
- Capital adequacy 14.75% (15.30% 2018/19)
- Loans increased by $6.142m ($8m 2018/19)
- Deposits increased by $17.163m ($8.6m 2018/19)

Geelong Bank has used the RBA's forecasting to determine that a Baseline gradual recovery – GDP recovery starts second half 2020, noting likely year end decline with growth stronger in 2021 as dwelling investment recovers - is plausible for the Greater Geelong area, whilst recovery in Melbourne will be slower.

It is in this context that Geelong Bank business plans will continue to achieve Geelong Bank's strategic goals and a budget that seeks to deliver prudent growth. In such a dynamic environment, close monitoring of performance will continue and it is expected that adjustments, both positive and negative, will be required.

Strategic Objectives & the Year Ahead

A change in legislation now enables Mutuals to directly issue Mutual Capital Instruments (MCIs) as Common Equity Tier 1 Capital, subject to APRA approval. It was resolved at the Strategy Planning Day to take advantage of this change, which provides Geelong Bank with another option to raise for capital, should we wish to do so. To enable this change, a full review of the Geelong Bank Constitution has been completed and a resolution will be put to the membership for approval at the Annual General Meeting (AGM) on 29 October 2020.

Geelong Bank will continue to expand the range of products and available to our Members. These include fixed rate loans, VISA debit card and Open Banking. We will also enhance our digital technology, enabling 24/7 services such as on-line lending and our website Chatbot, MIA.

Acknowledgments

On behalf of our Members and the Board I would like to thank our management and staff for their contribution to what has been an incredibly challenging, yet successful, year.

We at Geelong Bank appreciate you entrusting your banking to us. Member support is an essential ingredient in the enabling the Bank to grow and prosper.

I wish to make special mention of two retiring Directors, Chris MacDonald and Peter Bone. Chris had been a Director of the Board for 27 years and retired in June 2020. In that time, he had been Chair of the Finance Committee from 1993 to 2002 and Vice Chair of the Board 2002 to 2016. Chris served during some challenging times at FCCS and was noted for his probing questions of management, where his financial expertise came to the fore.

Peter has served as a Director of the Board for 24 years and has decided to retire at this year's AGM. Peter was Chair Audit Committee from 2004 to 2014 and Vice Chair Risk from 2015 to date. He was also Chair of the Year 2000 Committee. With a passion for good governance, matched only by his enthusiasm for sailing, Peter has also served on the Governance Committee since 2016.

On behalf of our Members, management, staff, and the Board, we thank both Chris and Peter for their years of dedicated service as exceptional directors helping guide FCCS / Geelong Bank over many years.

Respectively,

Tim Boyd

Chair

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2020.

DIRECTORS

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

Names and qualifications

Tim J. Boyd
DegMgt, CAHRI, GAICD

Tim joined the Board as an Associate Director in 2013, before becoming a full Director in 2014. He commenced as Chair of the Board and the Governance Committee in January 2020.

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

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

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

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

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

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

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

Peter F. Bone

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

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

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

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

DIRECTORS' REPORT (cont.)

Scott D. Randall
BEng, AssocDip Qual Tech

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

Scott has joined the management team at Steamatic Geelong & Warrnambool in August 2020 and holds an Assessment Manager position.

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

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

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

Christopher G. MacDonald
BCom

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

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

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

Chris MacDonald resigned from the Board effective 25th June 2020.

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

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

Terry retired from Ford Motor Company in mid-2006 after over 35 years in mid / upper management mainly in the Geelong Manufacturing complex and including nearly 2 years in Ford assignments overseas. Terry developed the Engine and Chassis ISO9000 and QS9000 Quality procedural systems and the real time Geelong Manufacturing IT system.

Terry is an active volunteer fire-fighter and training officer of his local CFA brigade, and Secretary of District 6 VFBV. He was awarded the National Medal of Australia in 2014 for diligent CFA service and was made a Life Member in 2017. He is also Chairperson of Mercy Christian Children's Mission International that operates an orphanage in Kenya where he was born.

Terry and his wife Helen currently live near Colac. He and Helen enjoy caravanning especially in far north-west Queensland. Three of their four children and his four grand-children are Geelong / Colac based.

DIRECTORS' REPORT (cont.)

Dominic Raimondo
Dip Eng

Dominic Raimondo joined the Board as an Associate Director in 2002, before becoming a full Director in 2007. He was the Chair of the Board and Chair of the Governance Committee from November 2013 to January 2020. He is now a member of the Audit Committee.

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

Allison R Batten
GAICD

Allison joined the Board as an Associate Director in 2018, before becoming a full Director in January 2020.

Allison enjoyed a 25 year corporate career within the Retail sector, having held General Management positions with Target Australia Pty Ltd and The Reject Shop Ltd before starting her own Retail Business Consulting company in 2014. Since then Allison has worked with a broad range of Retail companies ranging from large ASX, privately owned SME's, Private Equity and small independent start-ups.

Allison brings to the board a deep understanding of the rapid changes in consumer expectations and how generational groups require organisations to engage personally. Allison's expertise is in Business Strategy, Corporate Governance and Compliance, Business Contract Negotiation, Systems capability, Marketing and Supply Chain Management. She has extensive international experience within the Asia Pacific Region.

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

Mark Burrowes
B Ec, FAICD

Mark became an observer on the Board in January 2020.

Mark is a Director of Consigliere Pty Ltd, a family company advisory group. He is also a former Director of several Boards, including the Reach Foundation, the Starlight Children's Foundation, as well as Managing Director of Medibank Private, Chair of Hardings Hardware and most recently Chair of Scope (Aust) Pty Ltd.

He is a Fellow of the Australian Institute of Company Directors.

As well as his Board experience Mark has had a 40 year corporate career across the oil sector, banking and finance, health, and retailing. Most recently he has been involved in company turnarounds and he continues to work in the field of Mergers and Acquisitions.

He is a resident in the Greater Geelong region.

COMPANY SECRETARY

Mr Stephen Allinson, Finance and Accounting Manager, was appointed Company Secretary on 1 July 2019.

DIRECTORS' REPORT (cont.)

PRINCIPAL ACTIVITIES

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

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

DIRECTOR BENEFITS

No Director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Bank, controlled by the Bank, or a related body corporate with a Director, a firm of which is a member or Bank in which a Director has a substantial financial interest, other than disclosed in Note 35 of the financial report.

OPERATING RESULTS

Profit after income tax for the financial year was $380,265 (2019: $365,824).

REVIEW OF OPERATIONS

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

DIVIDENDS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

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

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

INDEMNIFICATION AND INSURANCE

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

The officers of the Bank covered by the insurance contract include the Directors, executive officers, secretary and employees.

In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the Bank.

CORPORATE GOVERNANCE

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

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

DIRECTORS' REPORT (cont.)

DIRECTORS' MEETINGS

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

	Board Meetings		Governance Committee Meetings		Audit Committee Meetings		Risk Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
T.J. Boyd	11	12	4	4	-	-	2	4
M.J. Carroll	12	12	2	4	2	4	4	4
A.R. Batten	12	12	-	-	4	4	1	4
P.F. Bone	12	12	4	4	-	-	4	4
C.G. MacDonald – Retired June 2020	11	12	-	-	4	4	-	-
T.A. O'Brian	10	12	-	-	-	-	3	4
D.M. Raimondo	12	12	2	4	2	4	-	-
S.D. Randall	12	12	-	-	3	4	-	-

A – Number of meetings attended

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

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

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

ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the Directors.

Scott Randall
Director

Allison Batten
Director
Geelong, 1 October 2020

AUDITOR INDEPENDENCE DECLARATION

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Auditor Independence Declaration Under S307C of the *Corporations Act 2001* to the Directors of Ford Co-operative Credit Society Limited (trading as Geelong Bank)

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2020 there have been no contraventions of:

1) The auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

2) Any applicable code of professional conduct in relation to the audit.

Crowe Melbourne.

CROWE MELBOURNE

ALISON FLAKEMORE
Partner

Hobart, Tasmania

Dated this 1st day of October 2020.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

CORPORATE GOVERNANCE STATEMENT

Board of Directors

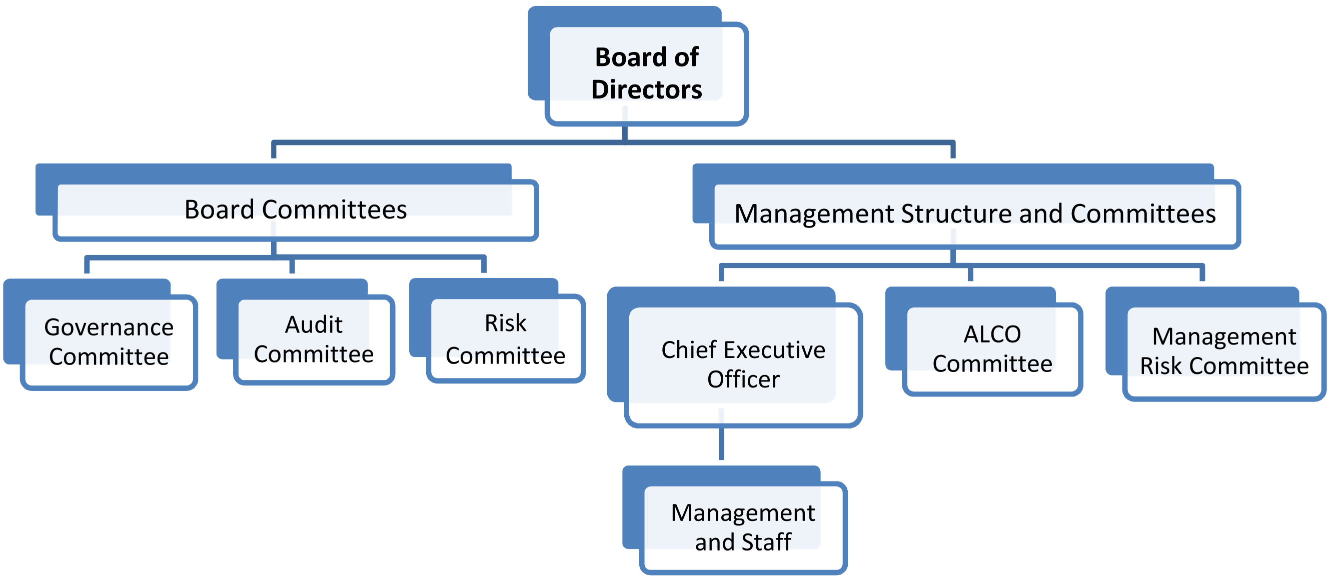
The Board of Directors is responsible for the corporate governance of the Bank. The Board guides and monitors the business and affairs of the Bank on behalf of the members by whom they are elected and to whom they are accountable. An important feature of the Board is to ensure compliance with the prudential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

The key responsibilities of the Board include:

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

Structure of the Board

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



CORPORATE GOVERNANCE STATEMENT cont...)

Board Committees

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

Governance Committee

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

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

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

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

Audit Committee

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

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

Risk Committee

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

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

Management Committees

Assets & Liabilities Committee (ALCO)

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

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

CORPORATE GOVERNANCE STATEMENT cont...)

Management Risk Committee

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

The primary function of the Committee is:

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

Risk Management Objectives and Policies

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

- Contribute to profitable prudential performance by achieving an appropriate balance between realising opportunities while minimising losses;
- Maintain a comprehensive and up-to-date Risk Appetite Statement that addresses all material risks and sets the risk limits acceptable to the Board;
- Be concerned with risk as exposure to the consequences of uncertainty, or potential deviations from that which is planned or expected;
- Address Capital Management – refer Note 28; and
- Facilitate regular reporting to Senior Management, the Board and relevant Committees.

Risk Management Framework

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

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

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

The Bank has undertaken the following strategies to minimise risks.

Market Risk

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

CORPORATE GOVERNANCE STATEMENT cont…)

Credit Risk – Loans

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

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

Credit Risk – Liquid Investments

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

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

Credit Risk – Equity Investments

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

Liquidity Risk

The Bank has set out in Note 27 the maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms.

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

Operational Risk

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

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

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020	Notes	2020 $'000	2019 $'000
INTEREST REVENUE	2	4,660	5,183
INTEREST EXPENSE	2	1,961	2,431
NET INTEREST REVENUE	2	2,699	2,752
OTHER REVENUE	3(a)	544	541
TOTAL OPERATING INCOME		3,243	3,293
EMPLOYEE BENEFITS EXPENSE	3(b)	1,012	1,031
LOAN IMPAIRMENT EXPENSE		66	-
DEPRECIATION AND AMORTISATION	3(b)	181	231
OTHER EXPENSES	3(b)	1,484	1,522
PROFIT BEFORE INCOME TAX	4	500	509
INCOME TAX EXPENSE	5	(120)	(143)
PROFIT AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS		380	366
OTHER COMPREHENSIVE INCOME Items that will not be reclassified subsequently to profit or loss Asset revaluation reserve movement (net of tax)	23	-	134
Gain/(loss) on the revaluation of equity instruments at fair value through other comprehensive income, net of tax	24	35	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS		415	500

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 JUNE 2020	Notes	2020	2019
		$'000	$'000
ASSETS			
Cash and cash equivalents	6	**13,361**	5,108
Deposits with other financial institutions	7	**17,100**	13,700
Accrued receivables	8	**238**	281
Investment securities	9	**14,408**	15,655
Net loans and advances	10	**112,630**	106,540
Other financial assets	11	**653**	605
Property, plant and equipment	12	**2,819**	2,831
Other assets		**113**	82
Deferred tax assets	13	**97**	87
TOTAL ASSETS		**161,419**	144,889
LIABILITIES			
Deposits from members	15	**146,034**	132,709
Payables	16	**340**	702
Tax liabilities	17	**34**	17
Employee benefits	18	**219**	200
Deferred tax liabilities	19	**584**	571
Long term borrowings	20	**3,103**	-
TOTAL LIABILITIES		**150,314**	134,199
NET ASSETS		**11,105**	10,690
MEMBERS' EQUITY			
Capital reserve account	21	**126**	124
Reserves	22	**3,102**	3,102
Asset revaluation reserve	23	**1,145**	1,145
Financial asset reserve	24	**210**	175
Retained profits	25	**6,522**	6,144
TOTAL MEMBERS' EQUITY		**11,105**	10,690

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN MEMBERS' EQUITY

YEAR ENDED 30 JUNE 2020	Notes	Retained Profits $'000	Capital Reserve Account $'000	Asset Revaluation Reserve $'000	Reserves $'000	Financial Asset Reserve $'000	Total $'000
Total at 1 July 2018		5,636	121	1,011	3,102	-	9,870
Changes on initial adoption of AASB 9		145	-	-	-	175	320
Net Profit for the year		366	-	-	-	-	366
Less redeemed preference shares	21	(3)	3	-	-	-	-
Revaluation increments/(decrements)	23	-	-	134	-	-	134
Total at 30 June 2019		6,144	124	1,145	3,102	175	10,690
Total at 1 July 2019		**6,144**	**124**	**1,145**	**3,102**	**175**	**10,690**
Net Profit for the year		**380**	**-**	**-**	**-**	**-**	**380**
Less redeemed preference shares	21	**(2)**	**2**	**-**	**-**	**-**	**-**
Revaluation increments/(decrements)	24	**-**	**-**	**-**	**-**	**35**	**35**
Total at 30 June 2020		**6,522**	**126**	**1,145**	**3,102**	**210**	**11,105**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2020	**Notes**	**2020**	2019
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**4,709**	5,229
Dividends received		**36**	17
Borrowing costs		**(2,077)**	(2,337)
Other non-interest income received		**495**	508
Personnel and occupancy costs paid		**(1,122)**	(1,177)
General expenses paid		**(1,625)**	(1,549)
Income tax paid		**(113)**	(97)
Net movement in loans, advances and other receivables		**(6,155)**	(7,823)
Net movement in deposits and shares		**13,325**	8,643
NET CASH FLOWS FROM OPERATING ACTIVITIES	31(a)	**7,473**	1,414
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement in investments		**(2,153)**	(649)
Acquisition of property, plant and equipment		**(174)**	(216)
Proceeds from sale of property, plant and equipment		**5**	17
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		**(2,322)**	(848)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term borrowings		**3,102**	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**3,102**	-
NET INCREASE/(DECREASE) IN CASH HELD		**8,253**	566
Add opening cash brought forward		**5,108**	4,542
CLOSING CASH CARRIED FORWARD	31(b)	**13,361**	5,108

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 June 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The Financial Statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. For the purpose of preparing the financial statements, and in accordance with AASB 1054, the Bank is a for-profit entity.

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

b) Basis of Preparation

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

The preparation of the financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Bank.

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

The financial report was authorised for issue by the Directors on 1 October 2020.

c) Cash and cash equivalents

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

d) Classification of financial assets

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

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

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

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

Classifications are determined by both:

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

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

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

Subsequent measurement of financial assets
Financial assets at amortised 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. The Bank's cash and cash equivalents, trade receivables fall into this category of financial instruments and bonds.

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

Financial assets at fair value through other comprehensive income (FVOCI)
Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. This category includes unlisted equity securities – CUSCAL Ltd and TAS Pty Ltd - that were previously classified as 'available for sale' (AFS) under AASB 139.

Impairment of the Bank's financial assets

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

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

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

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

Loans to Members

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

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

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

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

Loans and advances to customers included:

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

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

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

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

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

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

Transaction costs
Transaction costs are expenses which are direct and incremental to the establishment of the loan. These costs are initially deferred as part of the loan balance, and are brought to account as a reduction to income over the expected life of the loan, and included as part of interest revenue.

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

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

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

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

Reclassifications

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

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

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

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

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

Measurement of ECL

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

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

Credit-impaired financial assets

At each reporting date, the Bank 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 Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

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

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 Bank 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 Bank's procedures for recovery of amounts due.

Other Financial Assets

AASB 9 requires the Bank's equity investments in other financial assets to be held at fair value. The Bank has elected for these to be held at fair value through other comprehensive income (FVOCI).

Subsequent movements in fair value are recognised in other comprehensive income and 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. The Bank's other financial assets are equity investments in Cuscal Limited and Transaction Solutions Pty Ltd.

e) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance date.
Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.
Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.
Deferred income tax assets are recognised to the extent that it is probable that future taxable amounts will be available against which deductible temporary differences can be utilised.
The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Bank will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

f) Receivables - related parties entities

Amounts receivable from related parties/entities are carried at amortised cost. Details of the terms and conditions are set out in Note 35.

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

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

g) Property, plant and equipment & intangible assets

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

Cost and valuation

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

Depreciation

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

Major depreciation periods are:

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

Intangible Assets

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

Recoverable amount

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

h) Member Deposits

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

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

i) Borrowings

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

Borrowing costs are recognised as the liability for interest accrued.

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

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

j) Provision for Employee Benefits

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

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

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

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

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

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

k) Provisions

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

l) Goods and Services Tax

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

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

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

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

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

m) Revenue recognition

Account fees

A monthly service fee is applicable on savings accounts for maintaining a customer's deposit account. Many of the Bank's savings account contracts with members comprise a variety of performance obligations including, but not limited to processing of transfers, use of ATMs for cash withdrawals, the issue of original debit cards, and provision of account statements. Under AASB 15, the Bank must evaluate the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both of the following criteria are met:

- the customer benefits from the good or service either on its own or together with other readily available resources; and
- the Bank's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the Bank does not provide a significant service integrating, modifying or customising it).

Insurance commission

Insurance commission revenue is in the form of commission generated on successful referral of an insurance application to the insurer. This commission is recognised at a point in time on inception of the insurance policy with the insurer which reflects when the Bank has fulfilled their performance obligation.

n) New or emerging standards not yet mandatory

Certain accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period. Changes that are not likely to impact the financial report of the Bank have not been reported.

o) New accounting standards applicable for the current year

The Bank has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australia Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

AASB16 Leases

General impact of initial application

AASB 16 Leases replaced AASB 117 Leases from 1 July 2019.

AASB16 introduces new or amended requirement with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases, except for short-term leases and leases of low value assets.

In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The new requirements include the recognition exemptions to lease accounting as a lessee for low-value assets and short-term leases.

The impact of the adoption of AASB 16 on the Bank's financial statements is described below.

Financial impact on initial application

When adopting AASB 16, the Bank has applied the modified retrospective (cumulative catch-up) method from 1 July 2019, and therefore the comparative information has not been restated and continues to be reported under AASB 117 Leases and related Interpretations.

The Bank have no leases that are captured under AASB 16 Leases and therefore there has been no impact on the financial statements in the current financial year as a result of the adoption of the new accounting standard.

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

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

p) Use of estimates and judgements

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

(i) Impairment losses on loans and advances

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

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

Management have made critical accounting estimates when applying the Bank's accounting policies with respect to the measurement of expected credit loss (ECL) allowance. Key areas of judgement to be considered under the new standard include:

- Recognition of credit losses based on "Stage 1" 12 month expected losses and "Stage 2" and "Stage 3" lifetime expected credit losses.
- Determining criteria for significant increase in credit risk: An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.
- Choosing appropriate models and assumptions tor the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL: When ECLs are measured on a collective basis; the financial instruments are grouped on the basis of shared risk characteristics.

Judgement has also been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Bank based on known information. The consideration extends to the nature of the products and service offered, customers, staffing and the geographic region in which the Bank operates. The key estimates and judgements associated with COVID-19 are detailed throughout Note 1 and Note 10 Loans and advances and Note 12 Property, Plant and Equipment.

(i) Determination of fair values

A number of the Bank's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosures purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(ii) Property, plant and equipment

The fair value of land and buildings are based on market values. The market value of property is the estimated amount for which a property could be exchanges on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

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

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Bank's land and building.

(iii) Equity and investing securities

The fair value of the investments held in CUSCAL and TAS have been determined by calculating the net asset per share using the last published financial statements.

q) Going Concern

The impact of the Coronavirus (COVID-19) pandemic and its impact on the Bank's operations has been subject to close consideration in preparing these financial statements. It is likely that the impact in terms of profitability will be financially neutral, with the only impact being on the expected credit loss provision. However, there has been a significant amount of scenario testing and forecasting undertaken to provide comfort that there is no material uncertainty in terms of the Bank as a "going concern". The scenario testing undertaken indicates that key metrics such as Capital Adequacy and Liquidity are able to be maintained at levels above both statutory requirements and internal benchmarks for the forecasting period.

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

30 June 2020	Notes	2020 $'000	2019 $'000
2. INTEREST REVENUE AND INTEREST EXPENSE			
Interest Revenue			
Deposits with other financial institutions		**518**	746
Investment securities		**26**	58
Loans and advances		**4,116**	4,379
		4,660	5,183
Interest Expense			
Deposits		**1,958**	2,430
Short term borrowings		**1**	1
TFF borrowings		**2**	-
		1,961	2,431
Net Interest Income		**2,699**	2,752
3. REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER SOURCES OF INCOME			
(a) Revenue from contracts with customers			
Fees and commissions			
- Loan fee income		**49**	43
- Other fee income		**99**	121
- Insurance commissions		**181**	172
- Other commissions		**49**	62
Total other revenue from contracts with customers		**378**	398
Other sources of income			
Dividends			
- Other corporations		**36**	17
Bad debts recovered		**-**	6
Income from property		**80**	83
Governments grants		**50**	37
Total other sources of income		**166**	143
Total other income		**544**	541
(b) Other Operating Expenses			
Depreciation and amortisation			
- Plant and equipment		**156**	206
- Buildings		**25**	25
		181	231
Employee benefits expense			
- Personnel costs		**882**	889
- Provision for employee benefits		**19**	4
- Contributions to accumulation superannuation funds		**111**	138
		1,012	1,031
Other Expenses			
- IT/Software		**549**	503
- General and administration		**935**	1,019
		1,484	1,522
Total other operating expenses		**2,677**	2,784

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

REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER SOURCES OF INCOME (cont…)

Government grants

As part of its response to COVID-19, the Australian Government, in March 2020, announced various stimulus measures to ease the burden experienced by businesses as a result of the economic fallout from the coronavirus lockdown and social distancing measures.

The 'Boosting Cash Flow for Employers' measure provided a tax-free 'payment' to eligible businesses with aggregated annual turnover of less than $50 million if they employed people between 1 January 2020 and 30 June 2020. The scheme works as follows:

- Initial cash flow boost – 100% of PAYG withheld for January to June 2020 (maximum of $50,000, minimum of $10,000); and
- Additional cash flow boost – equal to the initial cash flow boost, received over two instalments as part of the June 2020 Business Activity Statement (BAS) and the September 2020 BAS (i.e. 50% in each BAS).

As both the 'initial cash flow boost' and 'additional cash flow boost' are effectively a waiver of the whole, or part, of the PAYG liability, the amount of the 'payment' is recognised as grant income under AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* because these cash flow boosts are being provided by the Government in return for compliance with conditions relating to the operating activities of the entity.

The Bank received an initial cash flow boost of $50,000 upon lodgement of its March 2020 BAS. The Bank is expected to receive an additional cash flow boost of $50,000 over two instalments, being the June 2020 and September 2020 BAS's.

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

REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER SOURCES OF INCOME (cont...)

Further details with regards to the revenue from contract with customers under AASB 15 is disclosed below:

	Nature and timing of satisfaction of performance obligations	**Revenue recognition under AASB 15**
Fee income		
Loan fees	Loan fees and charges includes fees for ongoing loan account management, as well as late repayment fees and other penalty charges. These fees and charges are charged to the customer's account as incurred.	Loan fees and charges are recognised at the point in time when the transaction takes place.
Electronic transaction fees / Visa card fees / Other fees	The Bank provides financial services to members. Fees for ongoing account management are charged to the customer's account on a monthly basis. Transaction-based fees are charged to the customer's account when the transaction takes place.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.
Commission income		
Insurance	Commission income is generated via the issuing of 3rd party insurance policies to members. A financial contribution is also available to help cover the direct costs of projects and/or campaigns.	Commission income is recognised when the insurance policy is issued. 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 Bank, and is a key judgement area. Financial contributions are recognised in the year the campaign occurs.
Card/Bpay/payment	Commission is paid based on the volume of member generated BPAY transactions and card transactions.	Revenue is recognised at the point in time when it is received as that is when the service has occurred.
Other	Other commission includes Travelex and term life insurance.	Revenue is recognised at the point in time when it is received as that is when the service has occurred.

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

30 June 2020	Notes	2020	2019
		$'000	$'000
4. PROFIT BEFORE INCOME TAX EXPENSE			
Profit before income tax expense does not include any items whose disclosure is not relevant in explaining the financial performance of the Bank.			
5. INCOME TAX			
(a) The prima facie tax payable on operating profit is reconciled to the income tax expense in the accounts as follows:			
Profit from operations before tax		**500**	509
Prima facie tax payable on operating profit before income tax at 27.50%		**137**	140
Add tax effect of expenses not deductible			
- Other non-deductible expenses		**7**	(20)
Subtotal		**144**	120
Add			
- Deferred Tax Expense		**(9)**	30
Less			
- Franking Rebate		**(15)**	(7)
Income tax expense attributable to operating profit		**120**	143
(b) Franking Credits The amount of franking credits held by the Bank after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year is:		**2,661**	2,533
6. CASH AND CASH EQUIVALENTS			
Cash on hand		**243**	227
Deposits at call		**13,118**	4,881
		13,361	5,108
7. DEPOSITS WITH OTHER FINANCIAL INSTITUTIONS			
Interest earning deposits		**17,100**	13,700
Maturity Analysis			
Not longer than 3 months		**12,500**	10,100
Longer than 3 and not longer than 12 months		**2,000**	1,000
Longer than 1 and not longer than 5 years		**2,600**	2,600
		17,100	13,700

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

30 June 2020	Notes	2020 $'000	2019 $'000
8. ACCRUED RECEIVABLES			
Interest receivable		**62**	112
Other		**176**	169
		238	281
9. INVESTMENT SECURITIES			
Floating rate notes		**14,408**	15,655
Maturity Analysis			
Not longer than 3 months		**500**	4,000
Longer than 3 and not longer than 12 months		**5,001**	2,000
Longer than 1 and not longer than 5 years		**8,908**	9,655
		14,408	15,655
10. LOANS AND ADVANCES			
Overdrafts		**121**	216
Term loans		**112,596**	106,359
		112,717	106,575
Provision for impairment	10(f)(i)	**(87)**	(35)
Total loans and advances (net)		**112,630**	106,540
(a) Aggregate amounts receivable from related parties:			
Directors and Director-related entities			
– Directors		**752**	2
(b) Maturity Analysis			
Overdrafts		**121**	216
Not longer than 3 months		**4**	3
Longer than 3 and not longer than 12 months		**71**	69
Longer than 1 and not longer than 5 years		**2,108**	2,063
Longer than 5 years		**110,413**	104,224
		112,717	106,575
c) Credit Quality – Security Dissection			
Secured by mortgage		**108,226**	102,239
Secured other		**3,755**	3,553
Unsecured		**736**	783
Total		**112,717**	106,575
In is not practicable to value all collateral as at the balance date due to the variety of assets and conditions. A breakdown of the quality of the residential mortgage security on a portfolio basis is as follows:			
- loan to valuation ratio of less than 80%		**93,508**	89,907
- loan to valuation ratio of more than 80% but mortgage insured		**11,283**	10,113
- loan to valuation ratio of more than 80% but not mortgage insured		**3,435**	2,219
		108,226	102,239

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

30 June 2020	Notes	2020 $'000	2019 $'000
10. LOANS AND ADVANCES (Cont...)			
d) Funds Under Management			
At 30 June 2020 the Bank provided management for $3,654,060 (2019 $4,341,926) of off balance sheet securitised loans to members which are financed by Perpetual Trustee Company Ltd (mortgage provider). These loans do not qualify for recognition in the books of the Bank and accordingly are not brought to account in the books of the Bank at any time. The Bank receives fees and commissions from borrowers and the mortgage provider for the establishment of the loans and for the ongoing management of the loans. The mortgage provider assumes all of the risk in relation to these loans.			
(e) Concentration of Risk			
The Bank has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:			
(i) Geographic			
- Victorian residents		**102,342**	95,066
- Other		**10,288**	11,474
		112,630	106,540
(ii) Industry			
- Employed by Ford Motor Company Limited		**8,563**	11,245
The Bank's loan portfolio includes eleven loans totalling $12,139,826 which represents 10% or more of capital.			
(f) Provision on Impaired Loans			
(i) Loan Provisions Comprise:			
- Expected credit loss allowance		**87**	35
		87	35

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

Reconciliation of allowance for impairment
The reconciliations from the opening to the closing balance of the allowance for impairment by class of financial instrument is shown in the table below:

Credit risk exposure under expected credit loss - 2020	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loan category	**2020 $'000**	**2020 $'000**	**2020 $'000**	**2020 $'000**
Mortgages loans – secured by residential or commercial property				
Up to 30 days	106,313	-	-	106,313
More than 30 days, but less than 90 days	-	2,422	-	2,422
More than 90 days	-	-	37	37
Personal loans – secured & unsecured				
Up to 30 days	3,521	-	-	3,521
More than 30 days, but less than 90 days	-	376	-	376
More than 90 days	-	-	48	48
Secured by other	-	-	-	-
Total carrying amount – gross	109,834	2,798	85	112,717
Less expected credit loss allowance	(46)	(38)	(3)	(87)
Total carrying amount – net	109,788	2,760	82	112,630
Security analysis - Stage 2 & Stage 3				
Estimated collateral – after discount	N/A	4,145	-	4,145

Reconciliation of allowance for impairment
The reconciliations from the opening to the closing balance of the allowance for impairment by class of financial instrument is shown in the table below:

2020:

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Movement category	**2020 $'000**	**2020 $'000**	**2020 $'000**	**2020 $'000**
Balance at 1 July 2019	34	1	-	35
Transfers between stages	-	-	-	-
Movement due to increase in loans & advances	12	9	3	52
Movement due to change in credit risk	-	-	-	-
Bad debts written off from provision	-	-	-	-
Changes in model/risk parameters	-	29	-	-
Balance at 30 June 2020	46	38	3	87

During the 2020 financial year, there was no significant change to the gross carrying amount of financial instruments subject to the expected credit loss provision.

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

30 June 2020	Notes	2020 $'000	2019 $'000
10. LOANS AND ADVANCES (Cont...)			
Non-accrual loans		**-**	-
(g) Past due but not impaired			
As at 30 June 2020 loans and advances of $721,236 (2019 $1,277,129) were past due but not impaired. Adequate security is held to cover recovery of the debt. The ageing analysis is as follows:			
Past due up to 90 days (fully secured)		**684**	770
Past due 90 - 365 days (fully secured)		**37**	507
		721	1,277

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

Sensitivity Analysis

A probability weighted ECL has been prepared taking into consideration a base case, upside and downside scenario across each of the Bank's loan portfolios. Given the forecast near-term outlook, including the anticipated COVID-19 pandemic impact, a 5% weighting has been applied to the upside scenario. The base case incorporates a reasonable level of portfolio stress driven by forecast unemployment rate (rising to 10% and slowly recovering until 2022). This scenario is weighted at 55%. The downside scenario assumes a more severe a prolonged downturn (unemployment rising to 10% and remaining elevated throughout 2021 and 2022) and collateral values being discounted by 30% for the calculation of the Exposure at Default ('EAD'). This scenario has been given a 45% weighting. As the effect of these weighting was minor, the Bank has elected to use the base case.

Incorporation of forward-looking information

The Bank has taken into consideration several macro-economic factors including unemployment rate, gross domestic product, housing price index and interest rates. Through analysis it was determined that the unemployment rate showed a correlation with the Bank's arrears history, therefore the Probability of Default ('PD') will be reviewed and adjusted if a significant change in the unemployment rate is forecast or has occurred. Due to the anticipated near-term outlook, including potential impacts of the COVID-19 pandemic, the PD at each stage has been reviewed and adjusted based on a forecasted increase in the unemployment rate.

The Bank also holds a general reserve for credit losses as an additional allowance for bad debts to comply with prudential requirements. Refer to Note 22 for details on this reserve.

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

30 June 2020	**Notes**	**2020**	2019
11. OTHER INVESTMENTS		**$'000**	$'000
Shares in Unlisted companies – at fair value			
- Credit Union Services Corporation (Aust) Limited	37	**537**	254
- Increase in fair value during the year		**41**	283
		578	537
- Transaction Solutions Pty Limited	37	**67**	10
- Increase in fair value during the year		**7**	57
		74	67
- Other	37	**1**	1
TOTAL INVESTMENTS		**653**	605

Disclosures on Shares held at FVOCI:

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

The shareholding in CUSCAL is measured at fair value.

Fair Value Calculation – 2020

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

30 June 2019 net assets = $255.8m

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

Net assets per share = $1.3689 / share x 422,689 = $578,619

This company was created to supply services to the member Credit Unions and does not have an independent business focus. These shares are held to enable the Bank to receive essential banking services – refer to Note 37. The shares are not able to be traded and are not redeemable.

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

b) Transaction Solutions Pty Ltd

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

Fair Value Calculation – 2020

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

30 June 2019 net assets = $14.3m

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

Net assets per share = $7.4183 / share x 9,993 = $74,131

These shares are held to enable the Bank to receive essential banking services – refer to Note 37.

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

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

30 June 2020	Notes	2020	2019
12. PROPERTY, PLANT AND EQUIPMENT			
Freehold land			
At fair value		**2,200**	2,200
Buildings on freehold land			
At cost		**1,022**	1,022
Less Provision for depreciation		**736**	711
		286	311
Total freehold land and buildings		**2,486**	2,511
Plant and equipment			
At cost		**1,974**	2,114
Less Provision for depreciation		**1,641**	1,794
Total plant and equipment		**333**	320
Total property, plant and equipment			
At cost		**2,996**	3,136
At fair value		**2,200**	2,200
Less Provision for depreciation		**2,377**	2,505
Total written down amount		**2,819**	2,831

a) The valuation of land was performed during the COVID-19 pandemic, with limited market activity and low sales volumes. The valuation report acknowledged that past cycles indicate a lag for property markets to react to economic events, and that the extent of any decline in value is presently uncertain, and may depend on the length of the COVID-19 pandemic. While the valuation report does not indicate impairment of land and buildings, it does present estimation uncertainty regarding the increased valuation of the land and buildings. The valuation is performed as at the current date of valuation only. The fair value assessed may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of valuation). The Bank has determined that the carrying amount of land and buildings, and the fair value are not materially different. The Valuation is based on specific assumptions that appear reasonable based on current local market sentiment and forecasts, notwithstanding the market uncertainty resulting from the current COVID-19 environment.

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

30 June 2020

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

b) Valuations

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

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

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

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

30 June 2020	**Land**	**Bldgs.**	**Plant & Equip.**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Carrying amount at start of year	**2,200**	**311**	**320**	**2,831**
Revaluation increments	-	-	-	-
Additions	-	-	**174**	**174**
Less Disposals	-	-	**(5)**	**(5)**
Less Depreciation	-	**(26)**	**(155)**	**(181)**
Carrying amount at end of year	**2,200**	**285**	**334**	**2,819**

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

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

30 June 2020	Notes	2020	2019
		$'000	$'000
13. DEFERRED TAX ASSETS			
Deferred Tax Assets comprise:			
Provisions for impairment on loans		24	10
Provisions for staff entitlements		63	68
Provisions for other liabilities		10	9
		97	87
14. INTANGIBLE ASSETS			
Computer software		799	799
Less Provision for amortisation		799	799
Total written down amount		-	-
15. DEPOSITS FROM MEMBERS			
Call deposits		95,434	79,948
Term deposits		50,563	52,724
Total Deposits		145,997	132,672
Members withdrawable shares		37	37
		146,034	132,709
(a) Maturity Analysis			
On call		95,433	79,948
Not longer than 3 months		26,427	30,669
Longer than 3 and not longer than 12 months		24,137	22,055
No maturity specified		37	37
		146,034	132,709
(b) Concentration of Deposits			
The Bank has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments as follows:			
(i) Geographic			
- Victorian residents		115,969	113,800
- Other		30,065	18,909
		146,034	132,709
(ii) Industry			
- Employed by Ford Motor Company Limited		2,776	2,718

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

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

30 June 2020	Notes	2020	2019
		$'000	$'000
15. DEPOSITS FROM MEMBERS (cont....)			
(c) Members withdrawable shares			
Since all member shares issued are withdrawable at the discretion of the member, on closure of their account, shares are recognised as liabilities rather than equity. All shares carry the same voting entitlements.			
Shares at beginning of the year		**37**	37
Shares issued in the year		**2**	3
Shares redeemed from share account		**(2)**	(3)
		37	37
16. PAYABLES			
Trade creditors		**63**	283
Accrued interest payable		**233**	348
Other creditors		**44**	71
		340	702
17. TAX LIABILITIES			
Taxation payable		**34**	17
18. EMPLOYEE BENEFITS			
Annual leave		**80**	66
Long service leave		**139**	134
		219	200
19. DEFERRED TAX LIABILITIES			
Deferred tax liabilities		**584**	571
Deferred income tax liability comprises			
Tax on revalued land held in equity		**405**	405
Tax on revalued of shares held in equity	39	**179**	166
		584	571
20. LONG TERM BORROWINGS			
Term Funding Facility (TFF)		**3,103**	-
Total long term borrowings		**3,103**	-

Term Funding Facility (TFF)

On 19 March 2020, the RBA announced it was establishing a Term Funding Facility (TFF) for ADIs to reinforce the benefits to the economy of a lower RBA cash rate and encourage ADIs to support businesses. The facility provides three-year funding via repurchase transactions with the RBA at a cost of 0.25% and is available to be drawn through to the end of March 2021. On 30 March 2020, APRA announced that the benefit from the Initial Allowance of the TFF could be included in the reporting of Minimum Liquidity Holdings (MLH) from 31 March 2020 subject to having the necessary unencumbered collateral to access the facility. On 16 April 2020, APRA extended this treatment to include the Additional Allowance of the TFF.

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

30 June 2020

20. LONG TERM BORROWINGS (cont….)

The Bank's Initial Allowance was $3,328,800 was drawn on 8 April 2020 (purchase date). The collateral used to access the facility is $3,500,000 RBA Repo Bonds. The Bank has $227,056 additional allowance available. The TFF is measured at amortised cost and recognised as the aggregate amount of money owing to the Reserve Bank of Australia (RBA) as part of the reciprocal purchase transaction. The amount of interest accrued at balance date is shown as part of the TFF. The repurchase price is $3,125,071 and the repurchase date is 11 April 2023.

	Notes	2020	2019
		$'000	$'000
21. CAPITAL RESERVE ACCOUNT			
Balance at beginning of the year		**124**	121
Redeemed member shares		**2**	3
Balance at end of the year		**126**	124

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

	Notes	2020	2019
22. RESERVES			
General Reserve		**3,000**	3,000
General Reserve for Credit Losses		**102**	102
TOTAL RESERVES		**3,102**	3,102

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

General Reserve for Credit Losses

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

	Notes	2020	2019
23. ASSET REVALUATION RESERVE			
Asset revaluation reserve - land		**1,145**	1,011
Movement in reserves			
Asset revaluation reserve - land			

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

		2020	2019
Balance at the beginning of the year		**1,145**	1,011
Add: increase on revaluation of land		**-**	150
Less: tax effect		**-**	(16)
Balance at the end of the year		**1,145**	1,145

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

30 June 2020	**Notes**	**2020**	2019
		$'000	$'000
24. FINANCIAL ASSET RESERVE			
Financial asset reserve at the beginning of the financial year		**175**	-
Effect of adoption of new accounting standard		**-**	175
Gain/(loss) on the revaluation of equity instruments		**35**	-
Financial asset reserve at the end of the Financial Year		**210**	175
25. RETAINED PROFITS			
Retained Profits at the beginning of the financial year		**6,144**	5,636
Effect of adoption of new accounting standard		**-**	145
Add Profit for the year		**380**	366
Less Transfer to Reserve Capital account on redemption of shares		**(2)**	(3)
Retained Profits at the end of the Financial Year		**6,522**	6,144
26. CATEGORIES OF FINANCIAL INSTRUMENTS			
The following information classifies the financial instruments into measurement classes.			
Financial assets - carried at amortised cost			
Cash	6	**243**	227
Receivables	8	**176**	169
Receivables from financial institutions	6,7,8,9	**44,688**	34,348
Loans to members	10	**112,630**	106,540
Total loans and receivables		**157,737**	141,284
Equity investments	11	**653**	605
Total carried at FVOCI		**653**	605
TOTAL FINANCIAL ASSETS		**158,390**	141,889
Financial liabilities – carried at amortised cost			
Payables	16	**341**	702
Deposits from members	15	**146,034**	132,709
Long term borrowings	20	**3,103**	-
TOTAL FINANCIAL LIABILITES		**149,478**	133,411
NET FINANCIAL ASSETS		**8,912**	8,478

30 June 2020

27. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in event that current repayment conditions are varied. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly these values will not agree to the Statement of Financial Position.

2020	Within 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	After 5 years $'000	No Maturity $'000	TOTAL $'000
ASSETS							
Cash	**243**	**-**	**-**	**-**	**-**	**-**	**243**
Receivables from other financial institutions	**13,118**	**13,031**	**7,013**	**11,526**	**-**	**-**	**44,688**
Loans to members	**121**	**4**	**74**	**2,473**	**148,615**	**-**	**151,287**
Total financial Assets	**13,482**	**13,035**	**7,087**	**13,999**	**148,615**	**-**	**196,218**
LIABILITIES							
Creditors	**341**	**-**	**-**	**-**	**-**	**-**	**341**
Deposits from members							
- at call	**95,434**	**-**	**-**	**-**	**-**	**37**	**95,471**
Deposits from members							
- at term	**10,567**	**15,354**	**24,730**	**51**	**-**	**-**	**50,702**
Term Funding Facility	**-**	**-**	**-**	**3,102**	**-**	**-**	**50,702**
On Balance Sheet	**106,342**	**15,354**	**24,730**	**3,153**	**-**	**37**	**149,616**
Undrawn commitments	**2,577**	**-**	**-**	**-**	**-**	**-**	**2,577**
Total financial Liabilities	**108,919**	**15,354**	**24,730**	**3,153**	**-**	**37**	**152,193**

30 June 2020
27. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABLIITIES (Cont....)

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

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

30 June 2020	Notes	2020	2019
		$'000	$'000

28. CAPITAL MANAGEMENT

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

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

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

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

The Bank manages as capital the following:

	2020 $'000	2019 $'000
Regulatory Capital Base	**11,105**	10,690
Less regulatory prescribed adjustments	**(653)**	(605)
Capital Base	**10,452**	10,085
Risk weighted exposures	**70,849**	65,914
Capital adequacy ratio	**14.75%**	15.30%

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

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

30 June 2020	Notes	2020 $'000	2019 $'000
29. FINANCIAL COMMITMENTS			
(a) Outstanding loan commitments			
Loans approved but not funded	32 (b)	**807**	668
(b) Loan redraw facilities			
Loan redraw facilities available		**13,156**	14,110
(c) Undrawn loan facilities			
Loan facilities available to members for overdrafts and line of credit loans are as follows:			
Total value of facilities approved		**891**	910
Less: Amount advanced		**(121)**	(216)
Net undrawn value		**770**	694
These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.			
Total financial commitments		**14,734**	15,472
30. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL			
(a) Remuneration of Key Management Persons [KMP]			
KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any Director (whether executive or otherwise) of that Bank. Control is the power to govern the financial and operating policies of a Bank so as to obtain benefits from its activities.			
KMP have been taken to comprise the Directors (see Note 35) and the executive management being responsible for the day to day financial and operational management of the Bank. The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for was as follows:			
Short-term employee benefits – salaries/annual leave/fees/non-monetary		**415**	601
Post-employment benefits - superannuation contributions		**35**	41
Other long-term benefits – long service leave		**11**	7
Total		**461**	649
(b) Loans to Directors and other KMP.			
Balance owing at 30 June 2020		**1,175**	396
Summary of transactions:			
New loans advanced		**791**	11
Interest and fees charges		**17**	21
Repayments		**29**	271
Revolving credit facilities:			
Total value extended		**3**	3
Balance utilised at 30 June 2020		**-**	-
Savings and term deposit services:			
Amounts deposited at 30 June 2020		**723**	540

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

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

30 June 2020	Notes	2020 $'000	2019 $'000
31. STATEMENT OF CASH FLOWS			
(a) Reconciliation of the operating profit after tax to the net cash flows from operations			
Profit after tax		**380**	366
Depreciation and amortisation of property, plant & equipment & intangibles		**181**	231
Changes in assets and liabilities			
Other financial assets		**(31)**	(6)
Accrued receivables		**43**	31
Payables		**(361)**	28
Tax provision		**17**	17
Provision for employee benefits		**19**	(101)
Deferred tax asset		**(10)**	28
Loans and advances		**(6,090)**	(7,823)
Member deposits		**13,325**	8,643
Net cash flow from operating activities		**7,473**	1,414
(b) Reconciliation of cash			
Cash balance comprises:			
– Cash		**243**	227
– Other short-term liquid assets		**13,118**	4,881
Closing cash balance		**13,361**	5,108

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

(d) Bank Overdraft Facility

The Bank has an overdraft facility available to the extent of $1,000,000 (2019 $1,000,000).

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

32. EXPENDITURE COMMITMENTS

Capital expenditure commitments

Estimated capital expenditure contracted for at balance date but not provided for is nil (2019: nil).

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

30 June 2020	Notes	2020 $'000	2019 $'000
33. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS			
In the normal course of business the Bank enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of customers.			
The Bank uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets. The Bank holds collateral supporting these commitments where it is deemed necessary.			
(a) Contingent Liabilities			
Credit Union Financial Support System Limited			
With effect from 1 July 1999, Ford Co-operative Credit Society Limited is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme in which all Credit Unions that are affiliated with Credit Union Services Corporation (Australia) Limited (Cuscal) have agreed to participate.			
CUFSS is a company limited by guarantee, each Credit Union's guarantee being $100.			
As a member of CUFSS, the Bank:			
• May be required to advance funds of up to 3% (excluding permanent loans) of total assets capped at a maximum of $100m to another Credit Union requiring financial support;			
• Agrees, in conjunction with other members, to fund the operating costs of CUFSS.			
(b) Credit related commitments			
Binding commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Approved but undrawn loans and unused continuing credit facilities.	28 (a)	**807**	668

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

30 June 2020	Notes	2020	2019
		$'000	$'000
34. AUDITOR'S REMUNERATION			
Amounts received or due and receivable by the auditors of Ford Co-operative Credit Society Limited for:			
– an audit or review of the financial statements of the Bank		44	43
– other services in relation to the Bank		17	10
		61	53

35. RELATED PARTY DISCLOSURES

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

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

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

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

Loans and advances to Directors:

Loans and advances amounting to $752,000 (2019 $Nil) have been provided and repayments amounting to $1,980 (2019 $235,648) have been received by Ford Co-operative Credit Society Limited. The terms and conditions of all loans and advances to Directors are on the same basis as members and have not been breached. Each director would hold at least 1 share in the Bank.

36. SEGMENT INFORMATION

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

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

30 June 2020

37. OUTSOURCING ARRANGEMENTS

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

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

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

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

(d) Other Relationships
Relationships also exist with Ford Motor Company of Australia and with other service providers for a range of other services to members, including: BPay, Bridges & Associates, QBE Insurance, and Western Union.

30 June 2020

38. FINANCIAL INSTRUMENTS (Cont...)

(a) Interest rate risk

The Bank's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in: 1 year or less		1 - 5 years		More than 5 years		Non-interest Bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000	**2020 %**	2019 %
(i) Financial assets														
Cash and liquid assets	**13,118**	4,881	**-**	-	**-**	-	**-**	-	**243**	227	**13,361**	5,108	**0.13%**	1.02%
Deposits with other financial institutions	**-**	-	**17,100**	13,700	**-**	-	**-**	-	**-**	-	**17,100**	13,700	**1.28%**	2.40%
Loans and advances - related parties/entities	**752**	2	**-**	-	**-**	-	**-**	-	**-**	-	**752**	2	**3.67%**	5.90%
Unlisted shares	**-**	-	**-**	-	**-**	-	**-**	-	**653**	605	**653**	605	**N/A**	N/A
Government and semi-government bonds	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**N/A**	N/A
Floating rate notes	**-**	-	**14,408**	15,655	**-**	-	**-**	-	**-**	-	**14,408**	15,655	**1.13%**	2.49%
Loans and advances	**111,878**	106,538	**-**	-	**-**	-	**-**	-	**-**	-	**111,878**	106,538	**3.46%**	4.00%
Total financial assets	**125,748**	111,421	**-**	29,355	**-**	-	**-**	-	**896**	832	**158,152**	141,608	**-**	-
(ii) Financial liabilities														
Deposits from members	**95,434**	79,948	**50,563**	52,724	**-**	-	**-**	-	**37**	37	**146,034**	132,709	**1.11%**	1.89%
Payables	**-**	-	**-**	-	**-**	-	**-**	-	**341**	702	**341**	702	**N/A**	N/A
Long Term Borrowings	**-**	-	**-**	-	**3,103**	-	**-**	-	**-**	-	**3,103**	-	**0.25%**	-
Total financial liabilities	**95,434**	79,948	**50,563**	52,724	**3,103**	-	**-**	-	**378**	739	**149,478**	133,411	**-**	-

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

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

30 June 2020

38. FINANCIAL INSTRUMENTS (Cont…)

(b) Net fair values

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

	Total carrying amount as per the statement of financial position		Aggregate net fair value	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Financial assets				
Cash and cash equivalents	**13,361**	5,108	**13,361**	5,108
Deposits with other financial institutions	**17,100**	13,700	**17,100**	13,700
Loans & advances - related parties/entities	**752**	2	**752**	2
Floating rate notes	**14,408**	15,655	**14,408**	15,655
Loans and advances	**111,878**	106,538	**111,878**	106,538
Unlisted shares	**653**	605	**653**	605
Total financial assets	**158,152**	141,608	**158,152**	141,608
Financial liabilities				
Deposits from members	**146,034**	132,709	**145,947**	132,595
Payables	**341**	702	**341**	702
Term Funding Facility	**3,103**	-	**3,103**	-
Total financial liabilities	**149,478**	133,411	**149,391**	133,297

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

The fair value is required to be disclosed where the financial instruments are not measured at fair value in the statement of financial position. Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

Assets where the fair value is lower than the book value have not been written down in the accounts of the Bank on the basis that they are held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

The Bank has assessed that at balance date, the carrying amount of all financial instruments approximates fair value. The description of the valuation techniques and assumptions are detailed below:

Cash and Liquid assets due from other financial institutions

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

Loans and advances

The majority of the Bank's loans are variable rate loans. The carrying amount of these loans is considered to approximate fair value. The net fair values of any non-variable rate loans are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

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

30 June 2020

38. FINANCIAL INSTRUMENTS (Cont...)

(b) Net fair values (cont....)

Deposits from members

The fair value of call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the statement of financial position. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related period to maturity. The maximum term for fixed term deposits accepted by the Bank is 2 years.

The Bank has assessed its own credit risk in regards to the fair value of deposits, and has assessed that no material valuation adjustment is required based on the capital management system utilised by the Bank as outlined at Note 28.

Short term borrowings

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

Long-term borrowings

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

Other financial liabilities

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

(c) Interest rate risk

Fair value sensitivity analysis for fixed rate instruments

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

Sensitivity analysis

The Bank is exposed to interest rates arising from mismatches in the repricing dates between financial assets and financial liabilities. As at 30 June 2020, it is estimated that a general decrease of 0.25% in interest rates would decrease the Bank's profit before tax by approximately $121,200 (2019 $422,771 – 1.00%).

A general increase of 0.25% in interest rates would have an equal but opposite effect to the amounts shown above.

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

30 June 2020

38. FINANCIAL INSTRUMENTS (Cont…)

(d) Credit risk exposures

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

Concentrations of credit risk

The Bank minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of customers within the specified categories. Refer also to Note 36 – Segment information.

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

	Maximum credit risk exposure* for each concentration			
	Percentage of total loans receivable (%)		$'000	
Geographic/Industry	**2020**	2019	**2020**	2019
Victorian Residents	**91%**	89%	**102,342**	95,066
Other non-concentrated	**9%**	11%	**10,288**	11,474
	100%	100%	**112,630**	106,540
Employed by Ford Motor Company	**8%**	11%	**8,563**	11,245
Other non-concentrated	**92%**	89%	**104,067**	95,295
	100%	100%	**112,630**	106,540

Credit risk in loans receivable is managed in the following ways:
- a risk assessment process is used for all customers; and
- lenders' mortgage insurance is obtained for customers with high loan to value ratio securities.

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

The following table highlights the Bank's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets of liabilities that the entity can access at the measurement date.
Level 2: Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

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

30 June 2020

39. FAIR VALUE MEASUREMENT

2020	**Level 2**		**Level 3**
Assets measured at fair value	**$**		**$**
Land	**2,200**	Shares	**653**
Total Assets	**2,200**	Total Assets	**653**

2019	Level 2		Level 3
Assets measured at fair value	$		$
Land	2,200	Shares	605
Total Assets	2,200	Total Assets	605

The Bank has assessed that at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Note 38(b).

Valuation techniques for fair value measurements:

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

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

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

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

	Land **$**	**Shares** **$**
Balance as at 1 July 2019	**2,200**	**605**
Additions	**-**	**-**
Losses recognised in other comprehensive income	**-**	**-**
Revaluation increment through comprehensive income	**-**	**48**
Depreciation expense	**-**	**-**
Balance at 30 June 2020	**2,200**	**653**

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

30 June 2020

40. EVENTS SUBSEQUENT TO BALANCE DATE

The Coronavirus (COVID-19), which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had an impact on the Australian and local economy.

As at the date of preparation of these financial statements the impact of the Coronavirus (COVID-19) pandemic is ongoing and the situation is rapidly changing and developing. The speed and recovery of economic activity is largely dependent on measures imposed by the Australian Government, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impacts of such a pandemic on the preparation of these financial statements, changes to the estimates and judgements that have been applied in the measurement of assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

Aside from the above, Directors are not aware of any other matter or circumstances since the end of the financial year which has significantly affected or may significantly affect the operations of the Bank.

DIRECTORS' REPORT (cont.)

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

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

  (i) giving a true and fair view of the Bank's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

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

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

and

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

On behalf of the Board

Scott Randall

Scott Randall
Director

Allison Batten
Director
Geelong, 1 October 2020

INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report to the Members of Ford Co-operative Credit Society Limited (trading as Geelong Bank)

Opinion

We have audited the financial report of Ford Co-operative Credit Society Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in members' equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Ford Co-operative Credit Society Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

Emphasis of Matter

We draw attention to Note 1 'Use of estimates and judgments' in the financial statements. The note describes the significant areas of estimation, uncertainty and critical judgments used within the financial statements, and has increased relevance in the ongoing COVID-19 pandemic environment. Our opinion is not modified in respect of this matter.

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

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Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (cont….)

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Crowe Melbourne.

CROWE MELBOURNE

ALISON FLAKEMORE
Partner

Hobart, Tasmania

Dated this 1st day of October 2020.

OUR VISION & MISSION

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

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

THANK YOU

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

Geelong Bank
Where we grow








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