ANNUAL REPORT

2018-2019

Queensland
COUNTRY
CREDIT UNION

CONTENTS

DIRECTORS' REPORT 2018-2019

Your Directors present their report on the affairs of the Group for the financial year ended 30 June 2019.

The Parent Entity is a company registered under the Corporations Act 2001.

Information on the Board of Directors

Brian (Bruno) Cullen
Chair (since 6 April 2006) and Independent Non-Executive Director

FAICD; FAMI

Term of office: Appointed 27 April 2001

Skills & Experience:
Bruno commenced his career with Queensland Country Credit Union, then the Isa Mine Employee's Credit Union, in 1977. Bruno held various management positions with the organisation until 2003, progressing from Loans and Finance Manager and Assistant General Manager through to Managing Director, a position he held for 14 years. Bruno was Managing Director of the Brisbane Broncos for over eight years (2003- 2011), and Chair/Director of the Queensland Academy of Sport for six years (2011-2017). Bruno also serves as a Director on the Queensland Country Health Fund Ltd Board and is the Board Chair of Krause Health and Safety Pty Ltd.

Board Committee membership:
Remuneration and Governance Committee (Committee Chair); Projects and IT Steering Committee; Nominations Committee

Christine Flynn
Deputy Chair (since 1 April 2018) and Independent Non-Executive Director

BA; DipEd; GAICD; MAMI

Term of office: Appointed 1 April 2018

Skills & Experience:
Christine is an experienced Board Chair and Director, and executive leader recognised for her capabilities in Board governance, organisation strategy, strategic risk and leadership. Christine is an accredited facilitator for the Australian Institute of Company Directors. She also serves as a Director on the Queensland Country Health Fund Ltd Board. Christine has held roles as a senior executive in the public service, and on Boards including roles as President of IPAA Qld; Director on the IRSPM Board; Director of the Audit and Risk Committee of the Queensland Audit Office; QUT School of Business Advisory Board; and was Chair of the Board of the Queenslanders Credit Union until 2018.

Board Committee membership:
Risk Management Committee; Remuneration and Governance Committee

Michael Beard
Independent Non-Executive Director

B Com; FAMI; CA

Term of office: Appointed 1 February 1985

Skills & Experience:
Michael is Queensland Country Credit Union's longest serving Board Member. Michael has been Principal of Accountancy Services Pty Ltd for over 25 years and provides accounting, taxation and business advice for thousands of individuals and small to medium business clients across three offices on the Sunshine Coast and in Mount Isa. Michael's work as a chartered accountant assists the Board with the Credit Union's complex financial reporting requirements. Michael is also the Chair of the Boards of Queensland Country Health Fund Ltd and Queensland Country Care Navigation Pty Ltd.

Board Committee membership:
Risk Management Committee (Committee Chair)

Richard Kennerley
Independent Non-Executive Director

GAICD; INED Diploma; ACT *(UK)*; ACIB *(UK)*

Term of office: Appointed 1 May 2017

Skills & Experience:
Richard brings with him extensive executive leadership and strategy experience gained in domestic and international banking and across a broad range of diverse industries. Richard has significant experience in delivering business expansion, transformation and rationalisation across a range of business sectors. Richard is currently the Chief Executive Officer of a Financial Services company and previously held the role of State General Manager of a major bank. Richard's prior Board experience includes as Vice President and Director of the Brisbane Broncos Leagues Club and as a Non-Executive Director of Mater Health Services. He is also on the Advisory Board of Starlight Children's Foundation.

Board Committee membership:
Risk Management Committee; Audit Committee

Gregory (Greg) Nucifora
Independent Non-Executive Director

B Com; CA; GAICD

Term of office: Appointed 1 April 2017

Skills & Experience:
Greg is a private client advisor with Bell Potter Securities in Cairns and has extensive Board experience, including the following current positions: Director of Queensland Country Health Fund Ltd; Independent Advisor to the Board, Independent Chair of the Finance and Performance Committee, Independent Member the Audit Committee Cairns and Hinterland Hospital and Health Board; Independent Chair of the Audit Committee, Cairns Regional Council; Director of St Michael's School, Gordonvale; Chair of St Michael's Parish Finance Committee, Gordonvale; Chair of Catholic Development Fund for Diocese of Cairns; and Chair of Audit Committee for Cairns Indigenous Art Fair. Greg was Chair of ECU Australia Ltd which merged with Queensland Country in April 2017.

Board Committee membership:
Audit Committee (Committee Chair); Projects & IT Steering Committee

Patricia O'Callaghan
Independent Non-Executive Director

B Com; GAICD

Term of office: Appointed 1 November 2015

Skills & Experience:
Patricia is the Chief Executive Officer of Townsville Enterprise, North Queensland's peak economic and tourism body. Patricia's diverse career includes four years heading up the Mount Isa Chamber of Commerce and three years as the General Manager of Tourism and Events at Townsville Enterprise. As a born and bred North Queenslander, Patricia has a deep understanding of the issues and opportunities facing the North. In 2013, Patricia was awarded the Young Manager of the Year through the Australian Institute of Management and in 2018 was awarded the Australian Financial Review Young BOSS Executive of the Year. Patricia is also a director of Queensland Country Health Fund Ltd.

Board Committee membership:
Audit Committee, Remuneration & Governance Committee

Karen Read
Independent Non-Executive Director

B Bus; FCPA; GAICD; MAMI

Term of office: Appointed 15 April 2005

Skills & Experience:
Karen is a senior finance and commercial executive and has extensive experience within the mining and resources sector with a career spanning 30 years. From 2014 to 2017, Karen was employed as the Chief Financial Officer for Premise (formerly known as 02UDP Group Pty Ltd), a consulting, engineering and project practice with offices across Queensland and in PNG. Karen has extensive Board experience including the following current positions: Deputy Chair of Queensland Country Health Fund Ltd; Director, North West Hospital and Health Service; Independent Chair of Mount Isa Water Board Finance and Audit Committee; and Chair of NQ Branch Council of CPA Australia.

Board Committee membership:
Projects & IT Steering Committee (Committee Chair); Risk Management Committee

John Weier
Independent Non-Executive Director

Dip FS; GAICD; FAMI

Term of office: Appointed 1 April 2018

Skills & Experience:
John is an Ipswich local who began his career in the credit union industry at the Coal Miners Credit Union (later Discovery Credit Union) in 1980, before being appointed General Manager in 1981 and holding that position for 27 years. Discovery Credit Union merged with Queenslanders Credit Union in December 2007, and John led Queenslanders Credit Union as Chief Executive Officer from January 2008 until the merger of that organisation with Queensland Country Credit Union in April 2018. John remains actively involved in the Ipswich community and acts as the patron of a number of sporting and community groups.

Board Committee membership:
Audit Committee; Projects & IT Steering Committee

Anthony (Tony) Williamson
Independent Non-Executive Director

B Com; CA; GAICD

Term of office: Appointed 1 April 2017

Skills & Experience:
Tony served as a Director of the ECU Australia Ltd Board until the merger of that organisation with Queensland Country in April 2017. Previously an accountant with Price Waterhouse, Tony is now the Broker/Owner of RE/MAX Real Estate Services in Cairns. Tony has been recognised both nationally and internationally for his achievements within the real estate industry. As a recognised market expert, Tony has presented around the World and is a sought-after Speaker and Trainer. Tony has sat on the Board of the Northern Pride – ISC QRL Club since 2014, and has held the role of Chairman since 2016.

Board Committee membership:
Remuneration & Governance Committee

Directors' Meeting Attendance
The table below shows the attendance record for the number of meetings Board members were eligible to attend.

	Board	COMMITTEES	Audit	Risk	Remuneration & Governance	Nominations	Mutual Bank	Projects & IT Steering
No. of Meetings held	**15**		**5**	**8**	**5**	**2**	**10**	**8**
Brian (Bruno) Cullen	15/15		1/1	1/1	5/5	2/2		8/8
Christine Flynn	15/15		1/1	7/8	4/5		1/1	
Michael Beard	14/15			8/8				
Richard Kennerley	11/15		3/5	4/8				
Gregory Nucifora	15/15		5/5					8/8
Patricia O'Callaghan	14/15		4/5		3/5		8/10	
Karen Read	14/15			6/8			9/10	8/8
John Weier	14/15		4/5				9/10	7/8
Anthony Williamson	15/15				5/5		10/10	

The name of the Company Secretary in office at the end of the year is:

JILL CASON
BA LLB (Hons); Grad Dip Legal Prac; Grad Dip Applied Corporate Governance; AGIA; ACIS.

AILEEN CULL (resigned 31 March 2019)
Dip Bus (Accounting); Grad Dip Applied Finance & Investment; FCPA; GAICD; MAMI.

Directors' 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 Group, a subsidiary, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest.

Indemnification of Officers or Auditor
The Company has agreed to indemnify the following current Directors of the Company: B Cullen, M Beard, C Flynn, R Kennerley, G Nucifora, A Williamson, P O'Callaghan, K Read, and J Weier, the Company Secretary and all executive officers of the Company and of any related body corporate, against any liability that may arise from their positions within the Company to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability indemnified. The Company has paid premiums in respect of Directors' and Officers' liability insurance during the financial year. The contract of insurance does not include details of premiums paid in respect of individual officers of the Company and prohibits disclosure of the amount of the premium paid. Except as noted above, the Company has not, during or since the Financial Year, indemnified or agreed to indemnify an officer or auditor of the Company, or of any related entity, against a liability incurred in their capacity as an officer or auditor.

Principal Activities
The principal activities of the Group during the year were the provision of financial services to Members in the form of lending and taking deposits, as prescribed by the Constitution; the provision of health insurance to health insurance policy holders including the acceptance of contributions and payment of benefits and the provision of dental facilities to its Health Fund policy holders. The Health Fund has established a subsidiary company, Queensland Country Care Navigation Pty Ltd to provide care coordination services to the Health Fund's policy holders.

Operating Results
The net profit of the Group for the year after providing for income tax was $8,045,000 (2018: $4,633,000).

The capital adequacy ratio measured for prudential purposes as at reporting date increased to 16.16% (2018: 15.82%).

Options
No options over unissued shares or interests in the Parent Entity or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares have been issued as a result of the exercise of an option.

Review of Operations
The results of the Credit Union's operations from its activities of providing financial services to its members, increased from those of the previous year from $5,043,000 to $5,465,000. Net operating income increased from $75,068,000 to $82,570,000, with the majority of that increase attributable to net interest income. Operating expenses increased from $67,916,000 to $75,119,000 resulting mainly from increased employee costs and increased information technology costs.

Total Assets of the Credit Union increased by 10.4%, which included an upgrade to the Internal Securitisation program of $110 million. Total Loans increased by 4.8%. The capital adequacy ratio increased to 16.16%.

The results of the Group's operations from its activities of providing financial services to its members and health insurance to its policy holders increased from those of the previous year. Net operating income increased by $18,065,000, resulting from an increase in net interest income and Health Fund contribution income. This was mostly offset by an increase in total operating expenses of $14,410,000, with the main contributors being an increase in Health Fund benefits paid and Credit Union costs.

Total Assets of the Group increased by 5.9%.

Significant Changes in State Of Affairs
Apart from disclosures elsewhere in this report, there were no significant changes in the state of the affairs of the Group during the year.

Events Subsequent to the End of the Reporting Period
There are no matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, or state of affairs of the Credit Union or the Group in subsequent financial years.

Likely Developments and Results
Looking ahead in a competitive, challenging environment the Board has determined that it will make the appropriate decisions to enable the

Group to continue to deliver financial services and health insurance to its members and policy holders.

Queensland Country will continue to build on its financial strength and invest for the future by investing in technology that will allow the business to introduce new products and services, particularly digital and more efficient business processes.

No other matter, circumstance or likely development in the operations has arisen since the end of the reporting period that has significantly affected or may significantly affect: -

(i) The operations of the Group;
(ii) The results of those operations; or
(iii) The state of affairs of the Group
in the financial years subsequent to this financial year.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Proceedings
No person has applied for leave of the Court to bring proceedings on behalf of the Group or interfere in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Rounding
The amounts contained in the financial statements have been rounded to the nearest one thousand dollars in accordance with ASIC Corporations Instrument 2016/191. The Parent Entity and Group are permitted to round to the nearest one thousand dollars ($'000) for all amounts except prescribed disclosures that are shown in whole dollars.

Regulatory Disclosures
The disclosures required by Prudential Standard APS 330 Public Disclosure (namely the Common disclosure in Attachment A and the Regulatory Capital reconciliation) may be seen on the website at https://www.qccu.com.au/help-info/about-us/governance-reporting/.

Auditor's Independence Declaration
The auditor's independence declaration for the year ended 30 June 2019 forms part of this report and a copy of this declaration is attached.

CORPORATE GOVERNANCE DISCLOSURES

Board

The Credit Union Board has responsibility for the overall management and strategic direction of the Credit Union. All Board members are independent of management and, subject to the Credit Union's Constitution, are elected by members on a 3 yearly rotation.

Each Director must be eligible to act under the Credit Union Constitution and in accordance with Corporations Act 2001 criteria. The Directors also need to satisfy APRA Fit and Proper requirements.

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

Board Remuneration

The Board receives remuneration from the Credit Union in the form of allowances agreed to each year at the AGM and out of pocket expenses. Directors receive no other benefits from the Credit Union.

Board Committees

An Audit Committee, Projects and IT Steering Committee, Risk Management Committee, and Remuneration and Governance Committee have been formed to assist the Board in relevant matters of financial prudence. Only Directors are members of these committees with participation of Executive staff as required.

Audit Committee

The responsibilities of the Audit Committee are:

- Ensuring effectiveness of systems for monitoring compliance with laws, statutory requirements and Board policies;
- Overseeing the Credit Union's audit function and providing a forum for communication between the Board, external auditor and internal auditor;
- Reviewing significant accounting and reporting issues and annual audited financial statements to ensure integrity and completeness of information to external parties;
- Ensuring any Related Party Transactions are appropriate; and
- Ensuring a Whistleblower Policy is established, maintained and communicated.

Projects and IT Steering Committee

The purpose of the Projects and IT Steering Committee is to assist the Board maintain oversight of:

- the adequacy of the Credit Union's IT strategy and systems to support short and long term business objectives; and
- prudent investment in and effective delivery of projects conducted by the Credit Union.

Risk Management Committee

The responsibilities of the Risk Management Committee are:

- Ensuring the Board is aware of the risks to which the organisation is exposed to and that management operate within an appropriate 'risk management control framework';
- Assisting the Board to set risk limits and parameters appropriate to the Board's appetite for risk and ensuring adequate management reporting against set limits;
- Ensuring Board policies reflect the Board's risk appetite;
- Ensuring adequacy of Business Continuity Management; and
- Ensuring adequacy and effectiveness of the Credit Union's compliance program and actions to address identified compliance weaknesses.

Remuneration and Governance Committee

The responsibilities of the Remuneration and Governance Committee are:

- Initiating and overseeing the annual process of reviewing performance and remuneration of the Chief Executive Officer and Chief Executive Officer direct reports;
- Each year, reviewing and providing recommendations in relation to appropriate Executive and Director Remuneration and generally reviewing remuneration strategies, practices and disclosures;
- Reviewing and proposing revisions to the Credit Union's governance policies and practices, including the Board Charter;
- Reviewing and proposing revisions to the Credit Union's Constitution;
- Initiating and overseeing the evaluation of Board and Director Performance as required by the Board Charter; and
- Co-ordinating the process of Director orientation.

Risk, Legal and Compliance
The Credit Union has a Risk, Legal and Compliance department responsible for maintaining the awareness of staff for all changes in compliance obligations and responding to staff inquiries on compliance matters. The Legal and Compliance department also monitors compliance with the Australian Financial Services and Australian Credit Licence obligations, AML/CTF and other regulatory obligations.

External Audit
From the 2018/2019 Financial Year, External Audit is performed by PwC, a leading international accounting body.

Internal Audit
There is an established Internal Audit function which deals with the areas of internal control.

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

Dispute Resolution
The Internal Dispute Resolution officer responds to all internal and external dispute resolution matters.

Regulation
The Credit Union is regulated by:

- Australian Prudential Regulation Authority (APRA) for the Prudential risk management of the Credit Union and the Health Fund; and
- ASIC for adherence to the disclosure requirements in the Corporations Act, Accounting Standards disclosures in the financial report and Australian Financial Services Licence (AFSL) and Australian Credit Licence (ACL).

Under the AFSL all staff who deal with the public are required to be trained and certified to a level of skill commensurate with the services provided.

APRA conduct periodic inspections. The external auditors report to both authorities on an annual basis regarding compliance with respective requirements.

The external auditors also report to ASIC on FSR compliance and APRA on Prudential policy compliance.

Workplace Health & Safety
The nature of the finance industry is such that the risks of injury to staff and the public are less apparent than in other high-risk industries. Nevertheless, our two most valuable assets are our staff and our Members, and steps need to be taken to maintain their security and safety when circumstances warrant.

WH&S policies have been established for the protection of both Members and staff, and are reviewed annually for relevance and effectiveness.

Staff are trained in armed holdup procedures and offices are designed to mitigate risk of such incidents by:

- Minimising the amount of cash held in accessible areas; and
- Installing cameras to assist detection and identification of unauthorised persons.

Office premises are examined regularly to ensure that the electrical safety and physical safety measures are appropriate to the needs of the public and staff. Independent security consultants report periodically on the areas of improvement that may be considered.

The Credit Union has established a WH&S policy and has contracted independent consultants to review our WH&S policy and procedures and to recommend any improvements that may be considered. All matters of concern are reported for actioning by management. Secure cash handling policies are in place, and injury from RSI and lifting heavy weights are managed by proper techniques to minimise the risk of damage.

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

Environmental Statement
Queensland Country believes that everyone (corporate entities and individuals) has an obligation to care for our environment. As a responsible organisation, Queensland Country takes this obligation seriously and we support industries and organisations that are committed to positive environmental stewardship.

Queensland Country supports our communities and their efforts to care for our environment while seeking to balance economic outcomes and non-detrimental environmental outcomes.

We will show this support by:

- Ongoing sponsorship of events that promote environmental sustainability

- Provide discount on our normal interest rates for personal loans for the purchase of hybrid or electric vehicles.

Queensland Country will reduce the impact its operations have on the environment by:

- Reducing the amount of Members receiving paper statements by 31 December 2020 (Target 15%)
- Installing solar panels to reduce energy consumption on all Queensland Country owned buildings
- Introduce the option for Members to sign any and all documents electronically by 31 December 2020 therefore reducing the amount of paper used by the organization
- By 31 December 2020, reduce annual power usage in all locations by 10%, through the use of energy efficient lighting, white goods and computer hardware
- All corporate owned cars to use E10 fuel or equivalent where possible

Queensland Country will be consistent in monitoring and communicating its efforts to achieve these initiatives and will provide quarterly updates to the Board and disclose annual updates in the Annual Report for Members.

Signed for and on behalf of the Directors in accordance with a resolution of the Board:

B. Cullen
Chairman
Signed and dated this 18th day of September, 2019

G. Nucifora
Director

Auditor's Independence Declaration

As lead auditor for the audit of Queensland Country Credit Union Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Queensland Country Credit Union Limited and the entities it controlled during the period.

Ben Woodbridge
Partner
PricewaterhouseCoopers

Brisbane
18 September 2019

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STATEMENTS OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	Credit Union 2019 $'000	Credit Union 2018 $'000	Group 2019 $'000	Group 2018 $'000
Interest income	3	93,474	78,587	90,492	77,368
Interest expense	3	(44,519)	(35,833)	(39,742)	(32,883)
Net interest income		48,955	42,754	50,750	44,485
Other revenue and income	4	33,615	32,314	139,762	127,962
Net operating income		82,570	75,068	190,512	172,447
Impairment loss on loans and advances	5,30	(1,183)	(859)	(1,183)	(859)
Employee benefits expense	5	(34,257)	(30,399)	(34,257)	(30,399)
Occupancy expense	5	(7,022)	(6,123)	(5,337)	(4,491)
Depreciation and amortisation expense	5	(2,456)	(2,655)	(3,619)	(3,781)
Other expenses	5	(30,201)	(27,880)	(134,568)	(125,024)
Total operating expenses	5	(75,119)	(67,916)	(178,964)	(164,554)
Profit before income tax		7,451	7,152	11,548	7,893
Income tax expense	6	(2,239)	(2,109)	(3,756)	(3,260)
Profit for the year		5,212	5,043	7,792	4,633
Other comprehensive income for the year, net of income tax					
Items that will not be subsequently reclassified to profit or loss		-	-	-	-
Net change in fair value on financial assets (equity instruments) designated at fair value through other comprehensive income (**FVOCI**)		361	-	361	-
Income tax attributable to other comprehensive income	6	(108)	-	(108)	-
Other comprehensive income for the year, net of income tax		253	-	253	-
Total comprehensive income for the year		5,465	5,043	8,045	4,633

The accompanying notes should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	NOTE	Credit Union 2019 $'000	Credit Union 2018 $'000	Group 2019 $'000	Group 2018 $'000
ASSETS					
Cash and cash equivalents	9	47,326	48,708	52,465	50,387
Financial assets at fair value through profit or loss	10	-	-	33,015	31,686
Other receivables	11	3,464	2,362	5,538	6,076
Income tax receivable	12	3,390	1,526	2,053	1,044
Financial assets held to maturity	13	-	245,504	-	280,285
Debt instruments at amortised cost	13	494,836	-	317,589	-
Loans and advances at amortised cost	14	1,830,213	1,746,636	1,830,213	1,746,636
Property, plant and equipment	15	8,111	9,413	33,141	34,516
Intangible assets	16	1,568	2,204	2,235	2,479
Investment property	17	750	950	4,250	4,490
Financial assets at cost	13,18	-	113,358	-	3,353
Equity instruments at FVOCI	18	8,379	-	8,374	-
Deferred tax assets	19	4,286	5,507	4,242	5,431
Other assets	20	1,277	1,143	1,276	1,142
TOTAL ASSETS		2,403,600	2,177,311	2,294,391	2,167,525
LIABILITIES					
Other borrowings	21	206,654	100,053	-	-
Deposits from Members	22	2,003,706	1,893,210	1,991,576	1,881,212
Other payables	23	15,328	13,653	35,918	31,047
Provisions	24	3,387	3,433	12,101	10,079
TOTAL LIABILITIES		2,229,075	2,010,349	2,039,595	1,922,338
NET ASSETS		174,525	166,962	254,796	245,187
EQUITY					
Redeemed preference share capital account	25	914	856	914	856
Reserves	25	107,275	105,458	107,270	105,990
Retained earnings		66,336	60,648	146,612	138,341
TOTAL EQUITY		174,525	166,962	254,796	245,187

The accompanying notes should be read in conjunction with these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

Credit Union ($'000)	Redeemed Preference Shares $'000	Credit Losses Reserve $'000	FVOCI Reserve $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2017	804	3,602	-	60,098	56,966	121,470
Total comprehensive income for year						
Profit for the year	-	-	-	-	5,043	5,043
Other comprehensive income, net of income tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	5,043	5,043
Transfers						
Credit losses reserve	-	1,309	-	-	(1,309)	-
Transfer of reserves on merger of QCU	-	-	-	40,449	-	40,449
Transactions with owners in their capacity as owners						
Transfers to redeemed preference share capital	52	-	-	-	(52)	-
Balance at 30 June 2018	856	4,911	-	100,547	60,648	166,962
Change on adoption of new accounting standards (see note 1(u))	-	(4,911)	3,262	2,675	-	1,026
Restated balance at 1 July 2018	856	-	3,262	103,222	60,648	167,988
Total comprehensive income for year						
Profit for the year	-	-	-	-	5,212	5,212
Other comprehensive income, net of income tax	-	-	253	-	-	253
Total comprehensive income for the year	-	-	253	-	5,212	5,465
Transfers						
Credit losses reserve	-	-	-	-	-	-
Transfer of reserves on merger				536	-	536
Other	-	-	-	2	534	536
Transactions with owners in their capacity as owners						
Transfers to redeemed preference share capital	58	-	-	-	(58)	-
Balance at 30 June 2019	914	-	3,515	103,760	66,336	174,525

The accompanying notes should be read in conjunction with these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

Group ($'000)	Redeemed Preference Shares $'000	Credit Losses Reserve $'000	FVOCI Reserve $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2017	804	3,602	-	60,098	135,069	199,573
Total comprehensive income for year						
Profit for the year	-	-	-	-	4,633	4,633
Other comprehensive income, net of income tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	4,633	4,633
Transfers						
Credit losses reserve	-	1,309	-	-	(1,309)	-
Transfer of reserves on merger of QCU	-	-	-	40,981	-	40,981
Transactions with owners in their capacity as owners						
Transfers to redeemed preference share capital	52	-	-	-	(52)	-
Balance at 30 June 2018	856	4,911	-	101,079	138,341	245,187
Change on adoption of new accounting standards (see note 1(u))	-	(4,911)	3,262	2,675	-	1,026
Restated balance at 1 July 2018	856	-	3,262	103,754	138,341	246,213
Total comprehensive income for year						
Profit for the year	-	-	-	-	7,792	7,792
Other comprehensive income, net of income tax	-	-	253	-	-	253
Total comprehensive income for the year	-	-	253	-	7,792	8,045
Transfers						
Credit losses reserve	-	-	-	-	-	-
Transfer of reserves on merger				536	-	536
Other	-	-	-	(535)	537	2
Transactions with owners in their capacity as owners						
Transfers to redeemed preference share capital	58	-	-	-	(58)	-
Balance at 30 June 2019	914	-	3,515	103,755	146,612	254,796

The accompanying notes should be read in conjunction with these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	Credit Union **2019 $'000 Inflows/ (Outflows)**	Credit Union 2018 $'000 Inflows/ (Outflows)	Group **2019 $'000 Inflows/ (Outflows)**	Group 2018 $'000 Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		93,567	78,508	90,683	77,332
Dividends received		184	2,349	184	149
Other income		22,225	16,701	5,651	4,140
Fees and commissions received		11,825	15,362	12,543	11,768
Contributions received – Queensland Country Health Fund		-	-	125,350	114,902
Interest paid		(43,983)	(35,313)	(39,207)	(32,361)
Payments to suppliers and employees		(71,641)	(65,482)	(63,988)	(61,597)
Benefits paid – Queensland Country Health Fund		-	-	(106,833)	(99,500)
Income taxes paid		(2,989)	(3,339)	(3,685)	(3,425)
Net movement in loans and advances		(86,995)	(82,782)	(86,996)	(82,782)
Net movement in deposits from members		110,495	74,115	109,829	73,733
Net cash provided by/(used in) operating activities	26(c)	32,688	119	43,531	2,359
CASH FLOWS FROM INVESTING ACTIVITIES					
Net movement in financial assets		(140,730)	35,315	(40,031)	34,588
Payments for property, plant and equipment		(507)	(1,365)	(1,420)	(1,581)
Payments for intangible assets		(145)	(20)	(299)	(59)
Proceeds from sale of property, plant and equipment		176	81	(239)	80
Net cash provided by/(used in) investing activities		(141,206)	34,011	(41,989)	33,028
CASH FLOWS FROM FINANCING ACTIVITIES					
Net movement in borrowings		106,600	(20,121)	-	(20,831)
Net cash provided by/(used in) financing activities		106,600	(20,121)	-	(20,831)
Net increase/(decrease) in cash held		(1,918)	14,009	1,542	14,556
Cash at the beginning of the financial year		48,708	31,423	50,387	32,555
Cash received from merger		536	3,276	536	3,276
Cash at the end of the financial year	26(a)	47,326	48,708	52,465	50,387

The accompanying notes should be read in conjunction with these financial statements.

NOTE 1 Summary of significant accounting policies

These financial statements were authorised for issue on September 18, 2019 by the Board of Directors. The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The financial statements cover Queensland Country Credit Union Limited as an individual entity, and Queensland Country Credit Union Limited and Subsidiaries as a Group. Queensland Country Credit Union Limited is a public company limited by shares, incorporated and domiciled in Australia. For the purposes of preparing the financial statements, Queensland Country Credit Union Limited is a for-profit entity.

(i) Compliance with IFRS
The financial statements of Queensland Country Credit Union Limited as an individual entity and the consolidated financial statements of the Group also comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

(ii) Historical cost convention
The financial statements have been prepared on a historical cost basis, except for investment property and certain financial assets that have been measured at fair value. The presentation currency of the financial statements is Australian Dollars.

(iii) New and amended standards adopted by the Group
The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2018:

1. AASB 9 *Financial Instruments*
The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of AASB 9. This is disclosed in note 1(u).

2. AASB 15 *Revenue from Contracts with Customers*
The Group had to change its accounting policies following the adoption of AASB 15, which are disclosed in note 1(e). There were no material impacts on the financial report as a result of the adoption of AASB 15.

(iv) New standards and interpretations not yet adopted
Certain new accounting standards have been published that are not yet mandatory for 30 June 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

1. AASB 16 *Leases*
AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in AASB 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of $7,319,000 (Credit Union: $13,801,000) (see note 27). Of these commitments, approximately $39,000 (Group) relate to short-term leases and $1,000 (Group/Credit Union) to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately $9,734,000 (Credit Union: $14,913,000) on 1 July 2019, lease liabilities of $10,028,000 (Credit Union: $15,089,000) (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and deferred tax assets of $88,000 (Credit Union: $53,000). Overall net assets will be approximately $206,000 (Credit Union: $124,000) lower.

The Group expects that net profit after tax will decrease by approximately $215,000 (Credit Union: $356,000) for 2020 as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows decrease by approximately $540,000 (Credit Union: $822,000) for 2020 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

NOTE 1 cont

The Group does not expect any material impact on the financial statements from its activities as a lessor. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of 1 July 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

2. AASB 17 *Insurance Contracts*
AASB 17 Insurance Contracts was issued July 2017. This will replace AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. It will become mandatory for the Group in the financial year commencing 1 July 2021.

AASB 17 introduces new measurement approaches to be used in valuing insurance contract liabilities. Under the new model, insurance contract liabilities will represent the present value of future cash flows including a provision for risk. The potential effects of this standard for the Group are yet to be determined.

(b) Consolidated financial statements

(i) Basis of consolidation
The consolidated financial statements incorporate the assets and liabilities of all Subsidiaries of Queensland Country Credit Union Limited ('the Company', 'Parent Entity' or 'the Credit Union') as at 30 June 2019 and the results of all subsidiaries for the year then ended. The Credit Union and its subsidiaries together are referred to in these financial statements as the Group.

(ii) Subsidiaries
Subsidiaries are all entities, including special purpose entities, over which the Group has control. The Group has control over an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect these returns. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The Group not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

The existence and effect of potential voting rights where the Group has the practical ability to exercise them are considered when assessing whether the Group controls another entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of Subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Group.

The names of the subsidiaries are contained in note 28. All subsidiaries have a 30 June financial year-end and are accounted for at cost in the separate financial statements of Queensland Country Credit Union Limited less any impairment charge.

(c) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying

NOTE 1 cont

amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deductible temporary differences brought to account as deferred tax assets is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the deferred tax asset to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities, and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(d) Financial assets and financial liabilities

(i) Measurement methods

Amortised cost and effective interest rate:

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount and, for financial assets, minus any reduction for impairment.

The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e. its amortised cost before any impairment provision) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Group revises estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income:

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except where they have subsequently become credit impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement:

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial and assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss provision (**ECL**) is recognised for financial assets measured at amortised cost, as described in note 29(b), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

NOTE 1 cont

Offsetting:
Financial assets and financial liabilities are set off and the net amount presented in the Statements of Financial Position when, and only when, the Group has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Financial assets
Classification and subsequent measurement of financial assets – overview:
From 1 July 2018, the group classifies its financial assets in the following measurement categories:

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

Classification and subsequent measurement of financial assets that are debt instruments:
For debt instruments, the classification and subsequent measurement depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

A) Amortised Cost
These assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (**SPPI**) and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL provision recognised and measured as described in note 29(b). Any gain or loss arising on derecognition is recognised directly in profit or loss.

Financial assets (debt instruments) classified by the Group as subsequently measured at amortised cost in the current period include:

- **Cash and cash equivalents** – these include cash on hand, unrestricted balances held in ADIs and highly liquid financial assets, which are subject to insignificant risks of changes in their value, and are used by the Group in the management of its short-term commitments.
- **Trade debtors –** these are short term receivables due to the Group from other parties.
- **Investment securities** – these include bank bills of exchange, some floating rate notes and some deposits with other financial institutions. The Group's business model for the liquidity portfolio is to collect contractual cash flows, with sales of these financial assets only arising if they no longer meet the Group's investment policy or in a stressed liquidity scenario.
- **Loans and receivables** – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. The Group's business model for the loan book is to collect contractual cash flows, with sales of loans only being made internally to a consolidated SPV for the purpose of collatoralising notes issued, with no resulting derecognition by the Group.

B) FVOCI
Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI are measured at FVOCI. Movements in the carrying amount are taken to OCI, except for the recognition of impairment gains or losses and interest income which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

In the current period the Group does not hold any financial assets (debt instruments) classified as subsequently measured at FVOCI.

C) FVPL
Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and presented net with other gains/(losses) in the period in which it arises.

Financial assets (debt instruments) classified by the Group as subsequently measured at FVPL in the current period include:

- **Investment securities** – these include managed funds, capital notes, some floating rate notes, and some deposits with other financial institutions, where the securities are managed within a portfolio that is held for short-term profit-making purposes (i.e. held for trading purposes).

NOTE 1 cont

Interest income from financial assets that are debt instruments assets is calculated using the effective interest rate method and recognised in profit or loss.

The group reclassifies debt instruments when and only when its business model for managing those assets changes. Such changes are expected to be very infrequent and none occurred during the period.

Classification and subsequent measurement of financial assets that are equity instruments:
For equity instruments, these are classified and subsequently measured at FVPL, unless the Group has elected at initial recognition to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity instruments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

Dividends, when representing a return on equity investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Gains and losses on equity investments at FVPL are recognised in profit or loss and presented net with other gains/(losses) in the period in which they arise.

Financial assets (equity securities) classified by the Group as subsequently measured at FVOCI in the current period include:

- **Unlisted equity securities** – these relate to shareholdings in unlisted entities which are not held to enable the Group to receive essential banking services.

Impairment of financial assets:
From 1 July 2018 the Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments. The impairment methodology applied depends on whether there has been a significant increase in credit risk (**SICR**).
The Group recognises an impairment provision for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For trade debtors, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Note 29(b) provides more detail on how the expected credit loss provision is measured.

Modification of loans:
The Group sometimes renegotiates or otherwise modifies contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is subsequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a SICR has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest for credit-impaired financial assets).

NOTE 1 cont

Derecognition of financial assets (other than on a modification):
Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Securitisation arrangements:
The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Where these criteria are not met, then the assets are not de-recognised.

Where the assets are derecognised, the Group also recognises separately as assets or liabilities any rights and obligations created or retained in the transfer. In addition to this, the Group may receive any residual income of the securitisation program once all associated costs have been met. The residual income is recognised as revenue when received. The timing and amount of cash flows and any residual income to be earned cannot be reliably measured because of the significant uncertainties inherent in estimating future repayment rates on the related mortgage loans and the associated loan interest margins. Consequently, any residual income receivable has not been recognised as an asset and no gain is recognised on sale of the housing mortgage loans. Any associated income or expenditure is recognised when receivable or payable.

The Trustee of the securitisation program has funded the purchase of housing mortgage loans through the issue of securities. The securities issued by the Trust do not represent deposits or liabilities of the Group. The Group does not guarantee the capital value or performance of the securities, or the assets of the Trust. The Group does not guarantee the payment of interest or the repayment of principal due on the securities. The Group is not obliged to support any losses incurred by investors in the Trust and does not intend to provide such support. The Group has no right to repurchase any of the securitised loans.

Loan commitments:
Loan commitments provided by the Group are measured as the amount of the impairment provision (calculated as described in note 29(b)A(iv)). The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments, the impairment provision is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the impairment provision for the loan. To the extent that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognised as a provision.

(iii) Financial liabilities
In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss, which is applied to financial liabilities held for trading and other financial liabilities designated as such at initial recognition.

All financial liabilities are measured at amortised cost in the current and comparative periods, and include:

- **Deposits from members** - interest on deposits is recognised on an accrual basis. Interest accrued at the end of the reporting date is shown as a part of deposits.
- **Trade payables** – these are short term payables due to the Group from other parties.
- **Payables due to other financial institutions** – these are primarily settlement account balances due to other financial institutions.
- **Borrowings** – these relate to the Group's securitisation vehicles.

NOTE 1 cont

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iv) Accounting policies applied until 30 June 2018
The Group has applied AASB 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policies. These are described below (to the extent they differ from current accounting policies).

Classification and subsequent measurement of financial assets:
Until 30 June 2018, the Group classified its financial assets in the following categories:

- FVPL;
- Available for sale financial assets (**AFS**);
- Held to maturity investments; or
- Loans and receivables.

The classification depended on the purpose for which the investments were acquired, as outlined below:

- FVPL – a financial asset was classified in this category if acquired principally for the purpose of selling in the short term or so designated by management.
- AFS – these were non-derivative investments which were not designated as another category of financial assets.
- Held to maturity – these were non-derivative assets with fixed or determinable payments and fixed maturity that the Group had a positive intent and ability to hold to maturity, and which were not designated as AFS.
- Loans and receivables – these were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and were not classified or designated as AFS or FVPL.

In the case of assets classified as held-to-maturity, the designation was re-evaluated at the end of each reporting period. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as AFS, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Subsequent measurement:
The measurement at initial recognition did not change on adoption of AASB 9, see description above.

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

AFS financial assets and financial assets at FVPL were subsequently carried at fair value. Unquoted equity securities whose fair value could not be reliably measured were carried at cost. Gains or losses arising from changes in the fair value were recognised as follows:

- FVPL – in profit or loss with other gains/(losses)
- AFS – in other comprehensive income.

Details on how the fair value of financial instruments was determined are disclosed in note 30(b).

Impairment of financial assets – overview:
The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

NOTE 1 cont

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

Impairment of financial assets – assets carried at amortised cost:
For loans and advances, all loans were subject to continuous management review to assess whether there was any objective evidence that any loan or group of loans was impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower.

For held-to-maturity financial assets, objective evidence of impairment included other observable data indicating that there is a measurable decrease in estimated future cash flows.

Impairment losses for all assets carried at amortised cost were measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows were discounted at the asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the impairment loss was recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss was recognised in profit or loss.

The amount provided for impairment of loans was determined by management and the Board. The Prudential Standards issued by APRA enable the minimum provision to be based on specific percentages of the loan balances, contingent upon the length of time the repayments are in arrears, and the security held. This approach was adopted by the Group. Management and the Board also made a provision for loans in arrears where the collectability of the debt was considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impractical.

In addition, a general reserve for credit losses was maintained to cover risks inherent in the loan portfolio. Movements in the general reserve for credit losses were recognised as an appropriation of retained earnings in compliance with APRA requirements.

Impairment of financial assets – AFS assets:
If there was objective evidence of impairment for AFS financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – was removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent period. If the fair value of a debt instrument classified as AFS increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss.

(e) Revenue

(i) Accounting policies applied from 1 July 2018
AASB 15 was adopted by the Group on 1 July 2018, replacing the previous guidance under AASB 118 *Revenue from contracts with customers*, AASB 111 *Construction Contracts* and related interpretations. Revenue arising from items such as financial instruments, insurance contracts and leases is outside the scope of AASB 15 and continues to be accounted for in accordance with the relevant applicable standard. Revenue is recognised and measured under AASB 15 as outlined below.

Fees and charges:
Unless included in the effective interest rate, fees and charges earned from members are recognised at the point in time that the underlying transaction is completed. Fees charged for providing ongoing services are recognised as income over the period the service is provided, in line with the performance obligation delivered to the members.

Commission revenue:
Commissions are earned by the Group on the sale of third party products and services to members. Unless included in the effective interest rate, commissions are recognised at the point in time when the Group's performance obligation in respect of this income is considered to be met. Where there is variable consideration (e.g. trail commissions and renewals), this is only recognised to the extent it is highly probable it will not reverse in future periods, at its net present value.

NOTE 1 cont

Management fees:
Under the terms of a management agreement between the Credit Union and the Health Fund, a fee is paid to reimburse all costs incurred by the Credit Union relating to the operation of the Health Fund. In addition, the agreement specifies that the management fee may include a charge per Health Fund member, payable to the Credit Union. Management fee revenue is recognised over time, in line with the period the services are provided.

(ii) Accounting policies applied until 30 June 2018
The group has applied the modified retrospective transition approach in adopting AASB 15, with no restatement of comparatives. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy as described below to the extent it is different:

Fees and commissions:
These are recognised on an accrual basis when service to the customer has been rendered and a right to receive the consideration has been attained.

(f) Contribution income

Contribution income for the Health Fund comprises contributions received from Policy holders, inclusive of any Government Rebate.

Contribution income is recognised when earned over the period of the membership. Contributions in advance amounts are recognised as revenue as the income is earned.

(g) Fair value measurement

Fair values may be used for financial and non-financial asset and liability measurements as well as sundry disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the Group.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, the Group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. This is described further in note 30.

(h) Property, plant and equipment

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

Depreciation
The depreciable amount of all property, plant and equipment including buildings and capitalised leased assets but excluding freehold land, is depreciated over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

The following are the minimum rates of depreciation applied on a straight line basis:
- Buildings 5.0%
- Plant & Equipment 2.5% - 33.3%
- Leasehold Improvements 10.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(i) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

NOTE 1 cont

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

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

(j) Investment property

Investment property held for rental is initially measured at cost including transaction costs. Subsequent to initial recognition, investment property is carried at fair value, which reflects market conditions at the reporting date. Gains and losses arising from changes in fair values of investment properties are included in profit or loss as part of other income in the year in which they arise. Fair value is determined based on an annual valuation performed by an accredited external, independent valuer, applying a valuation model appropriate for the investment property.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(k) Intangible assets

(i) Computer software:
Items of computer software which are not integral to the computer hardware owned by the Group are classified as an intangible asset. Computer software acquired by the Group is measured at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated on a straight line basis over the expected useful life of the software. These lives are currently five years. Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits of the computer software. All other expenditure is expensed as incurred.

(ii) Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

(l) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. The Group has no finance leases. Lease income from operating leases where the Group is a lessor is recognised in profit or loss on a straight-line basis over the lease term.

(m) Employee benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to the end of the reporting period.

Short-term employee benefits:
Liabilities for wages, salaries and bonuses and the value of fringe benefits received (including non-monetary benefits) that are expected to be settled wholly within twelve months of the end of the reporting period are recognised in Other Liabilities in respect of employee services provided to the end of the reporting period and are measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Long-term employee benefits:
Liabilities for long service leave and annual leave that are not expected to be settled within twelve months of the end of the reporting period are recognised as provisions for employee benefits and are measured at the present value of the expected future payments to be made in respect of services provided to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salary and wage increases, experience of employee departures and periods of service. Expected future payments are discounted using a standardised set of discount rates specifically available for the purpose of discounting employee benefit liabilities, at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTE 1 cont

Regardless of when settlement is expected to occur, liabilities for long service leave and annual leave are considered as current liabilities if the Group does not have an unconditional right to defer settlement for at least twelve months after the end of the reporting period.

Contributions are made by the Group to employee superannuation funds and are recognised in the profit and loss when incurred.

(n) Contributed equity

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

(o) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. 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 in the Statements of Financial Position are shown inclusive of GST.

(p) Assets backing private health insurance liabilities

The Health Fund manages its financial investments to ensure it has sufficient funds to meet all private health insurance liabilities, such as members' claims and operational expenses as they fall due.

To ensure that the risks inherent in the Health Fund's investments are appropriately managed, the Board has endorsed a strategy of placing no more than 25% of the total term deposits with any one financial institution, while ensuring that there is reasonable spread of maturity dates. Central to the management of the Health Fund's liquidity is the forecasting of daily cash flows. The Board is regularly advised about the extent of surplus funds available based on historical records and latest projections of cash flows, including expectations of contributions and risk equalisation funds and claims to be paid out. As at 30 June 2019 and 2018, the Board determined that private health insurance liabilities are reasonably backed by financial assets.

(q) Insurance contracts

Insurance contracts for the Health Fund are defined as those containing significant insurance risk at the inception of the contract, or those where, at the inception of the contract, there is a scenario with commercial substance in which the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

(r) Outstanding claims provision

The provision for outstanding claims for the Health Fund provides for claims received but not assessed, and claims incurred but not received.

The provision is based on actuarial assessment taking into account historical patterns of claim incidence and processing. No discounting is applied to the provision due to the generally short time period between claim incidence and settlement. The provision also provides for the expected payment to or receipt from the Risk Equalisation Trust Fund in relation to an amount provided for unpresented and outstanding claims. Under AASB 1023, risk margin has been applied in the calculation as capital for prudential purposes.

(s) Actuarial assumptions and methods

Actuarial methods:
The outstanding claims provision is derived based on three valuation classes, namely hospital, medical and general treatment services.

In calculating the estimated cost of unpaid claims a chain ladder method is used, this assumes that the development pattern of the current claims will be consistent with historical experience. Where deemed necessary, manual adjustments were made to the outstanding claims by service month to produce an appropriate estimate of incurred claims for the service month.

NOTE 1 cont

Actuarial assumptions:
The following assumptions have been made in determining the outstanding claims liability based on inputs from management and advice from the Appointed Actuary.

	2019			2018		
Variables	**Hospital %**	**Medical %**	**General treatment %**	Hospital %	Medical %	General treatment %
Proportion paid to date	93%	93%	98%	95%	94%	97%
Expense rate	4.22%	4.22%	4.22%	4.14%	4.14%	4.14%
Discount rate	Nil	Nil	Nil	Nil	Nil	Nil
Risk equalisation rate	17.50%	17.50%	17.50%	12.45%	12.45%	12.45%
Risk margin	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

The risk margin of 6% (2018: 6%) of the underlying liability has been estimated to equate to a probability of adequacy greater than 75% (2018: 75%).

Process used to determine assumptions:
A description of the processes used to determine these assumptions is provided below:

(i) Proportion paid to date
The proportion paid to date summarises the application of the chain ladder method (over the 12 months to 30 June 2019) described above to determine the total expected incurred in each service month. The proportion paid to date has been determined with one month's paid claims hindsight.

(ii) Discount rate
As claims for health funds are generally settled within one year, no discounting of claims is usually applied as the difference between the undiscounted value of claims payments and the present value of claims payments is not likely to be material. An increase in the proportion assumed paid to date, would lead to more claims being paid earlier and therefore a decrease in the liability

(iii) Expense rate
Claims handling expenses were calculated by reference to past experience of total claims handling costs as a percentage of total past payments. An increase or decrease in this expense would have a corresponding effect on the claims expense.

(iv) Risk equalisation rate
In simplified terms, each private health insurer is required to contribute to the risk equalisation pool or is paid from the pool to equalise their hospital claims exposure to members aged over 55 years of age and in respect of high cost claims. This is an allowance made in respect of the claims incurred but not yet paid. An increase or decrease in this expense would have a corresponding effect on the claims expense.

(v) Risk margin
The risk margin has been based on an analysis of the past experience of the Health Fund. This analysis examined the volatility of past payments that has not been explained by the model adopted to determine the central estimate. This past volatility has been assumed to be indicative of the future volatility and has been set at a level estimated to equate to a probability of adequacy greater than 75% (2018: 75%). An increase or decrease in this expense would have a corresponding effect on the claims expense.

The probability of adequacy implied by the risk margin 6% (2018: 6%) has been determined with one month's paid claims hindsight. The 2019 provision was prepared using one month's paid claims hindsight.

NOTE 1 cont

Sensitivity analysis – Insurance contracts:
(I) Summary
The Appointed Actuary conducts sensitivity analyses to quantify the exposure risk of changes in the key underlying variables and assumptions. The movement in any key variable will impact the performance and equity of the Group.

The tables below describe how a change in each assumption will affect the health insurance liabilities and hence the profit or loss and the equity of the Group.

	Profit 2019 $'000	Equity 2019 $'000
Recognised amounts in the financial statements	8,045	254,260

Variables	Movement in variable %	Adjustments on surplus $'000	Adjusted amount included in profit or loss $'000	Adjustments in Equity $'000	Adjusted amount included in Statements of Financial Position $'000
Central estimate	+1%	-50	7,995	-50	254,210
Central estimate	-1%	50	8,095	50	254,310
Expense rate	+1%	-58	7,987	-58	254,202
Expense rate	-1%	58	8,103	58	254,318
Risk equalisation rate	+1%	-50	7,995	-50	254,210
Risk equalisation rate	-1%	50	8,095	50	254,310
Risk margin	+1%	-60	7,985	-60	254,200
Risk margin	-1%	60	8,105	60	254,320

	Profit 2018 $'000	Equity 2018 $'000
Recognised amounts in the financial statements	4,633	245,187

Variables	Movement in variable %	Adjustments on surplus $'000	Adjusted amount included in profit or loss $'000	Adjustments in Equity $'000	Adjusted amount included in Statement of Financial Position $'000
Central estimate	+1%	(38)	4,595	(38)	245,149
Central estimate	-1%	38	4,671	38	245,225
Expense rate	+1%	(42)	4,591	(42)	245,145
Expense rate	-1%	42	4,675	42	245,229
Risk equalisation rate	+1%	(38)	4,595	(38)	245,149
Risk equalisation rate	-1%	38	4,671	38	245,225
Risk margin	+1%	(44)	4,589	(44)	245,143
Risk margin	-1%	44	4,677	44	245,231

NOTE 1 cont

(t) Rounding of amounts

The Group and Parent Entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 and accordingly, amounts in the financial statements have been rounded off to the nearest thousand dollars ($'000) unless otherwise stated.

(u) Changes in accounting policies

The Group adopted AASB 9 *Financial Instruments* and AASB 15 *Revenue from contracts with customers* from 1 July 2018. The impact of the adoption of these standards on the Group's financial statements is described below. There are no other new and amended accounting standards and interpretations that became effective as of 1 July 2018 that have a material impact to the Group.

(i) AASB 9 – Financial Instruments
The Group has adopted AASB 9 *Financial Instruments* with a date of transition of 1 July 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements relating to the recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. The adoption of AASB 9 also significantly amends other standards dealing with financial instruments such as AASB 7 *Financial instruments: disclosures*. The Group did not early adopt any of AASB 9 in previous periods. The new accounting policies are set out in note 1(d).

As permitted by the transitional provisions of AASB 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to AASB 7 *Financial Instruments: disclosures* have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year. Set out below are disclosures relating to the impact of the adoption of AASB 9 on the Group.

Classification and measurement of financial instruments:
The measurement category and the carrying amount of financial assets and liabilities in accordance with AASB 139 and AASB 9 at 1 July 2018 are compared as follows:

	AASB 139		AASB 9	
	Measurement category	**Carrying amount $'000**	**Measurement category**	**Carrying amount $'000**
Credit Union				
Financial assets				
Cash and cash equivalents	Loans and receivables	48,708	Amortised cost	48,708
Other receivables (trade debtors)	Loans and receivables	1,563	Amortised cost	1,563
Investment securities – debt instruments	Held to maturity	245,504	Amortised cost	245,504
	Loans and receivables	110,000	Amortised cost	110,000
Investment securities – equity instruments	Available for sale	3,358	FVOCI	8,018
Loans and advances to customers	Loans and receivables	1,746,636	Amortised cost	1,740,532

NOTE 1 cont

	AASB 139 Measurement category	AASB 139 Carrying amount $'000	AASB 9 Measurement category	AASB 9 Carrying amount $'000
Group				
Financial assets				
Cash and cash equivalents	Loans and receivables	50,387	Amortised cost	50,387
Other receivables (trade debtors)	Loans and receivables	719	Amortised cost	719
Investment securities – debt instruments	FVPL	31,686	FVPL	31,686
	Held to maturity	280,285	Amortised cost	280,285
Investment securities – equity instruments	Available for sale	3,353	FVOCI	8,012
Loans and advances to customers	Loans and receivables	1,746,636	Amortised cost	1,740,532

There were no changes to the classification and measurement of financial liabilities.

NOTE 1 cont

Reconciliation of statement financial position balances from AASB 139 to AASB 9:

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with AASB 139 to their new measurement categories upon transition to AASB 9 on 1 July 2018. The adjustments are explained in more detail below.

			Reclassifications			Remeasurements		
		AASB 139 carrying amount at 30 June 2018	Reclassification of loans and receivables to amortised cost	Reclassification of held to maturity to amortised cost	Reclassification of available for sale to FVOCI	Equity instruments at FVOCI	ECL on financial assets	AASB 9 carrying amount at 1 July 2018
Credit Union balance sheet (extract)	**Ref**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
ASSETS								
Cash and cash equivalents	D	48,708	-	-	-	-	-	48,708
Other receivables	D	2,362	-	-	-	-	-	2,362
Financial assets held to maturity	A	245,504	-	(245,504)	-	-	-	-
Debt instruments at amortised cost	A,B	-	110,000	245,504	-	-	-	355,504
Loans and advances at amortised cost	D	1,746,636	-	-	-	-	(3,194)	1,743,442
Financial assets at cost	B,C	113,358	(110,000)	-	(3,358)	-	-	-
Equity instruments at FVOCI	C	-	-	-	3,358	4,660	-	8,018
Deferred tax assets	D	5,507	-	-	-	(1,398)	958	5,067
Other non-financial assets		15,236	-	-	-	-	-	15,236
TOTAL ASSETS		**2,177,311**	**-**	**-**	**-**	**3,262**	**(2,236)**	**2,178,337**
TOTAL LIABILITIES		**2,010,349**	**-**	**-**	**-**	**-**	**-**	**2,010,349**
NET ASSETS		**166,962**	**-**	**-**	**-**	**3,262**	**(2,236)**	**167,988**
EQUITY								
Redeemed preference share capital account		856	-	-	-	-	-	856
Reserves		105,458	-	-	-	3,262	(2,236)	106,484
Retained earnings		60,648	-	-	-	-	-	60,648
TOTAL EQUITY		**166,962**	**-**	**-**	**-**	**3,262**	**(2,236)**	**167,988**

The total impact on the Credit Union's equity at 1 July 2018 is shown below:

Credit Union equity statement (extract)	**Ref**	**Effect on Credit Losses Reserve $'000**	**Effect on FVOCI reserve $'000**	**Effect on other reserves $'000**
Balances at 30 June 2018 under AASB 139		**4,911**	**-**	**-**
Remeasure equity instruments at FVOCI	C	-	4,660	-
Increase in ECL on loans and advances	D	(4,911)	-	1,717
Decrease in DTA relating equity instruments	C		(1,398)	-
Increase in DTA relating to impairment provisions	D	-	-	958
Opening balances at 1 July 2018 under AASB 9		-	**3,262**	**2,675**

NOTE 1 cont

Group balance sheet (extract)	Ref	AASB 139 carrying amount at 30 June 2018	Reclassifications			Remeasurements		AASB 9 carrying amount at 1 July 2018
			Reclassification of loans and receivables to amortised cost	Reclassification of held to maturity to amortised cost	Reclassification of available for sale to FVOCI	Equity instruments at FVOCI	ECL on financial assets	
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS								
Cash and cash equivalents	D	50,387	-	-	-	-	-	50,387
Financial assets at FVPL	E	31,686	-	-	-	-	-	31,686
Other receivables	D	6,076	-	-	-	-	-	6,076
Financial assets held to maturity	A	280,285	-	(280,285)	-	-	-	-
Debt instruments at amortised cost	A	-	-	280,285	-	-	-	280,285
Loans and advances at amortised cost	D	1,746,636	-	-	-	-	(3,194)	1,743,442
Financial assets at cost	C	3,353	-	-	(3,353)	-	-	-
Equity instruments at FVOCI	C	-	-	-	3,353	4,660	-	8,013
Deferred tax assets		5,431	-	-	-	(1,398)	958	4,991
Other non-financial assets		43,671	-	-	-	-	-	43,671
TOTAL ASSETS		**2,167,525**	**-**	**-**	**-**	**3,262**	**(2,236)**	**2,168,551**
TOTAL LIABILITIES		**1,922,338**	**-**	**-**	**-**	**-**	**-**	**1,922,338**
NET ASSETS		**245,187**	**-**	**-**	**-**	**3,262**	**(2,236)**	**246,213**
EQUITY								
Redeemed preference share capital account		856	-	-	-	-	-	856
Reserves		105,990	-	-	-	3,262	(2,236)	107,016
Retained earnings		138,341	-	-	-	-	-	138,341
TOTAL EQUITY		**245,187**	**-**	**-**	**-**	**3,262**	**(2,236)**	**246,213**

The total impact on the Group's equity at 1 July 2018 is shown below:

Group equity statement (extract)	Ref	Effect on Credit Losses Reserve $'000	Effect on FVOCI reserve $'000	Effect on other reserves $'000
Balances at 30 June 2018 under AASB 139		**4,911**	**-**	**-**
Remeasure equity instruments at FVOCI	C	-	4,660	-
Increase in ECL on loans and advances	D	(4,911)	-	1,717
Decrease in DTA relating equity instruments	C		(1,398)	
Increase in DTA relating to impairment provisions	D	-	-	958
Opening balances at 1 July 2018 under AASB 9		-	**3,262**	**2,675**

NOTE 1 cont

The following explains how applying the new classification requirements of AASB 9 led to changes in the classification of certain financial assets held by the Group as shown in the tables above:

A) Reclassification from financial assets held-to-maturity to debt instruments at amortised cost
Investment securities that were previously classified as held to maturity are now classified at amortised cost. These securities include debt instruments such as bank bills of exchange, floating rate notes and deposits with other financial institutions which are managed as a separate portfolio and which the Group intends to hold to collect contractual cash flows. The cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these financial assets at 1 July 2018, and no increase in the ECL provision for these assets was recognised at 1 July 2018.

B) Reclassification from financial assets at cost (loans and receivables) to debt instruments at amortised cost
The Credit Union has transferred loans and advances to a securitisation entity (**Trust**) that was established to support the on-going liquidity management framework of the Credit Union. The Credit Union has purchased the floating rate notes issued by the Trust, which are eligible to be utilised as collateral in repurchase arrangements with the Reserve Bank of Australia (RBA). These floating rate notes were previously classified as loans and receivables, and are now classified at amortised cost. The notes are intended to be held to collect contractual cash flows which represent solely payments of principal and interest, and would only be sold in the event of a stressed liquidity scenario. There was no difference between the previous carrying amount and the revised carrying amount of these financial assets at 1 July 2018, and no increase in the ECL provision for these assets was recognised at 1 July 2018.

C) Reclassification from financial assets at cost (available for sale) to equity instruments at FVOCI
The Group has elected to irrevocably designate investments in a small portfolio of non-traded equity securities in clearing houses and exchanges at FVOCI as permitted under AASB 9. These securities were previously classified as available for sale. Under AASB 139 these investments were measured at cost as their fair value could not be reliably measured, however under AASB 9 they have been remeasured at their estimated fair values. As a result, there has been a remeasurement increase of $4,660,000 recognised for these investments in the FVOCI reserve at 1 July 2018. The changes in fair value of these securities will no longer be reclassified to profit or loss when they are disposed of.

D) Reclassification from retired categories with no change in measurement
In addition to the above, the following financial instruments which were previously classified as loans and receivables have been reclassified to amortised cost under AASB 9, as their previous categories under AASB 139 were 'retired', with no changes to their measurement basis:

- Cash and cash equivalents
- Trade debtors
- Loans and receivables

The only remeasurements relating to these assets (if any) is as a result of impairment adjustments, as discussed below.

E) Financial assets at FVPL
This category of financial assets comprises investment securities that are held for trading, which are required to be held as FVPL under AASB 9. Accordingly, there was no impact on the amounts recognised in relation to these assets from the adoption of AASB 9.

Impairment of financial assets:
The Group was required to revise its impairment methodology under AASB 9 for all financial assets (other than those classified as FVPL). The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the tables on the previous pages.

NOTE 1 cont

Whilst cash and cash equivalents, trade debtors, and investment securities are subject to the impairment requirements of AASB 9, these categories of financial assets are considered to be low risk to the Group. Accordingly, the identified impairment loss for these categories of financial assets was immaterial and has not been recognised in the financial report. The following table reconciles the prior period's closing impairment provision measured in accordance with the AASB 139 incurred loss model to the new impairment provision measured in accordance with the AASB 9 expected loss model at 1 July 2018:

Credit Union and Group	Impairment provision under AASB 139 $'000	Remeasurement $'000	Impairment provision under AASB 9 $'000
Loans and advances at amortised cost	2,910	3,181	6,091
Loans and advances (loan commitments)	-	13	13
Total impairment provision	**2,910**	**3,194**	**6,104**

Further information on the measurement of the impairment provision under AASB 9 can be found in note 29(b)A(iv).

NOTE 2 Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

The following areas involve a higher degree of judgment or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgments is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements:

(a) Measurement of the expected credit loss provision

The measurement of the ECL provision for loans and advances at amortised cost is an area that requires use of complex models and significant assumptions about future economic conditions and credit behavior.

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining the criteria for SICR, and when determining an impairment loss for individual borrowers in respect of loans and advances. In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors including forward looking information available at the time. As actual results may differ, future changes to the impairment provision may be required.

Refer to note 29(b)A(iv) for further details on the judgments and estimates and how they have been applied.

(b) Estimated fair values of certain financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see note 30(b)(ii).

(c) Estimated fair values of investment property

The fair value of investment property is determined using valuation techniques. The Group uses its judgment to select assumptions that are based on market conditions at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see note 30(b)(vi).

		Credit Union		Group	
		2019	2018	**2019**	2018
		$'000	$'000	**$'000**	$'000
NOTE 3 Interest income and interest expense					
(a)	**Interest income**				
	Cash and cash equivalents	342	136	342	136
	Financial assets held to maturity	-	5,436	-	6,968
	Debt instruments at amortised cost	11,279	-	7,463	-
	Financial assets at cost	-	2,751	-	-
	Financial assets at FVPL	-	-	834	-
	Loans and advances at amortised cost	81,853	70,155	81,853	70,155
	Impaired loans	-	109	-	109
	Total interest income	93,474	78,587	90,492	77,368
(b)	Interest expense				
	Borrowings	-	200	-	200
	Borrowings – securitisation	4,766	3,218	163	466
	Deposits from financial institutions	616	573	616	573
	Deposits from members	39,137	31,842	38,963	31,644
	Total interest expense	44,519	35,833	39,742	32,883

	Credit Union		Group	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
NOTE 4 Other revenue and income				
- Dividends received – other corporations	184	149	184	149
- Dividends received – wholly owned subsidiaries	-	2,200	-	-
- Fees and commissions	11,603	10,863	11,603	10,863
- Bad debts recovered	62	55	62	55
- Net gain on disposal of property, plant and equipment	42	57	42	57
- Rental income from investment property	-	-	624	635
- Rental income from operating leases	634	618	152	198
- Management fee	21,090	18,342	-	-
- Contribution income – Queensland Country Health Fund	-	-	125,351	114,909
- Net gain on financial assets at FVPL	-	-	625	663
- Fair value movement on investment property	-	30	-	5
- Dental income – Queensland Country Health Fund	-	-	1,119	428
Total other revenue and income	33,615	32,314	139,762	127,962

Classes of other revenue and income are recognised and measured as detailed in Note 1, and as follows:

(i) Management fees - Pursuant to a management agreement, the Credit Union receives Management fees from the Health Fund, which includes the reimbursement of operational costs as well as a charge per member for other services. Management fee revenue is recognised over time, in line with the period the services are provided.

(ii) Fees and commission income – Fees and charges are earned from Members from the provision of products and services, and are recognised at the point in time the underlying transaction is completed, or over the period of time an ongoing service is delivered. Commissions are earned on the sale of third party products and services to members, and income is recognised at the point in time the performance obligation is met. Commission income includes variable consideration from trail commissions and renewals, and revenue is only recognised to the extent it is highly probable it will not reverse in future periods.

For further detail refer to Note 1.

	Credit Union		Group	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
NOTE 5 Operating expenses				
- Fees and commissions	1,171	696	1,171	696
- Depreciation - buildings	286	312	1,002	1,041
- Depreciation - plant and equipment	661	756	905	986
- Amortisation - leasehold improvements	728	825	754	825
- Amortisation - software	781	762	958	929
- Impairment losses - loans and advances	1,183	859	1,183	859
- Rental expense on operating leases	4,459	3,810	3,003	2,406
- Employee benefits - superannuation	2,550	2,271	2,550	2,271
- Employee benefits - other	31,707	28,128	31,707	28,128
- General administration	8,340	8,393	5,113	5,403
- Direct property expenditure from investment property generating rental income	198	168	198	168
- Benefits paid - Queensland Country Health Fund	-	-	107,515	100,114
- Loss on disposal of property, plant and equipment	371	35	411	35
- Fair value movement on investment property	200	-	240	-
- Information technology costs	7,183	7,418	7,183	7,418
- Transaction processing costs	6,657	5,803	6,657	5,803
- Other operating expenses	8,644	7,680	8,414	7,472
Total Expenses	75,119	67,916	178,964	164,554

		Credit Union		Group	
		2019	2018	**2019**	2018
		$'000	$'000	**$'000**	$'000
NOTE 6 Income tax					
(a)	Numerical reconciliation of income tax expense to prima facie tax payable:				
	Profit before income tax	7,451	7,152	11,548	7,893
	Tax at the Australian tax rate of 30% (2018: 30%)	2,235	2,146	3,464	2,368
	Add Tax effect of:				
	Assessable Intra-group dividend	-	-	-	660
	Investment property expenses	-	-	246	269
	Commission expense	-	-	55	146
	Other assessable income	-	-	29	69
	Non-deductible expenses	33	32	45	43
		2,268	2,178	3,839	3,555
	Less Tax effect of:				
	Tax offset for franked dividends	(55)	(45)	(96)	(263)
	Tax building depreciation/building allowance	(22)	(22)	(22)	(22)
	Other non-assessable items	(9)	(1)	(9)	(1)
		2,182	2,110	3,712	3,269
	Adjustment recognised for prior periods	57	(1)	44	(9)
	Income tax expense	2,239	2,109	3,756	3,260
(b)	Major components of tax expense/(income):				
	- Current tax	1,577	1,406	2,927	2,309
	- Deferred tax relating to the origination and reversal of temporary differences	605	704	785	960
	- Adjustment recognised for prior periods	57	(1)	44	(9)
		2,239	2,109	3,756	3,260
(c)	Major components of tax expense/(income) recognised in Other Comprehensive Income:				
	- Deferred tax relating to the origination and reversal of temporary differences	108	-	108	-
		108	-	108	-
(d)	Balance of franking account at year end adjusted for franking credits or debits arising from payment of the provision for income tax or receipt of dividends receivable at the end of the reporting date based on a tax rate of 30% (2018: 30%)	45,501	44,958	48,108	45,270

	Credit Union		Group	
	2019	2018	**2019**	2018
	$	$	**$**	$
NOTE 7 Auditor's remuneration				
Auditor Remuneration PricewaterhouseCoopers Australia:				
Auditing of financial statements	209,590	147,300	248,510	181,300
Other assurance services				
– audit and review of prudential returns	24,200	22,100	36,930	34,500
– other assurance services	19,020	42,600	20,660	44,200
- due diligence services	-	11,000	-	11,000
Taxation services	30,835	17,535	42,835	29,535
	283,645	240,535	348,935	300,535

NOTE 8 Key management personnel

(a) Remuneration of key management personnel (KMP)

	Credit Union 2019 $	Credit Union 2018 $	Group 2019 $	Group 2018 $
Compensation of KMPs in total and for each of the following categories was as follows				
- short term employee benefits	2,281,852	1,983,412	2,615,598	2,273,433
- post-employment benefits – superannuation contributions	198,365	178,407	230,070	205,959
- other long-term benefits – net increase/(decrease) in long service leave provision	(47,066)	20,551	(47,066)	20,551
- terminations	368,124	161,840	368,124	161,840
Total	2,801,275	2,344,210	3,166,726	2,661,783

(b) Loans to KMPs and their close family members

The Credit Union's policy for lending to KMPs is that all loans are approved and deposits accepted on the same terms and conditions that applied to Members for each class of loan or deposit. There are no benefits or concessional terms and conditions applicable to the close family members of the KMPs. There are no loans that are impaired in relation to the loan balances with KMPs. There are also no loans that are impaired in relation to the loan balances with close family relatives of KMPs.

	Credit Union 2019 $	Credit Union 2018 $	Group 2019 $	Group 2018 $
The aggregate value of loans at year end	8,619,082	8,120,182	10,851,126	10,348,552
The aggregate value of other credit facilities at year end	136,500	156,500	136,500	156,500
Amounts drawn down included in the aggregate value	(40,469)	(58,213)	(40,469)	(58,213)
Net balance available	96,031	98,287	96,031	98,287

	Credit Union		Group	
	2019	2018	**2019**	2018
	$	$	**$**	$
NOTE 8 cont				
During the year the aggregate value of loans disbursed amounted to:				
- Term loans	112,108	1,125,199	112,108	1,894,901
	112,108	1,125,199	112,108	1,894,901
Interest and other revenue earned on loans and revolving credit facilities	300,082	274,448	418,380	392,523

(c) Other transactions with KMPs and their close family members

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

	Credit Union 2019 $	Credit Union 2018 $	Group 2019 $	Group 2018 $
Total value of deposits at year end	3,217,740	3,053,030	3,267,146	3,099,847
Total interest paid on these deposits during the year	25,860	24,572	26,276	24,392

The Credit Union's policy for receiving deposits from other related parties, and in respect of other related party transactions, is that all transactions are approved and deposits accepted on the same terms and conditions that apply to members for each type of deposit. There are no other benefits paid or payable to the close family members of the KMPs. There are no service contracts to which KMPs or their close family members are an interested party.

NOTE 9 Cash and cash equivalents	Credit Union		Group	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Cash on hand at amortised cost	4,492	4,493	4,493	4,493
Deposits with ADI's at amortised cost	42,834	44,215	47,972	45,894
	47,326	48,708	52,465	50,387

The effective interest rate on short-term bank deposits was 0.30% (2018: 0.74%); these deposits are available at-call. Refer to note 26 for a detailed reconciliation of cash and cash equivalents, note 29(b) for further information relating to the credit risk of cash and cash equivalents, and note 30(b) for information relating to their fair values.

	Credit Union		Group	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
NOTE 10 Financial assets at FVPL				
Financial assets, at fair value				
- Managed funds	-	-	10,829	10,843
- Interest bearing notes	-	-	22,186	18,825
- Floating rate notes	-	-	-	2,018
Total	-	-	33,015	31,686
Movement in fair value – Managed funds				
- Opening balance	-	-	10,843	4,636
- Acquisition	-	-		6,000
- Redemption	-	-		-
- Net distribution	-	-		798
- Changes in market conditions	-	-	(14)	(591)
Closing balance	-	-	10,829	10,843
Movement in fair value – Interest bearing capital notes				
- Opening balance	-	-	18,825	13,181
- Acquisition	-	-	7,060	8,110
- Redemption	-	-	(4,162)	(2,662)
- Gain/(Loss) on redemption			26	16
- Net distribution	-	-	-	-
- Changes in market conditions	-	-	437	180
Closing balance	-	-	22,186	18,825
Movement in fair value – Floating rate notes				
- Opening balance	-	-	2,018	2,022
- Acquisition	-	-	-	-
- Redemption	-	-	(2,000)	-
- Net distribution	-	-	-	-
- Changes in market conditions	-	-	(18)	(4)
Closing balance	-	-	-	2,018

Amounts of financial assets at fair value through profit and loss expected to mature more than 12 months after the reporting date for the Credit Union amounted to $nil (2018: $nil), for the Group amounted to $21,186,000 (2018: $18,824,000). Refer to note 30b) for information on how fair values are determined.

All financial assets at FVPL are mandatorily measured at FVPL. During the year, the Group recognised $625,000 (2018: $663,000) of fair value gains/losses on financial assets at FVPL in profit or loss (other income – refer to note 4).

NOTE 11 Other receivables				
Accrued interest	778	872	937	1,128
Trade debtors	1,743	1,563	481	719
Sundry debtors	943	(73)	4,120	4,229
	3,464	2,362	5,538	6,076

Trade debtors are classified and measured at amortised cost, and all expected to mature within 12 months after the reporting date for the Credit Union and the Group in both periods presented. Refer to note 29(b) for further information relating to the credit risk of trade debtors, and note 30b) for information relating to their fair values.

NOTE 12 Income tax receivable				
Current income tax receivable	3,390	1,526	2,053	1,044

NOTE 13 Debt instruments at amortised cost (2018: financial assets held to maturity)

	Credit Union		Group	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Bank bills of exchange and certificates of deposit	126,924	106,421	126,924	106,421
Deposits with ADI's	82,941	56,135	117,194	85,916
MTG QCCU Trust – Class A floating rate notes [a]	205,000	-	-	-
MTG QCCU Trust – Class B floating rate notes [a]	15,000	-	-	-
Other floating rate notes	64,971	82,948	73,471	87,948
	494,836	245,504	317,589	280,285

Amounts of debt instruments at amortised cost expected to mature more than 12 months after the reporting date for the Credit Union amounted to $48,469,000 (2018: $42,057,000), for the Group amounted to $54,969.000 (2018: $45,057,000). Refer to note 29(b) for further information relating to the credit risk of debt instruments at amortised cost, and note 30(b) for information relating to their fair values.

(a) Debt instruments at amortised cost previously classified as financial assets at cost (loans and receivables) – 2018

MTG QCCU Trust – Class A floating rate notes	-	103,300	-	-
MTG QCCU Trust – Class B floating rate notes	-	6,700	-	-
	-	110,000	-	-

Queensland Country Credit Union Limited has transferred loans and advances to a securitisation entity known as The MTG QCCU Trust Repo Series No. 1 (The Trust). This Trust has been established to support the on-going liquidity management framework of Queensland Country Credit Union Limited. The Credit Union has purchased the floating rate notes issued by the Trust. The senior notes held by the Credit Union are eligible to be utilised as collateral in repurchase arrangements with the Reserve Bank of Australia (RBA). The total floating rate notes as at 30 June 2019 amounted to $220,000,000 (2018: $110,000,000), split between Class A and Class B notes. For further information on securitisation arrangements refer to note 31.

These investments have been reclassified to debt instruments at amortised cost on adoption of AASB 9 *Financial Instruments* (refer to note 1 for details on the accounting policies and impacts of transition). None of the investments were either past due or impaired in the prior year.

NOTE 14 Loans and advances at amortised cost

Loans and advances outstanding				
– Overdrafts	39,218	39,213	39,218	39,213
– Term loans	1,781,282	1,694,270	1,781,282	1,694,270
– Credit cards	15,788	16,063	15,788	16,063
– Other	-	-	-	-
Gross loans and advances	1,836,288	1,749,546	1,836,288	1,749,546
Provision for impairment [a]	(6,075)	(2,910)	(6,075)	(2,910)
Net loans and advances	1,830,213	1,746,636	1,830,213	1,746,636

Amounts of loans and advances expected to be recovered more than 12 months after the reporting date for the Credit Union amounted to $1,662,033,000 (2018: $1,556,827,000), and for the Group amounted to $1,662,033,000 (2018: $1,556,827,000). Refer to note 29(b) for further information relating to the credit risk of loans and advances, and note 30(b) for information relating to their fair values.

(a) Provision for impairment – the basis of calculating the provision for impairment has changed as a result of the adoption of AASB 9. Refer to note 29(b) A.(iv) for details regarding how the provision is measured.

	Credit Union		Group	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
NOTE 15 Property, plant and equipment				
(a) Carrying amounts				
Land				
- At cost	1,969	1,859	7,854	7,745
Buildings				
- At cost	7,230	7,232	27,876	27,588
- Accumulated depreciation	(3,999)	(3,716)	(7,164)	(6,165)
	3,231	3,516	20,712	21,423
Leasehold improvements				
- At cost	9,085	9,362	9,356	9,362
- Accumulated amortisation	(7,866)	(7,569)	(7,892)	(7,569)
	1,219	1,793	1,464	1,793
Plant and equipment				
- At cost	5,527	9,797	7,970	11,889
- Accumulated depreciation	(3,835)	(7,552)	(4,859)	(8,334)
	1,692	2,245	3,111	3,555
Total property, plant and equipment	8,111	9,413	33,141	34,516

NOTE 15 cont

(b) Movements in carrying amounts

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

	Land $'000	Buildings $'000	Leasehold Improvements $'000	Plant & Equipment $'000	Total $'000
Credit Union					
Balance at 1 July 2018	1,859	3,516	1,793	2,245	9,413
- Additions	110	1	108	287	506
- Transfers	-	-	-	-	-
- Disposals	-	-	46	(179)	(133)
- Depreciation expense	-	(286)	(728)	(661)	(1,675)
Balance at 30 June 2019	1,969	3,231	1,219	1,692	8,111
Balance at 1 July 2017	1,210	3,399	1,752	2,372	8,733
- Additions	-	8	878	479	1,365
- Transfers	164	(164)	-	-	-
- Additions through merger	485	585	-	160	1,230
- Disposals	-	-	(12)	(10)	(22)
- Depreciation expense	-	(312)	(825)	(756)	(1,893)
Balance at 30 June 2018	1,859	3,516	1,793	2,245	9,413
Group					
Balance at 1 July 2018	7,745	21,423	1,793	3,555	34,516
- Additions	109	291	379	640	1,419
- Transfers	-				
- Additions through merger	-				
- Disposals	-		46	(179)	(133)
- Depreciation expense	-	(1,002)	(754)	(905)	(2,661)
Balance at 30 June 2019	7,854	20,712	1,464	3,111	33,141
Balance at 1 July 2017	7,096	22,022	1,752	3,714	34,584
- Additions	-	21	878	677	1,576
- Transfers	164	(164)	-	-	-
- Additions through merger	485	585	-	160	1,230
- Disposals	-	-	(12)	(10)	(22)
- Depreciation expense	-	(1,041)	(825)	(986)	(2,852)
Balance at 30 June 2018	7,745	21,423	1,793	3,555	34,516

(c) Valuations

Independent valuations were performed by Certified Practicing Valuers: S Butterworth (AAPI); C Balsdon (AAPI); L Searston (AAPI) T Munn (AAPI) J Searston (AAPI) S Quinn (AAPI); and A. Dickinson (AAPI) as at 30th June 2019. The valuations were obtained in accordance with an internal policy to value land and buildings every three years. The increase in value over cost has not been brought to account. The valuations have been based on the current market value of freehold land and buildings, taking into consideration the sales of similar land and buildings in the area, and are categorised as Level 3 in the fair value hierarchy (refer note 30). The directors are satisfied that the outcome of these valuations adequately support the carrying values above.

NOTE 16 Intangible Assets

	Credit Union		Group	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
(a) Carrying amounts				
Computer Software				
- At cost	4,115	3,970	4,768	4,468
- Accumulated amortisation	(2,547)	(1,766)	(2,948)	(1,989))
Total computer software	1,568	2,204	1,820	2,479
Goodwill	-	-	415	-
Total intangible assets	1,568	2,204	2,235	2,479

(b) Movements in carrying amounts

Reconciliations of the carrying amounts of each class of intangible assets between the beginning and end of the financial year are set out below.

	Computer software $'000	**Goodwill $'000**	**Total $'000**
Credit Union			
Balance at 1 July 2018	2,204	-	2,204
- Additions	145	-	145
- Disposals	-	-	-
- Amortisation expense	(781)	-	(781)
Balance at 30 June 2019	1,568	-	1,568
Balance at 1 July 2017	2,948	-	2,948
- Additions	18	-	18
- Disposals	-	-	-
- Amortisation expense	(762)	-	(762)
Balance at 30 June 2018	2,204	-	2,204
Group			
Balance at 1 July 2018	2,479	-	2,479
- Additions	299	415	714
- Disposals	-	-	-
- Amortisation expense	(958)	-	(958)
Balance at 30 June 2019	1,820	415	2,235
Balance at 1 July 2017	3,349	-	3,349
- Additions	59	-	59
- Disposals	-	-	-
- Amortisation expense	(929)	-	(929)
Balance at 30 June 2018	2,479	-	2,479

	Credit Union		Group	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
NOTE 17 Investment property				
Movements				
Opening balance	950	920	4,490	4,480
Capital expenditure	-	-	-	5
Net gain/(loss) from fair value adjustments	(200)	30	(240)	5
Closing balance	750	950	4,250	4,490

The fair value model is applied to all investment property. Investment properties are independently valued annually. Values are based on an active liquid market value and are performed by a registered independent valuer. The independent valuations were carried out by Alexander Dickinson, registered valuer no. 2278 of Opteon on 25th June 2019; Stephen Linnane, registered valuer no. 3956 of JJL on 12th July 2019; and James Hayward, registered valuer no. 3759 of Herron, Todd and White on 5th June 2019. The directors do not believe there are any significant differences from the valuations obtained during the year to reporting date.

The revaluations have been based on the current market value of freehold land and buildings, taking into consideration the sales of similar land and buildings in the area. Refer to note 30 for further disclosure on fair value measurement.

NOTE 18 Equity instruments at FVOCI

Shares in unlisted entities [(a)]	8,379	-	8,374	-
	8,379	-	8,374	-

Refer to note 29(a) for further information relating to the market risks associated with these investments, and note 30(b) for further information relating to the determination of fair values.

During the year, the Group recognised $253,000 (2018: $nil) of fair value gains/losses on equity instruments at FVOCI in the Statements of Profit or Loss and Other Comprehensive Income, net of tax.

During the year, the Group recognised $184,053 (2018: $148,699) of dividends from equity instruments at FVOCI in profit or loss (other income – refer note 4).

(a) Equity instruments at FVOCI previously classified as financial assets at cost (available for sale) – 2018

Shares in unlisted entities	-	3,358	-	3,353
	-	3,358	-	3,353

The shares in unlisted entities relate to shareholdings in Indue Limited and Cuscal Limited and in the prior year were measured at cost, as their fair value could not be reliably measured. These companies were created to supply services to the member credit unions and do not have an independent business focus. The Group has designated these investments at FVOCI from 1 July 2019, because the investments are held to enable the Group to receive essential banking services, rather than with a view to profit on subsequent sale, and there are no plans to dispose of these investments during the short term. These shares are not publicly traded and are not redeemable. Refer to note 1 for details on the accounting policies and impacts of transition to AASB 9.

	Credit Union		Group	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
NOTE 19 Deferred tax assets				
(a) Deferred tax assets comprise temporary differences attributable to:				
- provision for impairment	1,822	873	1,822	873
- provision for outstanding claims	-	-	73	52
- employee benefits	1,645	1,676	1,645	1,676
- depreciation	1,562	1,624	2,181	2,212
- land and buildings	334	226	(804)	(674)
- tax losses	-	-	-	-
- provision for onerous contracts	-	468	-	468
- other	429	640	831	824
	5,792	5,507	5,748	5,431
Amounts recognised in other comprehensive income				
- equity interests	(1,506)	-	(1,506)	-
Net deferred tax assets	4,286	5,507	4,242	5,431

	Credit Union		Group	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
NOTE 19 cont				
(b) The movement in deferred tax assets for each temporary difference during the year is as follows:				
Provision for impairment				
Opening balance	873	915	873	915
Balance recognised on merger	-	90	-	90
Restatement due to accounting standard	958	-	958	-
Change recognised in profit or loss	(9)	(132)	(9)	(132)
Closing balance	1,822	873	1,822	873
Provision for outstanding claims				
Opening balance	-	-	52	1,508
Over-provision in prior year	-	-	-	(1,451)
Change recognised in profit or loss	-	-	21	(5)
Closing balance	-	-	73	52
Employee benefits				
Opening balance	1,676	1,369	1,676	1,369
Balance recognised on merger	-	251	-	251
Change recognised in profit or loss	(31)	56	(31)	56
Closing balance	1,645	1,676	1,645	1,676
Depreciation				
Opening balance	1,624	1,505	2,212	2,158
Balance recognised on merger	-	69	-	69
Change recognised in profit or loss	(62)	50	(31)	(15)
Adjustment recognised for prior periods	-	-	-	-
Closing balance	1,562	1,624	2,181	2,212
Land and buildings				
Opening balance	226	362	(674)	(366)
Balance recognised on merger	-	(188)	-	(188)
Change recognised in profit or loss	108	52	(130)	(120)
Closing balance	334	226	(804)	(674)
Tax losses				
Opening balance	-	-	-	3
Under-provision in prior year	-	-	-	325
Change recognised in profit or loss	-	-	-	(328)
Closing balance	-	-	-	-

	Credit Union		Group	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
NOTE 19 cont				
Provision for onerous contracts				
Opening balance	468	631	468	631
Balance recognised on merger	-	640	-	640
Under provision in prior year	-	20	-	20
Change recognised in profit or loss	(468)	(823)	(468)	(823)
Closing balance	-	468	0	468
Equity Interests				
Opening balance	-	-	-	-
Restatement due to accounting standard	(1,398)	-	(1,398)	-
Change recognised in profit or loss	(108)	-	(108)	-
Closing balance	(1,506)	-	(1,506)	-
Other				
Opening balance	640	564	824	657
Balance recognised on merger		2		2
Overprovision in prior year	(69)	(60)	143	(60)
Change recognised in profit or loss	(142)	134	(136)	225
Closing balance	429	640	831	824

NOTE 20 Other assets

Prepayments	1,277	1,143	1,276	1,142

NOTE 21 Other borrowings

MTG QCCU Trust Repo Series No. 1	206,654	100,053	-	-

Borrowings for the Credit Union are on an at-call basis. Refer to note 29 for further information relating to the financial risk management of borrowings, and note 30(b) for information relating to their fair values.

NOTE 22 Deposits from members

Member call deposits (including withdrawable shares)	1,123,033	1,081,504	1,112,907	1,071,509
Member term deposits (including accrued interest)	836,820	760,777	834,816	758,774
Member retirement savings account deposits (including accrued interest)	43,853	50,929	43,853	50,929
	2,003,706	1,893,210	1,991,576	1,881,212

Amounts of deposits from members expected to be settled more than 12 months after reporting date for the Credit Union amounted to $926,000 (2018: $nil), for the Group amounted to $926,000 (2018: $nil).

There are no deposits from an individual member, or association groups of members which exceed 10% of total liabilities of the Credit Union or Group in the current or prior year.

Refer to note 29 for further information relating to the financial risk management of deposits from members, and note 30(b) for information relating to their fair values.

	Credit Union		Group	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
NOTE 23 Other payables				
Accrued expenses	2,414	4,725	2,414	4,725
Contributions in advance – Queensland Country Health Fund	-	-	15,796	15,115
Employee entitlements	2,765	2,824	2,765	2,824
Trade Payables	598	334	668	583
Other liabilities	9,551	5,770	14,275	7,800
	15,328	13,653	35,918	31,047

Trade payables are classified and measured at amortised cost, and all expected to mature within 12 months after the reporting date for the Credit Union and the Group in both periods presented. Refer to note 29 for further information relating to the financial risk management of trade payables, and note 30(b) for information relating to their fair values.

NOTE 24 Provisions

Long service leave	2,717	2,764	2,717	2,764
Make good provision	670	669	670	669
Outstanding claims provision	-	-	6,399	4,621
Unexpired risk liability reserve	-	-	2,315	2,025
	3,387	3,433	12,101	10,079

(a) Make good provision

The movements in the make good provision were as follows:				
– Carrying amount – opening balance	669	573	669	573
– Additional provisions raised during the year	1	96	1	96
– Amounts used	-	-	-	-
– Carrying amount – closing balance	670	669	670	669

The Group is required under the terms of their leases to restore the leased premises at the end of the lease to its original condition. A provision has been recognised for the present value of the estimated expenditure required to demolish any leasehold improvements at the end of the lease. These costs have been capitalised as part of the cost of the leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

(b) Outstanding claims provision

– Carrying amount – opening balance	-	-	4,621	5,027
– Additional provisions required	-	-	1,778	-
– Reduction in provisions required	-	-	-	(406)
– Carrying amount – closing balance	-	-	6,399	4,621

The provision for outstanding claims relates to Queensland Country Health Fund Ltd, it provides for claims received but not assessed and claims incurred but not received. The provision is based on actuarial assessment taking into account historical patterns of claim incidence and processing. The provision also provides for the expected payment to the Risk Equalisation Trust Fund and claims handling costs.

NOTE 24 cont

(c) Unexpired risk liability reserve

	Credit Union 2019 $'000	Credit Union 2018 $'000	Group 2019 $'000	Group 2018 $'000
– Carrying amount – opening balance	-	-	2,025	1,674
– Additional provisions required	-	-	290	351
– Reduction in provisions required	-	-	-	-
– Carrying amount – closing balance	-	-	2,315	2,025

The unexpired risk liability reserve relates to Queensland Country Health Fund Ltd, it provides for a deficiency between future premium income and future claims and expenses. The provision is based on actuarial liability adequacy testing performed on hospital and general treatment contracts up to 1 April 2020.

NOTE 25 Reserves

(a) Credit losses reserve
The credit losses reserve previously recorded amounts set aside as a general provision and was maintained to comply with the Prudential Standards as set down by APRA. This reserve has been written back to general reserves this year due to the change in adoption of the new accounting standard, AASB 9.

(b) FVOCI reserve
The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 1. These changes are accumulated within the FVOCI reserve within equity. The group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

(c) Other reserves
The nature and movements in other reserves are shown below:

(i) Business combination reserve
The business combination reserve recognises the net assets acquired on merger.

The movements in the business combination reserve were as follows:	Credit Union 2019 $'000	Credit Union 2018 $'000	Group 2019 $'000	Group 2018 $'000
– Carrying amount – opening balance	58,965	18,516	59,497	18,516
– Transfer of reserves on merger	538	40,449	1	40,981
Carrying amount – closing balance	59,503	58,965	59,498	59,497

(ii) General reserve
The general reserve records funds set aside for future expansion of the Credit Union.

The movements in the general reserve were as follows:	Credit Union 2019 $'000	Credit Union 2018 $'000	Group 2019 $'000	Group 2018 $'000
– Carrying amount – opening balance	41,582	41,582	41,582	41,582
– Change in adoption of new accounting standard	2,675	-	2,675	-
Carrying amount – closing balance	44,257	41,582	44,257	41,582

	Credit Union		Group	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000

NOTE 26 Statements of cash flows

(a) Reconciliation of cash

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

	Credit Union 2019 $'000	Credit Union 2018 $'000	Group 2019 $'000	Group 2018 $'000
Cash and cash equivalents	47,326	48,708	52,465	50,387
	47,326	48,708	52,465	50,387

(b) Cash flows presented on a net basis

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

- Member deposits in and withdrawals;
- Sales and purchases of maturing certificates of deposit;
- Receivables due from other financial institutions;
- Other borrowings; and
- Provision of member loans and the repayment of such loans.

(c) Reconciliation of cash flow from operations with profit after income tax

	Credit Union 2019 $'000	Credit Union 2018 $'000	Group 2019 $'000	Group 2018 $'000
Profit/(loss) after income tax	5,465	5,043	8,045	4,633
– (Gain)/loss on sale of property, plant and equipment	(42)	(57)	(42)	(57)
– Depreciation and amortisation	2,456	2,655	3,619	3,781
– Decrease/(increase) in investment property	200	(30)	240	(5)
– Decrease/(increase) in fair value of equities	(361)	-	(361)	-
– Provision for loan impairment	1,183	859	1,183	859
Changes in operating assets and liabilities:				
– (Increase)/decrease in loans and advances	(86,995)	(82,782)	(86,996)	(82,782)
– Increase/(decrease) in member deposits	110,495	74,115	109,829	73,735
– Increase/(decrease) in interest payable	536	519	534	519
– (Increase)/decrease in interest receivable	94	(79)	191	(36)
– (Increase)/decrease in prepayments	(132)	8	(132)	8
– (Increase)/decrease in sundry debtors	(1,197)	665	347	80
– (Increase)/decrease in deferred tax assets	1,222	891	1,189	2,496
– Increase/(decrease) in income tax payable	(1,864)	(1,933)	(1,010)	(2,474)
– Decrease/(increase) in deferred tax liability	-	(188)	-	(188)
– Increase/(decrease) in provisions	(46)	245	2,023	190
– Increase/(decrease) in payables and other liabilities	1,674	188	4,872	1,600
Net cash provided by/(used in) operating activities	32,688	119	43,531	2,359

	Credit Union 2019 $'000	Credit Union 2018 $'000	Group 2019 $'000	Group 2018 $'000
NOTE 27 Commitments				
(a) Future capital commitments	-	-	-	-
(b) Operating lease commitments Non-cancellable operating leases contracted for, payable as follows:				
– Not longer than 1 year	3,564	3,870	2,467	2,773
– Longer than 1 and not longer than 5 years	9,280	6,146	4,533	5,560
– Longer than 5 years	957	705	319	705
	13,801	10,721	7,319	9,038

Operating lease commitments relate to property leases for premises used for branch operations. Leases are non-cancellable and are of varying terms up to 10 years with option periods of up to 5 years.

	Credit Union 2019 $'000	Credit Union 2018 $'000	Group 2019 $'000	Group 2018 $'000
(c) Outstanding loan commitments Loans and credit facilities approved but not funded or drawn at the end of the financial year:				
– Loans approved but not funded	30,834	25,987	30,834	25,987
– Undrawn overdraft, line of credit and VISA facilities	64,605	94,837	64,605	94,837
(d) Operating leases receivable Non-cancellable operating leases contracted for, receivable as follows:				
– Not longer than 1 year	85	148	504	589
– Longer than 1 and not longer than 5 years	306	156	1,333	1,560
– Longer than 5 years	-	-	645	926
	391	304	2,482	3,075

Operating lease receivables relate to property leases of excess space within Branch and Head Office premises, and lease of investment property to a third party. Leases are non-cancellable and are of varying terms up to 5 years with option periods of up to 5 years.

NOTE 28 Subsidiaries and other entities

The parent entity is Queensland Country Credit Union Limited. Particulars in relation to Subsidiaries and Other Entities:

Name	Country of incorporation	Ownership interest held by group 2019	Ownership interest held by group 2018
Queensland Country Health Fund Ltd	Australia	100%	100%
MTG QCCU Trust Repo Series No.1	Australia	100%	100%
Queensland Country Care Navigation Pty Ltd	Australia	100%	100%

NOTE 28 cont

Queensland Country Health Fund Ltd is a registered "for profit" health insurer and is operated by the Credit Union under a contract of management. The Health Fund changed its status to "for profit" on 1st January 2016 and now has the capacity to pay dividends to Queensland Country Credit Union. In February 2011, Queensland County Health Fund Ltd changed its constitution to make Queensland Country Credit Union Limited its only member.

The MTG QCCU Trust Repo Series No. 1 is a structured entity that has been established to support the ongoing liquidity management framework of Queensland Country Credit Union Limited. The Credit Union has purchased the Floating Rate Notes issued by the Trust which are able to be sold to and repurchased from the Reserve Bank of Australia if required. However, this is only expected to occur in the event of a stressed liquidity scenario. Queensland Country Credit Union Limited is the residual income unit holder of the Trust. Refer to note 31 for further details on securitisation.

Queensland Country Care Navigation Pty Ltd was established on the 4th January 2016 and is a subsidiary company of Queensland Country Health Fund Ltd. This company has an agreement with the Health Fund to provide care coordination services to Members of the Health Fund and there is a management agreement in place with the Credit Union.

NOTE 29 Financial risk management

The Board of Directors (the Board) has endorsed a strategy of compliance and risk management to suit the risk profile of the Credit Union.

Key risk management policies encompassed in the overall risk management framework include:
- Risk Management Strategy
- Interest Rate (Market) Risk Management
- Liquidity and Funding Risk Management
- Credit Risk Management
- Capital Management
- Data Risk Management
- Compliance
- Business Continuity, Fraud and Corruption.

(a) Market risk

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

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and other volatilities will have an adverse effect on the Group's financial condition or results. The Group does not have any material exposure to market risk other than interest rate risk and equity price risk. As such disclosures have not been made for foreign currency risks. The management of market risk is the responsibility of the ALCO Committee.

(i) Interest rate risk
Interest rate risk is the risk of variability of the fair value of future cash flows arising from financial instruments due to the changes in interest rates. Most ADIs are exposed to interest rate risk within their treasury operations. The Group's exposure to interest rate risk is measured and monitored using interest rate sensitivity models. There has been no change to the Group's exposure to interest rate risk or the way the Group manages and measures interest rate risk in the reporting period.

The policy of the Credit Union is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The gap is measured monthly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposit liabilities to rectify the imbalance to within acceptable levels.

NOTE 29 cont

The Health Fund's interest rate risk arises from financial assets. Financial instruments held at variable rates including cash and cash equivalents, notes and managed funds, expose the company to interest rate risk. The expected volatility of interest rates is monitored using market data and forecasts. To manage interest rate risk, the Health Fund has adopted an investment strategy which delivers a diversified portfolio with heavier weighting towards defensive assets.

The Credit Union's exposure to interest rate risk at the end of the reporting period was as follows:

Credit Union Repricing Period: 30 June 2019	Floating Interest Rate $'000	Fixed interest rate maturing: 1 year or less $'000	1 to 5 years $'000	Non Interest Sensitive $'000	Total $'000
Financial Assets					
- Cash and cash equivalents	42,834	-	-	4,492	47,326
- Trade debtors	-	-	-	1,744	1,744
- Debt instruments at amortised cost	220,000	226,367	48,469	-	494,836
- Loans and advances at amortised cost	1,302,120	183,714	344,379	-	1,830,213
- Equity instruments at FVOCI	-	-	-	8,379	8,379
	1,564,954	410,081	392,848	14,615	2,382,498
Financial Liabilities					
- Other borrowings	206,654	-	-	-	206,654
- Deposits from members	1,172,886	829,894	926	-	2,003,706
- Trade payables	-	-	-	598	598
	1,379,540	829,894	926	598	2,210,958
Repricing Period: 30 June 2018					
Financial Assets					
- Cash and cash equivalents	44,215	-	-	4,493	48,708
- Trade debtors	-	-	-	1,563	1,563
- Financial assets held to maturity	-	203,447	42,057	-	245,504
- Loans and advances	1,193,051	243,505	310,080	-	1,746,636
- Financial assets at cost	110,000	-	-	3,358	113,358
	1,347,266	446,952	352,137	9,414	2,155,769
Financial Liabilities					
- Other borrowings	100,053	-	-	-	100,053
- Deposits from members	1,137,898	753,136	2,176	-	1,893,210
- Trade payables	-	-	-	334	334
	1,237,951	753,136	2,176	334	1,993,597

Based on calculations at 30 June 2019 the net profit impact to the Credit Union of a 1% (2018:1%) movement in interest rates would be $918,000 (2018: $899,000). This represents 0.56% (2018: 0.58%) of the current capital base of $163,940,000 (2018: $155,859,000). The Credit Union is currently at risk in an increasing interest rate environment.

NOTE 29 cont

The Group's exposure to interest rate risk at the end of the reporting period was as follows:

Group Repricing Period: 30 June 2019	Floating Interest Rate $'000	Fixed interest rate maturing: 1 year or less $'000	 1 to 5 years $'000	Non Interest Sensitive $'000	Total $'000
Financial Assets					
- Cash and cash equivalents	47,972	-	-	4,493	52,465
- Trade debtors	-	-	-	481	481
- Debt instruments at amortised cost	-	262,620	54,969	-	317,589
- Loans and advances at amortised cost	1,302,120	183,714	344,379	-	1,830,213
- Equity instruments at FVOCI	-	-	-	8,374	8,374
	1,350,092	446,334	399,348	13,348	2,209,122
Financial Liabilities					
- Other borrowings	-	-	-	-	-
- Deposits from members	1,162,756	827,894	926	-	1,991,576
- Trade payables	-	-	-	668	668
	1,162,756	827,894	926	668	1,992,244
Repricing Period: 30 June 2018					
Financial Assets					
- Cash and cash equivalents	45,894	-	-	4,493	50,387
- Trade debtors	-	-	-	719	719
- Financial assets held to maturity	-	235,228	45,057	-	280,285
- Loans and advances	1,193,051	243,505	310,080	-	1,746,636
- Financial assets at cost	-	-	-	3,353	3,353
	1,238,945	478,733	355,137	8,565	2,081,380
Financial Liabilities					
- Other borrowings	-	-	-	-	-
- Deposits from members	1,127,899	751,136	2,177	-	1,881,212
- Trade payables	-	-	-	583	583
	1,127,899	751,136	2,177	583	1,881,795

Based on calculations at 30 June 2019 the net profit impact to the Group of a 1% (2018:1%) movement in interest rates would be $918,000 (2018: $899,000). This represents 0.56% (2018: 0.58%) of the current capital base of $163,940,000 (2018: $155,859,000). The Group is currently at risk in an increasing interest rate environment.

NOTE 29 cont

(ii) Equity price risk
The Group's exposure to equity securities price risk arises from equity investments held by the Group and classified in the balance sheet as FVOCI. The investments consist of unlisted equity securities held by the Credit Union in Indue and Cuscal. (refer note 18).

The Group's maximum exposure to equity securities price risk is the carrying amounts of the investments of $8,370,000 (2018: $3,358,000). The impact of an increase/decrease of 10% on the net asset backing per share would result in an increase/decrease in fair value of $838,000 (2018: $806,000). The impact is based on the assumption that the equity indexes had increased or decreased by 10% with all other variables held constant.

(b) Credit risk

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to the Group which may result in financial losses. Credit risk arises from contractual cash flows of debt instruments carried at amortised cost and FVPL (including cash and cash equivalents), trade debtors, and credit exposures to wholesale and retail customers, including loans and advances and outstanding receivables.

A. Loans and advances at amortised cost
(i) Risk management
Credit risk is managed by way of strict adherence to the credit assessment policies before loans are approved and close monitoring of defaults in the repayment of loans thereafter on a regular basis. The credit policy has been endorsed by the Board to ensure that loans are only made to members that are credit-worthy (capable of meeting loan repayments).

The Credit Union has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment, security requirements;
- Limits of acceptable exposure over the value to individual borrowers, non-mortgage secured loans, commercial lending and concentrations of geographic and industry groups considered a high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the expected credit losses for loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies.

NOTE 29 cont

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

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Where collateral is held, it is in the form of mortgage interests over property, other registered securities over assets, mortgage insurance and guarantees. The fair value of the collateral is measured at the time of providing the loan or advance and is required to be no less than 100% of the loan or advance for mortgage loans. Collateral may be less than 100% of the loan or advance on personal loans. The fair value of the collateral is generally not updated except when a loan or advance is individually assessed as impaired. Collateral is usually not held over loans and advances to, or deposits with, other financial institutions.

It is the policy of the Credit Union to allow members with a secured loan or advance reasonable assistance and opportunity to rectify a default prior to recovery procedures being initiated. In general, the Group does not take possession of collateral it holds as security or call on other credit enhancements that would result in recognition of an asset on the balance sheet.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. The following table shows the distribution of LVR ratios for the Group's mortgage and other secured credit-impaired portfolio.

	Credit-impaired (Gross carrying amount)	
Credit Union and Group	**2019 $'000**	2018 $'000
Mortgage and other secured portfolio – LVR Distribution at 30 June 2019		
- Lower than 50%	1,258	2,326
- 50 to 60%	-	-
- 60 to 70%	308	565
- 70 to 80%	283	530
- 80 to 90%	810	11
- 90 to 100%	1,092	446
- Higher than 100%	339	1,560
Total	4,090	5,438

(iii) Concentration risk
Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. Concentration exposures are closely monitored.

The Credit Union lends predominantly to regional Queensland, and therefore is exposed to economic conditions in this geographic region. Factors such as unemployment and property prices can impact the credit risk of loans in this region. The maximum exposure to credit risk arising from loans originated in regional areas in Queensland at 30 June 2019 is $1,511,881,000.

NOTE 29 cont

Concentration risk can also arise from the Credit Union's exposure to an individual counterparty (or group of related parties). The Credit Union minimises this risk by undertaking transactions with a large number of customers. Concentration risk is also managed in accordance with the Prudential Standards. A large exposure is considered to exist if prudential limits are exceeded as a proportion of the Credit Union's regulatory capital (10 per cent). No capital is required to be held against these, but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10 per cent capital benchmark to be higher than acceptable. At 30 June 2019, the Credit Union did not hold any large loan exposures to individual counterparties (or groups of related parties).

(iv) Impairment
From 1 July 2018, the Group applies a three-stage approach to measuring ECL on loans and advances, including loan commitments. Exposures are assessed on a collective basis in each stage unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. Where such evidence exists, the exposure is assessed on an individual basis. The measurement basis for each stage is as detailed below:

- Stage 1 – 12-month ECL: For loans where there has not been a significant increase in credit risk (**SICR**) since original recognition, the portion of lifetime ECL associated with the probability of default (**PD**) events occurring within the next 12 months is recognised as the 12 month ECL, adjusted for forward looking information. Stage 1 includes facilities where the credit risk has improved, and the loan has been reclassified from Stage 2 or Stage 3.
- Stage 2 – Lifetime ECL (not impaired): Where there has been a SICR, the lifetime ECL is determined with reference to the probability of default events occurring throughout the life of a loan, adjusted for forward looking information. Stage 2 includes facilities where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3 – Lifetime ECL (credit impaired): The provision is also equivalent to the lifetime ECL, but interest revenue is measured based on the carrying amount of the loan net of the associated ECL.

The credit risk of loans is continuously monitored by the Group. At each reporting date, the Group assesses the credit risk of exposures in comparison to the risk at initial recognition, to determine the stage that applies to the associated ECL measurement. For this purpose, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and also forward looking analysis.

<u>SICR:</u>
The Group considers a loan to have experienced a SICR if any of the following indicators are present:
- Significant financial difficulties of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- The borrower is more than 30 days past due on their contractual repayments for loans, and 5 days past due for revolving credit facilities.

<u>Default:</u>
The Group considers a loan to be in default (which is fully aligned with the definition of credit-impaired) if any of the following indicators are present:
- It is becoming probable that the borrower will enter bankruptcy
- The borrower is more than 90 days past due on their contractual repayments for loans, and 14 days past due for revolving credit facilities.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

NOTE 29 cont

Incorporation of forward looking information:
The assessment of SICR and the calculation of ECL both incorporate forward looking information. The Group has considered the potential impact of the key economic variables impacting credit risk and expected credit losses for each portfolio, including unemployment, domestic GDP, property prices, interest rates, and the impacts of regulatory, legislative and political changes. Judgment has been applied in the process, and where applicable management adjustments or overlays are made to account for situations where known or expected risks and information have not been considered in the modelling process.

Maximum exposure to credit risk:
The following table contains an analysis of the credit risk exposure of loans for which an ECL provision is recognised. The Credit Union does not use a credit grading system for loans and advances, and therefore the credit grade of loans within each portfolio is considered comparable. The gross carrying amount of loans below also represents the Group's maximum exposure to credit risk on these loans:

Credit Union and Group	**Stage 1** 12-month ECL Collective **$'000**	**Stage 2** Lifetime ECL Collective **$'000**	**Stage 3** Lifetime ECL Specific **$'000**	**Total** **$'000**
30 June 2019				
- Commercial	57,940	391	-	58,331
- Housing	1,628,866	12,800	2,800	1,644,466
- Personal	76,984	579	1,030	78,593
- Overdraft	38,778	107	97	38,982
- Visa	15,219	313	384	15,916
Gross carrying amount	1,817,787	14,190	4,311	1,836,288
Impairment provision	1,245	2,403	2,427	6,075

Calculation of ECL:
For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous. Loans have been grouped by product type (commercial loans, housing loans, personal loans, overdrafts, credit cards and overdrawn savings) for the purpose of modelling ECL. Stage 3 loans have been assessed individually.

The ECL is measured on either a 12-month or lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted product of the Probability of Default (**PD**), Exposure at Default (**EAD**), and Loss Given Default (**LGD**), defined as follows:

- The 12-month and lifetime PD represent the likelihood of a borrower defaulting on its financial obligation either over the next 12 months or over the remaining lifetime of the obligation, respectively, based on conditions existing at balance date and future economic conditions that affect credit risk.
- EAD is based on the amounts the Group expects to be owed at the time of default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a facility.
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral.

The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

NOTE 29 cont

Provision for impairment:
The following table explains the changes in the provision for impairment between the beginning and the end of the period:

Credit Union and Group	**Stage 1** 12-month ECL Collective **$'000**	**Stage 2** Lifetime ECL Collective **$'000**	**Stage 3** Lifetime ECL Specific **$'000**	**Total $'000**
Balance at 1 July 2018	1,267	1,927	2,910	6,104
Movements with profit or loss impact				
Transfers during the period:				
– Transfers from Stage 1 to Stage 2	(7)	1,677	-	1,670
– Transfers from Stage 1 to Stage 3	(1)	-	301	300
– Transfers from Stage 2 to Stage 3	-	(250)	541	291
– Transfers from Stage 2 to Stage 1	3	(641)	-	(638)
– Transfers from Stage 3 to Stage 1	2	-	(513)	(511)
– Transfers from Stage 3 to Stage 2	-	13	(61)	(48)
New financial assets originated	63	-	461	524
Financial assets derecognised	(82)	(323)	-	(405)
Total net profit and loss charge during the period	(22)	476	729	1,183
Other movements with no profit or loss impact				
Write-offs	-	-	(1,212)	(1,212)
Balance at 30 June 2019	1,245	2,403	2,427	6,075

Significant changes in the provision for impairment were as follows –
Collective Provision 12 Month ECL (Stage 1) reduced as a result of $8k deteriorating in credit quality and migrating to Stage 2 and Stage 3 during the year, offset by $5k moving to Stage 1 from the other stages. It also reduced from the repayment of loans during the year exceeding newly originated loans.
Collective Provision Lifetime ECL (Stage 2) increased due to loans and facilities migrating from Stage 1 of $1.6m. This was partially offset by $0.9m migrating to Stages 1 and 3.
Specific Provision Lifetime ECL reduced by $0.5m due to a combination of loans written off during the year, offset by a deterioration in credit quality which saw some loans and facilities move to Stage 3 from both Stage 1 and Stage 2.

NOTE 29 cont

Write-offs:
The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 30 June 2019 was Nil. The Group may seek to recover amounts it is legally owned in full, but which have been partially written off to no reasonable expectation of full recovery. A reconciliation of the impairment expense on loans and advances to members is provided below:

	Credit Union		Group	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Impairment expense on loans and advances				
- New and increased provisions (net of releases)	1,183	859	1,183	859
- Recoveries of specific provisions	-	-	-	-
- Write-backs of specific provisions	-	-	-	-
Total impairment expense for loans and advances	1,183	859	1,183	859

Modifications:
The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset (refer note 1(d)). The Group monitors the subsequent performance of these assets, and where it improves may move them from Stage 3 or Stage 2 (lifetime ECL) into Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more. The gross carrying amount of such assets held at 30 June 2019 was $4,107,000.

NOTE 29 cont

Previous accounting policy:
As explained in note 1, the impairment of loans and advances was assessed based on the incurred loss model in 2018. Disclosures relating to this provision as recognised under AASB 139 in 2018 are provided below.

	Credit Union and Group 2018 $'000
Provisions for impairment	
Opening balance	3,049
Provision acquired through merger (refer note 35)	300
Impairment expense	859
Bad debts written off	(1,298)
Closing balance	2,910
Loans and advances by impairment class	
Net impaired loans	5,842
Past due but not impaired	3,839
Neither past due or impaired	1,736,955
Net loans and advances	1,746,636
Impaired loans and advances at reporting date - total	
Individually impaired loans and advances	8,752
Provision for impairment	(2,910)
Net individually impaired loans	5,842
Total net impaired loans and advances	5,842
Individually impaired loans and advances at reporting date – by purpose	
Loans by purpose	
Housing loans	5,585
Revolving credit	2,196
Personal loans	891
Commercial loans	80
Provision for impairment	(2,910)
Carrying amount	5,842
Individually impaired loans and advances at reporting date - aging analysis	
Not past due	-
Past due 0 – 90 days in arrears	-
Past due 90 – 180 days in arrears	4,559
Past due 180 – 270 days in arrears	764
Past due 270 – 365 days in arrears	109
Past due more than 365 days in arrears	2,475
Over limit facilities more than 14 days	845
Provision for impairment	(2,910)
Carrying amount	5,842

NOTE 29 cont

B. Debt instruments at amortised cost and FVPL (including cash)

(i) Risk management

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

The Group uses the ratings of reputable ratings agencies to assess the credit quality of all debt exposures, where applicable, using the credit quality assessment scale in APRA Prudential Standard 112. The credit ratings of the investments are monitored for credit deterioration. Individual risk limits are set based on credit ratings in line with prudential requirements, and internal board approved limits. The compliance with limits is regularly monitored by management, and has been complied with during the current and previous periods.

(ii) Collateral

Collateral is usually not held against debt instruments.

(iii) Concentration risk

There is a concentration of credit risk with respect to debt instruments with the placement of investments in Indue Limited. The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the limits to concentration on one entity. Also, the relative size of the Group compared to the industry is relatively low such that the risk of loss is reduced. All other investments are limited to various percentages of the capital base depending on their external ratings as per below:

	Maximum (% of capital base)
Indue Limited	60%
Cuscal	25%
Westpac	35%
Any single/group related ADI – rated AA	25%
Any single/group related ADI – rated A	25%
Other External Parties	25%
Unrated Parties	15%

(iv) Impairment

All of the Group's investments in debt instruments at amortised cost are considered to be low credit risk, as they have a low risk of default and the issuers have a strong capacity to meet their contractual cash flow obligations in the near term. The identified impairment loss relating to these investments was assessed by the Group as immaterial, and as such no impairment losses or provisions relating to debt instruments at amortised cost have been recognised in the current or prior periods.

The maximum exposure to credit risk for debt instruments at cost and FVPL are the carrying amounts of these assets as disclosed in the Statements of Financial Position. No modifications of financial assets have occurred during the current or prior reporting periods.

C. Trade debtors

(i) Risk management

Trade debtors of the Credit Union consist primarily of management fees receivable from the Health Fund. Trade debtors of the Group relate to amounts receivable from leased properties. Trade debtors are generally due for settlement within 21 to 30 days. Collectability is reviewed on an ongoing basis.

(ii) Collateral

Collateral is usually not held against trade debtors.

NOTE 29 cont

(iii) Concentration risk
There are no significant concentrations of credit risk for trade debtors.

(iv) Impairment
All of the Group's trade debtors are considered to be low credit risk, as they have a low risk of default and the debtors have a strong capacity to meet their contractual cash flow obligations in the near term. The identified impairment loss relating to trade debtors was assessed by the Group as immaterial, and as such no impairment losses or provisions relating to trade debtors have been recognised in the current or prior periods.

The maximum exposure to credit risk for trade debtors are the carrying amounts of these assets as disclosed in note 11. No modifications have occurred during the current or prior reporting periods.

(c) Liquidity risk

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

The Group manages liquidity risk by:
- Continuously monitoring actual and daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the prudential liquidity ratio daily.

Under the APRA Prudential Standards, the minimum requirement is to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours. The Credit Union's policy is to maintain at least 11% 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 Board are to address the matter and ensure that the liquid funds are obtained from new deposits and the borrowing facilities available.

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

	2019	2018
Liquid funds to total adjusted liabilities:		
- As at 30 June	14.94%	14.34%
- Average for the year	15.47%	15.76%
- Minimum during the year	13.96%	13.92%
Liquid funds to total member deposits		
- As at 30 June	15.76%	15.39%

To manage liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents and investments grade investment securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. At the end of the reporting period, the total of such deposits held by the Group was $262,142,000 (2018: $269,284,000) and for the Credit Union was $262,142,000 (2018: $269,284,000). The Group also has access to an overdraft facility through Indue Limited, and previously Cuscal Limited. These facilities as shown below are floating rate, and may be withdrawn at any time without notice:

NOTE 29 cont

	Credit Union		Group	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Overdraft facility approved	320	970	320	970
Overdraft facility used	-	-	-	-
Overdraft facility available	320	970	320	970

(d) Capital management

The Australian Prudential Regulatory Authority (APRA) sets and monitors capital requirements for the Credit Union under Australian Prudential Standard (APS) 110 Capital Adequacy. Under the Standard the Credit Union must maintain minimum levels of Tier 1 capital and may also hold Tier 2 capital up to certain prescribed limits.

Tier 1 capital comprises the highest quality components of capital that fully satisfy the following essential characteristics:

- Provide a permanent and unrestricted commitment of funds;
- Are freely available to absorb losses;
- Do not impose any unavoidable servicing charges against earnings; and
- Rank behind claims of depositors and other creditors in the event of winding up.

The Credit Union's Tier 1 Capital includes preference share capital, retained profits and realised reserves.

Tier 2 capital comprises capital instruments that, to varying degrees, fall short of the quality of Tier 1 capital but exhibit some of the features of equity and contribute to the overall strength of the Credit Union as a going concern.

The Credit Union's Tier 2 capital includes collective impairment allowances where the standardised approach is used (general reserve for credit losses).

Capital in the Credit Union is made up as follows:

	2019 $'000	2018 $'000
Tier 1 Capital		
Redeemed preference share capital account	914	856
General Reserves	107,022	100,547
Retained earnings	66,589	60,648
Less:		
Prescribed deductions	(14,233)	(11,103)
Net Tier 1 capital	160,292	150,948
Tier 2 Capital		
Reserve for credit losses	3,648	4,911
Net Tier 2 capital	3,648	4,911
Total capital	163,940	155,859

The Credit Union is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time in accordance with APRA Prudential Standards. The Credit Union has complied with all externally imposed capital requirements throughout the period.

NOTE 29 cont

The level of the capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. The capital ratios as at the end of each reporting period, for the past 5 years are as follows:

2019	2018	2017	2016	2015
16.16%	15.82%	14.31%	14.00%	14.25%

The Credit Union's objective is to maintain sufficient capital resources to support business activities and operating requirements and to ensure continuous compliance with externally imposed capital ratios. To manage the Credit Union's capital, the Credit Union reviews the ratio monthly and monitors major movements in asset levels. Policies have been implemented which require reporting to the Board and the regulator if the capital ratio falls below 12.75%.

The Health Fund is subject to prudential regulation prescribed in the *Private Health Insurance Act 2007*, and administered by the Australian Prudential Regulation Authority (APRA). The prudential regulation includes solvency and capital adequacy requirements that are designed to protect the long-term viability of the company and the best interest of contributors. The Health Fund has capital objectives significantly exceeding the solvency and capital adequacy requirements, and utilises the appointed actuary for advice in determining an appropriate target capital level for the company.

NOTE 29 cont

The maturity profile of financial liabilities based on the contractual repayment terms is set out in the following table. The table shows the periods in which the financial liabilities mature. Contractual cash flows shown in the table are at undiscounted values (including future interest expected to be paid). Accordingly, these values may not agree to the carrying amounts.

		Carrying amount $'000	Total Cash flows $'000	Within 1 month $'000	1 – 3 months $'000	3 – 12 months $'000	1 – 5 years $'000	Over 5 years $'000
Credit Union - Maturity profile of financial liabilities								
2019	**Financial liabilities**							
	- Other borrowings	206,654	225,952	4,236	8,238	33,447	108,254	71,777
	- Deposits from members	2,003,706	2,007,227	1,286,030	212,149	508,090	958	-
	- Trade payables	598	598	598	-	-	-	-
	- Unrecognised loan commitments	30,834	30,834	17,223	10,095	2,123	1,393	-
		2,241,792	2,264,611	1,308,087	230,482	543,660	110,605	71,777
2018	**Financial liabilities**							
	- Other borrowings	100,053	113,356	2,453	4,762	19,080	57,436	29,625
	- Deposits from members	1,893,210	1,894,288	1,272,479	292,861	326,663	2,285	-
	- Trade payables	334	334	334	-	-	-	-
	- Unrecognised loan commitments	25,987	25,987	14,516	8,508	1,789	1,174	-
		2,019,584	2,033,965	1,289,782	306,131	347,532	60,895	29,625
Group – Maturity profile of financial liabilities								
2019	**Financial liabilities**							
	- Other borrowings	-	-	-	-	-	-	-
	- Deposits from members	1,991,576	1,995,089	1,274,896	211,145	508,090	958	-
	- Trade payables	668	668	668	-	-	-	-
	- Unrecognised loan commitments	30,834	30,834	17,223	10,095	2,123	1,393	-
		2,023,078	2,026,591	1,292,787	221,240	510,213	2,351	-
2018	**Financial liabilities**							
	- Other borrowings	-	-	-	-	-	-	-
	- Deposits from members	1,881,212	1,885,531	1,261,658	292,761	328,838	2,274	-
	- Trade payables	583	583	583	-	-	-	-
	- Unrecognised loan commitments	25,987	25,987	14,516	8,508	1,789	1,174	-
		1,907,782	1,912,101	1,276,757	301,269	330,627	3,448	-

NOTE 30 Fair value measurement

(a) Fair value hierarchy

The Group measures fair values of assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument. The quoted market price for financial assets is the current bid price;
- Level 2: valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets and liabilities valued using:
  - Quoted market prices in active markets for similar instruments;
  - Quoted prices for identical or similar instruments in markets that are considered less than active; or
  - Other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: valuation techniques using significant unobservable inputs. This category includes all assets and liabilities where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

To the extent possible, assumptions used are based on observable market prices and rates at the end the reporting date. The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There have been no significant transfers into or out of each level during the current or prior periods, other than as a result of the implementation of AASB 9 (refer note 1(u)).

The following table classifies assets and liabilities that are recognised and measured at fair value in the financial statements on a recurring basis at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statements of Financial Position.

		Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Credit Union					
2019	Financial assets at FVPL	-	-	-	-
	Equity instruments at FVOCI	-	-	8,379	8,379
	Investment property	-	-	750	750
Total		-	-	9,129	9,129
2018	Financial assets at FVPL	-	-	-	-
	Investment property	-	-	950	950
Total		-	-	950	950
Group					
2019	Financial assets at FVPL	-	33,015	-	33,015
	Equity instruments at FVOCI	-	-	8,374	8,374
	Investment property	-	-	4,250	4,250
Total		-	33,015	12,624	45,639
2018	Financial assets at FVPL	-	31,686	-	31,686
	Investment property	-	-	4,490	4,490
Total		-	31,686	4,490	36,176

NOTE 30 cont

(b) Valuation techniques to determine fair values

(i) Cash and cash equivalents, trade debtors, trade payables, other borrowings, and debt instruments at amortised cost

Due to the short term nature of these assets and liabilities, their carrying amounts are considered to be the same as their fair values as disclosed in the Statements of Financial Position and accompanying notes.

(ii) Investment securities

Equity instruments at FVOCI:

The Credit Union holds unlisted equity investments in Indue and Cuscal (refer note 18). The fair value measurements of the unlisted equity securities have been categorised as level 3 in the fair value hierarchy based on the inputs to the valuation techniques used. Details of the significant unobservable inputs used and relationship between unobservable inputs and fair value follow:

Valuation approach	Unobservable inputs used	Fair value at 30 June 2019 $'000	Fair value at 1 July 2018 $'000	Relationship of unobservable inputs to fair value
Measurement of the value of the shares has been made with reference to the net asset backing per share, taken from the most recent available audited financial statements from the organisations.	**Indue** Net asset backing per share from 2019 audited financial statements. The financial statements note that although the majority of assets are disclosed at cost, the cost is considered to be equivalent to fair value based on the short-term nature of the assets. 30 June 2019: $429 per share 1 July 2018: $408 per share	5,736	5,455	An increase/ decrease of 10% on the net asset backing per share would result in an increase/ decrease in the fair value by $574,000 (2018: $550,000)
	Cuscal Net asset backing per share from 2019 audited financial statements. The majority of assets are disclosed at fair value, and for those assets disclosed at amortised cost, it would be reasonable to expect the fair value would be equivalent to cost. 30 June 2019: $1.31 per share 1 July 2018: $1.27 per share	2,638	2,558	An increase / decrease of 10% on the net asset backing per share would result in an increase/ decrease in the fair value by $264,000 (2018: $256,000)

At 30 June 2018, these assets were designated as AFS and carried at cost as their fair values could not be reliably measured.

Financial assets at FVPL:

These are valued using quoted market prices or dealer quotes for similar instruments. The fair values are disclosed in the Statements of Financial position.

(iii) Loans and advances

For variable rate loans, the carrying amount value is considered to be a reasonable approximation of the fair value. The fair value for fixed rate loans was calculated by utilising discounted cash flow models based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio as at balance date. These are classified as level 2 in the fair value hierarchy and their fair values are below:

NOTE 30 cont

	2019		2018	
	Carrying Amount $'000	**Fair Value $'000**	Carrying Amount $'000	Fair Value $'000
Loans and advances				
Credit Union	1,830,213	1,858,653	1,746,636	1,756,772
Group	1,830,213	1,858,653	1,746,636	1,756,772

(iv) Deposits

The fair value of at-call and variable rate deposits and fixed rate deposits repriced within twelve months approximates the carrying value. Discounted cash flow models based upon deposit types and related maturities were used to calculate the fair value of other term deposits. The discount rates applied were based on the current benchmark rate offered for the actual remaining term of the portfolio as at balance date. These are classified as level 2 in the fair value hierarchy and their fair values are below.

Deposits from members				
Credit Union	2,003,706	2,006,199	1,893,210	1,893,693
Group	1,991,576	1,994,069	1,881,212	1,881,695

(v) Property, plant and equipment

Properties carried at historical cost are revalued every three years in accordance with internal policy. The basis of these valuations is described in note 15. They are categorised as level 3 in the fair value hierarchy.

NOTE 30 cont

(vi) Investment property

The fair value measurement the investment property has been categorised as level 3 fair value based on the inputs to the valuation techniques used. Details of the significant unobservable inputs used and relationship between unobservable inputs and fair value follow:

Valuation approach	**Inputs Used**	**Fair value at 30 June 2019 $'000**	**Fair value at 30 June 2018 $'000**	**Relationship of unobservable inputs to fair value**
Direct comparison approach whereby the property is directly compared to relevant sales of similar properties within the area. Appropriate adjustments are then made for differences in property itself and such factors as movement in the market and the circumstances of each sale.	**1-6, 12 McIlwraith Street, Auchenflower** Selling price based on market value of similar properties in the area. Range: 2019: $342,000 – $490,000 per unit. 2018: $370,000 - $425,000 per unit	Credit Union: - Group: 2,440	Credit Union: - Group: 2,440	An increase/ decrease of 10% on the value per unit would result in an increase/ decrease in the fair value by $244,000 (2018: $244,000) for the Group.
	1-4, 30 Cheyne Street, Pimlico Selling price based on market value of similar properties in the area. Range: 2019: $225,000 – $328,000 per unit. 2018: $237,000 - $318,000 per unit.	Credit Union: - Group: 1,060	Credit Union: - Group: 1,100	An increase/ decrease of 10% on the value per unit would result in an increase/ decrease in the fair value by $106,000 (2018: $110,000) for the Group.
	8 William Street, Beaudesert Selling price based on market value per m2 of building area. Range: 2019: $1,616 – $3,415 per m2 of lettable area 2018: $2,500 - $2,750 per m2 of lettable area.	Credit Union: 750 Group: 750	Credit Union: 950 Group: 950	An increase/ decrease of 10% on the value per m2 of lettable area would result in an increase/ decrease in the fair value by $75,000 (2018: $95,000) for the Credit Union and the Group.

NOTE 30 cont

(c) Fair value measurements using significant unobservable inputs (level 3)
The following table presents the changes in level 3 items for the periods ended 30 June 2019 and 30 June 2018:

	Credit Union		Group	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Movements in level 3 of the fair value hierarchy – Unlisted equity securities				
Balance at the beginning of the financial year	-	-	-	-
Additions/(disposals)	-	-	-	-
Reclassification at 1 July 2018 upon adoption of AASB 9	3,358	-	3,353	-
Remeasurement at 1 July 2018 upon adoption of AASB 9	4,660	-	4,660	-
Gains/(losses) recognised in profit or loss (other income)	-	-	-	-
Gains/(losses) recognised in other comprehensive income	361	-	361	-
Transfers into/(out of) Level 3	-	-	-	-
Balance at the end of the financial year	8,379	-	8,374	-

	Credit Union		Group	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Movements in level 3 of the fair value hierarchy – Investment property				
Balance at the beginning of the financial year	950	920	4,490	4,480
Additions/(disposals)	-	-		5
Gains/(losses) recognised in profit or loss (other income)	(200)	30	(240)	5
Gains/(losses) recognised in other comprehensive income	-	-		-
Transfers into/(out of) Level 3	-	-		-
Balance at the end of the financial year	750	950	4,250	4,490

NOTE 31 Transfer of financial assets – securitisation

In prior years Queensland Country Credit Union Limited transferred loans and advances to a securitisation entity known as Trinity Mortgage Origination Trust. Notwithstanding the transfer, the Credit Union retained substantially all the risks and rewards of ownership of the relevant loans and advances as it retained credit risk and interest rate risk. Due to the retention of substantially all the risks and rewards of ownership, Queensland Country Credit Union Limited continued to recognise the transferred assets within loans and advances and the transfer was accounted for as a secured financing transaction. This program was wound up in March 2018.

The MTG QCCU Trust Repo Series No. 1 (The Trust) has been established to support the on-going liquidity management framework of Queensland Country Credit Union Limited. The Credit Union has purchased the floating rate notes issued by the Trust. The senior notes held by the Credit Union are eligible to be utilised as collateral in repurchase arrangements with the Reserve Bank of Australia (RBA). The total floating rate notes as at 30 June 2019 amounted to $220,000,000 (2018: $110,000,000). These arrangements enable the Credit Union to raise funds from the RBA utilising its loans and advances as the underlying security. The Credit Union has retained substantially all the risks and rewards of ownership of the relevant loans and advances as it has retained credit risk and interest rate risk. Due to the retention of substantially all the risks and rewards of ownership, Queensland Country Credit Union Limited continues to recognise the transferred assets within loans and advances and the transfer is accounted for as a secured financing transaction. Queensland Country Credit Union Limited assigned mortgage secured loans to the securitisation entity during 2019 amounting to $134,594,000 (2018: $22,330,000). The total assigned mortgage secured loans to the securitisation entity amounted to $206,654,000 as at 30 June 2019 (2018: $100,053,000).

Queensland Country Credit Union Limited collects the cash receipts relating to the loans and advances and passes these receipts on to the MTG QCCU Trust Repo Series No. 1. The Credit Union cannot use the transferred assets as they have been transferred to the Trust and pledged as security for securities issued by the Trust.

The following table sets out the carrying amounts of transferred financial assets and the related liabilities at the reporting date:

	Credit Union		**Group**	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Carrying amount of transferred assets	206.654	100,053	-	-
Carrying amount of associated liabilities	206,654	100,053	-	-

NOTE 32 Events occurring after the reporting date

There are no matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, or state of affairs of the Credit Union or the Group in subsequent financial years.

NOTE 33 Economic dependency

The Credit Union has an economic dependency on the following suppliers of services:
(a) **Indue Limited**
This entity supplies the Credit Union rights to VISA Card in Australia and provides services in the form of settlement with Bankers for ATM and VISA Card transactions, personal and corporate cheques, and the production of VISA and Cuecards for use by members. This entity also supplies institutional banking services to the Credit Union. The Credit Union has significant liquidity investments with this entity. The Credit Union also has its borrowing facilities with this entity (refer to note 29(b) and (c)).

(b) **First Data International**
This company operates the switching computer used to link Cuecards and VISA cards operated through ATM and EFTPOS devices to the Credit Union's systems.

(c) **Data Action Pty Ltd**
This company is the current facility manager of the Credit Union's computer system. It also supplies the computer hardware system used by the Credit Union for its core banking software.

(d) **NTT Australia Pty Ltd**
This company provides Windows environment hosting, applications and support for the Credit Union and Health Fund.

(e) **Cuscal Limited**
This entity supplies the Credit Union rights to VISA Card in Australia and provides services in the form of settlement with Bankers for ATM and VISA Card transactions, personal and corporate cheques, and the production of VISA and Cuecards for use by members. This entity also supplies institutional banking services to the Credit Union. The Credit Union has liquidity investments with this entity. The Credit Union also has its borrowing facilities with this entity (refer to note 29(b) and (c)).

NOTE 34 Related party transactions

(i) Key management personnel
Refer note 8 for details of transactions with key management personnel.

(ii) A number of key management personnel (KMP) hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with Queensland Country Credit Union Limited in the reporting period. The terms and conditions of the transactions with key management personnel related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with entities not related to key management personnel on an arm's length basis.

The aggregate amounts of revolving credit provided during the year relating to related parties of the KMP were as follows:

Revolving credit facilities provided to KMP related entities	Value of Credit Facility $000	Amounts drawn down $000	Net balance available $000	Number of facilities
2019	60	-	60	2
2018	60	-	60	2

There were no loans provided during the year relating to related parties of the KMP.

NOTE 34 cont

The aggregate amounts of deposits with Queensland Country Credit Union Limited during the year relating to related parties of the KMP were as follows:

Deposits from KMP related entities	Closing Balance $000	Opening Balance $000	Total deposit interest $000	Number of deposits
2019	1,689	2,084	36	5
2018	2,084	2,224	29	7

(iii) Subsidiaries

Transactions with Subsidiary

Transactions with the Subsidiaries, Queensland Country Health Fund Ltd and Queensland Country Care Navigation Pty Ltd are on normal commercial terms and conditions unless otherwise stated. Transactions during the year comprised:

	2019 $'000	2018 $'000
- Balance of Queensland Country Health Fund Ltd deposit accounts held with Queensland Country Credit Union Limited	10,625	11,460
- Interest paid on deposit accounts held by Queensland Country Health Fund Ltd	175	199
- Management fees received by Queensland Country Credit Union Limited from Queensland Country Health Ltd	16,984	14,358
- Rental income received by Queensland Country Credit Union Limited from Queensland Country Health Fund Ltd	470	452
- Rental expense paid by Queensland Country Credit Union Limited to Queensland Country Health Fund Ltd	1,268	1,218

Under the terms of a management agreement, a fee is paid to reimburse all costs incurred by the Credit Union relating to the operation of the Health Fund (including personnel costs, computer costs, communication costs and premises costs). In addition, the agreement specifies that the management fee may include a charge per Health Fund member, payable to the Credit Union.

NOTE 35 Business Combination

During the year ending 30 June 2018, Queensland Country Credit Union Limited merged with Queenslanders Credit Union Ltd, a Brisbane based Credit Union, pursuant to the Financial Sector (Business Transfer and Group Reconstruction) Act of 1999. Regulatory approval was obtained from APRA for the merger effective from 1st April 2018. The primary reason for the merger was to strengthen the customer owned financial services model in Queensland and provide a genuine alternative to the major banks for those in its communities.

NOTE 35 cont

Identifiable assets and liabilities of Queenslanders Credit Union Ltd as at the date of merger were:

	Carrying Value $'000	Fair Value on Merger $'000
ASSETS		
Cash and cash equivalents	3,275	3,275
Other receivables	218	218
Financial assets held to maturity	76,812	76,812
Financial assets held at cost	1,033	1,033
Loans and advances	285,223	285,223
Property, plant and equipment	1,230	1,230
Income tax receivable	195	195
Deferred tax assets	1,052	1,052
Other assets	98	98
TOTAL ASSETS	**369,136**	**369,136**
LIABILITIES		
Deposits from members	324,721	324,721
Other payables	3,190	3,190
Deferred tax liability	188	188
Provisions	588	588
TOTAL LIABILITIES	**328,687**	**328,687**
Fair value of identifiable net assets attributable to Queenslanders Credit Union Ltd	**40,449**	**40,449**

At the date of merger, the fair value of the assets and liabilities of Queenslanders Credit Union Ltd were determined to be equivalent to the carrying value.

A Deferred tax asset of $477,000 in relation to the unused tax losses of Queenslanders Credit Union Ltd was not included in the identifiable assets at the date of merger. The unused tax losses will be utilised for the year ended 30 June 2019, and an adjustment has been made to the Business Combinations Reserve for the amount of $477,000. There is no impact to accounting profit or loss.

(a) Acquired Receivables

The fair value of the acquired trade debtors at date of merger were $218,000. $211,000 of trade debtors were received by 30 June 2018.

(b) Revenue and Profit Contribution

The acquired business is expected to contribute $8,500,000 in net interest income and $870,000 net profit to the group in a financial year.

(c) Acquisition Costs

Acquisition related costs included in the profit and loss of the group in the 2018 financial year amounted to $167,000. The balance of the merger related costs were expensed in the financial accounts of Queenslanders Credit Union Ltd in the 2018 financial year.

(d) Contingent Assets and Liabilities

There were no contingent assets or liabilities acquired as a result of the merger.

(e) Inter-company Balances

As at the date of the merger Queenslanders Credit Union Limited held an Investment with Queensland Country Credit Union totalling $21,015,000. This amount is included in Financial assets held to maturity above.

NOTE 36 Company details

The registered office of the company is:
Queensland Country Credit Union Limited, 70 Camooweal Street, Mount Isa, Queensland, 4825

The principal place of business of the company is:
Queensland Country Credit Union Limited, 333 Ross River Road, Aitkenvale, Queensland, 4814

The Credit Union operates in the Financial Services industry in Queensland.

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2019

DIRECTORS' DECLARATION

The directors of Queensland Country Credit Union Limited declare that:

(a) The financial statements, comprising the statements of profit or loss and other comprehensive income, statements of financial position, statements of cash flows, statements of changes in equity and accompanying notes are in accordance with the Corporations Act 2001, and:

  (i) comply with Accounting Standards and the Corporations Regulations 2001; and

  (ii) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Credit Union and of the Group;

(b) The Credit Union and the Group have included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards; and

(c) In the directors' opinion, there are reasonable grounds to believe that Queensland Country Credit Union Limited will be able to pay its debts as and when they become due and payable.

Signed for and on behalf of the directors in accordance with a resolution of the Board

B. Cullen, Chairman
Dated this 18th day of September 2019

Independent auditor's report

To the members of Queensland Country Credit Union Limited

Our opinion

In our opinion:

The accompanying financial report of Queensland Country Credit Union Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's and Group's financial positions as at 30 June 2019 and of their financial performance for the year then ended

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

What we have audited

The Company and Group financial report comprises:

- the Consolidated and Company statements of financial position as at 30 June 2019
- the Consolidated and Company statements of changes in equity for the year then ended
- the Consolidated and Company statements of cash flows for the year then ended
- the Consolidated and Company statements of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

Independence

We are independent of the Company and the Group 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, 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.

PricewaterhouseCoopers, ABN 52 780 433 757
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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 and the Group 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 the Group 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Woodbridge

Ben Woodbridge
Partner

Brisbane
18 September 2019

Queensland
COUNTRY
CREDIT UNION

Queensland Country Credit Union Limited
ABN 77 087 651 027

AFSL/Australian Credit Licence 244 533

Queensland Country Health Fund Ltd
ABN 18 085 048 237