Annual Report 2018

Beyond Bank
AUSTRALIA

Contents Snapshot

4 Report from the Chair and CEO

7 Board of Directors

12 Community Development Report

17 Corporate Governance

22 Directors' Report

Financial Reports

24 Lead Auditor's Independence Declaration and Directors' Declaration

25 Independent Auditor's Report

26 Statements of Profit or Loss and Other Comprehensive Income

27 Statements of Financial Position

28 Statements of Changes in Equity

29 Statements of Cash Flows

30 Notes to the Financial Statements

74 Glossary of Terms and Acronyms

2018 Annual General Meeting

The Annual General Meeting (AGM) of the members of Community CPS Australia Limited (ACN 087 651 143) trading as Beyond Bank Australia will be held at the Victoria Room, Hilton Adelaide, 233 Victoria Square, Adelaide, South Australia, on Tuesday 27 November 2018 commencing at 6:00pm (ACDT). Registration will open at 5:30pm (ACDT).

Environmental Sustainability

Beyond Bank Australia cares about the community and is committed to environmental sustainability. This leaflet has been printed on Monza Recycled, manufactured by an ISO 14001 certified mill, and contains 99% recycled fibre and elemental chlorine free pulp. All virgin pulp is derived from well-managed forests and controlled sources.

RECYCLED CONTENT FOREST MANAGEMENT ECF ELEMENTAL CHLORINE FREE EMS ENVIRONMENTAL MANAGEMENT SYSTEMS

To help us save precious resources, please contact us to receive future correspondence in an electronic format.

Report from the Chair and CEO

We are pleased to provide this report on the activities of your Bank for the financial year 2017/18.

The operating environment involved the management of several challenges over the past year. The broader national economy continued to show low unemployment, reasonable demand for credit and strong competition.

Of particular interest was the solid growth in housing across all of the Bank's markets and the subsequent intervention by financial regulators to curtail that growth. Over this time, interest rates continued at record low levels and property values have shown steady growth in most markets.

Unfortunately however, this mix of conditions, combined with low wages growth has led to a continued rise in household debt and increased pressure on many household budgets already coping with rising utility costs.

Amidst this challenging environment, we are pleased to report that your Bank has performed well. As part of building a diversified business, the successful merger of My Credit Union (MYCU) provided access into the Sydney market as well as further enhancing our existing operations in Newcastle and the Riverina (NSW).

We welcomed 9,773 MYCU members, who, along with 19,117 other new members are now part of the 246,029 membership base of Beyond Bank.

Business Growth

The Bank experienced solid growth across all core products and services. The demand for finance that we recorded in 2016/17 continued into 2017/18.

Assets grew by 8.0%, loan balances showed respectable growth at 7.1% and deposit growth was above target at 2.1%.

In fulfilling our objective to provide finance to our members, the Bank provided $810.9m in loans over the past year. This was down on the 2016/17 year reflecting the impact of those regulatory interventions as mentioned previously.

Financial Performance

The Bank completed the year with total assets of $5.823b, deposits of $4.360b and loans outstanding of $5.054b.

Capital

The Bank held capital of $486.9m derived from the reinvestment of profits from the operations as well as additions to reserves from the completion of successful mergers.

The level of capital grew by a healthy 12.9%. This resulted in an increase in the capital adequacy ratio from 15.06% in June 2017 to 17.34% at June 2018.

The lift in the level of capital is very pleasing and places the Bank in a solid position to withstand downturns in the operating environment.

When benchmarked against other mutual financial institutions, the level of capital held by the Bank is considered to be healthy.

Profitability

The profit after tax was recorded at $25.4m compared to $24.7m in 2017 which is broadly in line with the Bank's forecast and is very satisfactory considering the turbulent operating environment, the additional costs incurred to meet regulatory demands and the costs of mergers and acquisitions.

These profits are reinvested back into the business as part of the mutual structure and operating principles and will assist the Bank in the growth and development of its products and services. In addition, they will also provide a platform for future investments in technology and infrastructure in order to meet the changing needs and demands of members.

Report from the Chair and CEO

Key Ratios

The performance of the Bank is assessed against a number of core ratios. These are cost to income, delinquency, return on assets employed and the return on equity utilised within the Bank.

The table below provides a comparison of the performance of these ratios over the past two years.

	2017/18	2016/17
Cost to Income	73.8%	74.2%
Delinquency	0.54%	0.53%
Return on Assets	0.44%	0.49%
Return on Equity	5.58%	5.88%

The results are reasonable given the difficult trading conditions, the impact of regulatory intervention and the difficulties faced in some of the markets, particularly in WA.

The return on assets and return on equity are below the previous year due to the continued tight interest margin environment as well as increased costs associated with regulatory requirements and ongoing strategic investments in information technology.

Banking Royal Commission

In December 2017, the Federal Government established a Royal Commission into banking.

This, together with the increased regulatory intervention, has led to an unprecedented amount of activity and public commentary, prompting boards and management of many financial institutions to refocus and sharpen their governance. While the Royal Commission has focused predominantly on the major banks, it is expected that the consequences of its findings will be felt by all financial service organisations. Importantly, what the Royal Commission has highlighted is the need to address and rebalance approaches towards better customer empathy and wellbeing when providing financial products and services.

It is also likely to lead to an increase in the cost of regulation and, as Beyond Bank is owned by our members, these costs will ultimately be seen across various aspects of the business.

Our Journey This Year

Creating and Returning Value

Over the past year, we've worked hard to rebuild our capital position after very strong balance sheet growth in the previous year saw our capital adequacy ratio decline to 15.06%.

Pleasingly, through a combination of capital management activities and a solid profit result for the year, we've seen our capital adequacy ratio rebound to 17.34% which is among the strongest of the larger customer-owned banks in Australia.

Customer Satisfaction

During the year, we launched 'Beyond Pulse', a real-time customer satisfaction survey to ensure that we are providing the best possible banking experience. Our customers are happy to provide their feedback which represents over 16,000 or 16% of customers responding to our surveys. This has led to an incredible 89% satisfaction score from our customers around Australia.

By capitalising on investments in technology, we were also able to capture feedback about customers' additional needs, service requests and teller-based conversations. These types of developments have ensured that our owners remain at the centre of what we do and receive an exceptional experience as part of our strategy to be the best local bank.

New Payment Platform

Beyond Bank was one of the first customer-owned banks in Australia to participate in the New Payments Platform in February 2018, providing customers with faster payments.

Prior to the launch, we upgraded our award-winning mobile banking app to include easy registrations for PayID and since that time, 25% of our mobile banking customers now have a PayID to facilitate faster payments.

Launch of New Account

In February 2018, we launched our new account, the Purple Transactor, providing customers with a transaction account that is fully featured (the Pays, Osko & PayID, award-winning app and mobile banking) and has minimal fees and conditions.

Digital Upgrades

Recently, we have upgraded Beyond Bank's mobile app to include Secure Messaging which makes contacting the Bank easier than ever before, and hundreds of customers have already received assistance through their Apple and Android phones.

This development has led to continued industry recognition with Beyond Bank named Canstar's 'Customer-Owned Institution of the Year – Mobile Banking' award for the third consecutive year.

Report from the Chair and CEO

Awards

In 2018, we were privileged to win one of the Australian banking industry's most prestigious awards. The Australian Retail Banking Awards (ARBA) honour the very best achievements in the financial sector and Beyond Bank was recognised for its ongoing commitment to social justice and responsibility.

The ARBA 'Best Financial Institution in Corporate Social Responsibility' is a great acknowledgment of our staff's hard work to ensure that local communities are cared for today and for the generations who follow.

Our Purple Transactor Account was one of four products to be recognised by Canstar with a 5 star rating along with our BU Savings Account, Car Loan (Special) and Home Loan (Variable Special).

Canstar is Australia's biggest financial comparison site and the Star Ratings system is designed to help consumers confidently choose the right product for them. The 5 star ratings affirm that our products are extremely competitive, ranking in the top 10% of products on offer in Australia.

Beyond Bank was again recognised by Money Magazine's 'Best of the Best' Awards, receiving 'Best Transactor Credit Card' for the fourth year in a row for our Low Rate Credit Card. We were also awarded the 'Cheapest New Car Loan Bank' for the Low Rate Car Loan Special Offer for a second consecutive year.

Mergers and Acquisitions

During the year, we completed the successful merger and integration of My Credit Union (MYCU) into Beyond Bank Australia.

The merger added a further four branches to our network and we welcomed 9,773 customers, enabling us to establish a presence in the Sydney metropolitan region as well as extending our reach into communities in the Riverina and Newcastle.

Through this integration, members of MYCU and the broader community are now able to gain access to the wider range of the Beyond Bank products, services and community programs.

Beyond Bank also successfully acquired 430 new clients through the acquisition of WB Financial Canberra in April 2018. This acquisition represented an increase in our funds under management and will further assist the Bank expanding its financial planning services to members and the community in the ACT.

Our People

Our employees are the heart of Beyond Bank and critical to offering the best possible customer experience.

This year, staff have continued to "go beyond" to meet our customer needs and create genuine value for our members. Their efforts have been recognised by their peers with several industry awards and we commend them for their outstanding dedication, commitment and support over the past year.

We have continued to invest in employee wellbeing, leadership and culture and this year there has been an increased focus on diversity and inclusion particularly around gender equity and flexible workplace practice.

Beyond Bank recognises the strength that comes from attracting, retaining and promoting great people and developing a diverse and inclusive workforce. It is committed to raising awareness of these benefits among staff through:

- Creating a program to promote the benefits of flexible working, Blend You with Beyond, encouraging staff to explore options for workplace flexibility with their leaders
- Promoting diversity and inclusion with In Conversation sessions, featuring guest speakers to inspire and educate
- Creating the Switched On Smart Women program to provide female leaders with skills and confidence to excel
- Our staff wellness program, Healthy Money, Healthy Mind & Body, Healthy Life, providing initiatives, discounts and programs to support health and wellbeing
- Continuing our support for staff returning from parental leave, with a 100% return rate.

Looking Ahead

Beyond Bank Australia is a strong values-based business with our core philosophy to be the best bank FOR our members and their communities.

This puts us in a unique position as a real alternative in an environment where many financial institutions are being challenged from past behaviours and business practices.

Our Total Customer Solution strategy is a great example of our focus on delivering the best possible outcomes for our members.

To deliver these outcomes requires investments in our staff, systems, processes and channels, key criteria in an environment that will continue to be shaped by potentially conflicting influences, like regulation, competition, the economy and the need to remain a purpose driven business.

Beyond Bank, its members and their communities will be the prime drivers in how we respond to the competing demands that lie ahead and taking into account our balance sheet, people, products, services and system investments, we approach the future with a great deal of optimism.

Anne O'Donnell
Chair

Robert Keogh
Chief Executive Officer

Board of Directors

ANNE MAREE O'DONNELL
CHAIR

Anne joined the Beyond Bank Australia Board in 2006 and was appointed Deputy Chair in 2010 and Chair in 2013. She was formerly a Director of CPS Credit Union Cooperative (ACT) Ltd. She is a professional Non-Executive Director and her current directorships include Equity Trustees Ltd, the Winston Churchill Memorial Trust and the MTAA Superannuation Fund Pty Ltd. She is also a member of the Compliance Committee of UBS Global Asset Management (Australia) Ltd and the Chair of the Audit Committee of IP Australia. Anne has extensive experience in the ADI and Funds Management sectors. Her past executive roles include nine years as the Chief Executive Officer of Australian Ethical Investment Ltd and some 20 years with the ANZ Banking Group Ltd. Anne holds a Master of Business Administration degree and a Bachelor of Arts, Banking and Finance degree. She is a Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australian Institute of Company Directors. Anne is a Director of Eastwoods Group Ltd and Eastwoods Wealth Management Pty Ltd. Anne is also a member of the Board Governance and Remuneration Committee and is the Chair of the Nomination Committee.

STEVEN NOLIS
DIRECTOR

Steve was elected as a Director of Beyond Bank Australia in 2009. He is the Chair of the Board Governance and Remuneration Committee. Steve has significant banking and finance industry experience, having worked for the Reserve Bank of Australia for 14 years and at CPS Credit Union (SA) Ltd for five years. In addition to this, he has Executive Management experience at a state and national level across both commercial and government sectors. His range of expertise includes operations management, change management, human resources, strategic planning, marketing, finance and business development. Steve is currently the Executive Director Commercial at the Local Government Association of SA. His tertiary qualifications include a Graduate Certificate of Management and a Master of Business Administration (MBA) attained through the University of South Australia. He has also completed studies through the Business in China Intensive School, Shanghai, China. Steve is a member of the Australian Institute of Company Directors and the Australasian Mutuals Institute.

Board of Directors

SANDRA DELL ANDERSEN
DIRECTOR

Sandra (Sam) was appointed to the Beyond Bank Australia Board in November 2013. She has more than 18 years' experience in the finance sector and 10 years' experience as an executive in the technology and health services industries. She is an experienced executive and Non-Executive Director in the listed, unlisted and government sectors and is currently a Non-Executive Director of Australian Hearing Services, Chair of the Australian Packaging Covenant Board, Non-Executive Director of Chisholm Institute of TAFE, Non-Executive Director of Agriculture Victoria Services Pty Ltd, Chair of the Audit & Risk Management Committee of the Department of Premier & Cabinet Victoria and a Trustee and Chair of the Finance and Audit Committee of the Melbourne Convention and Exhibition Trust. Sam is a former Managing Director of Eyecare Partners Ltd and a former Chief Financial Officer of listed technology companies. Other past directorships include Anteo Diagnostics Ltd, Rural Finance Corporation, Victorian Funds Management Corporation and Superpartners Pty Ltd. Sam has a Bachelor of Laws and is a Certified Practising Accountant. She is a fellow of the Financial Services Institute of Australia and the Australian Institute of Company Directors. Sam is a Director of Eastwoods Group Ltd and Eastwoods Wealth Management Pty Ltd. She is the Chair of the Board Risk Committee and a member of the Board Governance and Remuneration Committee.

GEOFFREY JAMES KNUCKEY
DIRECTOR

Geoff was appointed to the Beyond Bank Australia Board in July 2012. He had a 32-year career with accounting firm Ernst & Young and retired as a partner in December 2009. He was partner in charge of EY's Audit and Assurance group from 2003 until 2008 and was Canberra Office Managing Partner from 2003 to 2006. Geoff's career included specialising in financial statements and auditing of entities of all sizes across all types of industries including the financial services sector. His role also included advising in internal audit, corporate governance, risk management and financial statements auditing and reporting. Since 2010, Geoff has specialised in Board Non-Executive Director and Audit Committee positions in the private and public sectors. He is currently Chairman or Non-Executive Director of five private sector companies and is also Chair or Independent Member of the Audit and Risk Committees for a number of Commonwealth government departments. His particular skills are in financial auditing, reporting and analysis, risk management, corporate governance and internal audit. Geoff is a Fellow of Chartered Accountants Australia and New Zealand and has been a Registered Company auditor since 1995. He is a Graduate Member of the Australian Institute of Company Directors and a member of the Institute of Internal Auditors. He holds a Bachelor of Economics from ANU. Geoff is the Chair of Eastwoods Group Limited and is a Director of Eastwoods Wealth Management Pty Ltd. He is the Chair of the Board Audit Committee and a member of the Board Governance and Remuneration Committee.

Board of Directors

JOANNE MARGARET BAKER
DIRECTOR

Joanne (Jodie) was appointed to the Beyond Bank Australia Board in November 2017. She is a Non-Executive Director and consultant with 30+ years' experience in investment banking and funds management. She is currently Managing Partner of Blackhall & Pearl, a board governance and risk advisory firm, and is on the board of Export Finance and Insurance Corporation, the Advisory Board of Spaceship Superannuation, a superannuation fund for millennials, and is a member of the Credit Committee of social impact investor and B Corporation, Social Enterprise Finance Australia. She is also on the boards of Financial Executives Institute and performing arts group, Synergy and Taikoz. Jodie specialises in developing and implementing strategy with a strong risk management and growth agenda.

Formerly CEO and Managing Director of fintech company, Morgij Analytics, Jodie has also held senior executive risk roles at ANZ, Societe Generale and BT Financial Group. Earlier in her career, Jodie worked in front line and risk roles at Westpac, Macquarie Bank and Bankers Trust Australia. She holds a Bachelor of Commerce from University of Western Australia, and is a Trustee Fellow of Association of Superannuation Funds of Australia and a Graduate of the Australian Institute of Company Directors. She is a member of the Board Audit and Board Risk Committee.

REBECCA MAY RICHARDSON
DIRECTOR

Rebecca was appointed to the Beyond Bank Australia Board in February 2018. Rebecca has applied her tertiary qualifications in urban planning, law, management and financial analysis in business and in working with the public and non-profit sectors. Through her broad professional experience, Rebecca has had a focus on urban development, property, financial feasibility, affordable housing and communities. With a background in mutual banking, Rebecca's roles have included Director and Chair of APRA regulated company, My Credit Union Ltd and Committee Chair in Audit and Risk, Remuneration and Nominations. Other directorships include City West Housing Company and private publishing and urban planning companies. Rebecca is Managing Director of Urbanista Australia Pty Ltd, a planning and strategy consultancy practice specialising in urban renewal, regional development and housing; improving governance and systems; and feasibility and interactive modelling. She is an Associate Member of the Law Society of NSW and a Graduate of the Australian Institute of Company Directors. Rebecca has a particular interest in achieving successful, liveable and sustainable communities and environments. She is a Director of Beyond Bank Australia Foundation Limited and a member of the Board Audit Committee.

Board of Directors

DAVID JOHN NICHOL
DIRECTOR

David was elected to the Beyond Bank Australia Board in 2015. He has over 30 years' experience within the Finance and Insurance industry, holding a number of senior national and state roles. David's specific expertise is in sales process auditing, compliance and remedial training. His experience also extends into the areas of business development, risk management, strategy and operational management.

David is currently working at QBE in a variety of portfolios spanning SA, WA and VIC. He is passionate about the finance sector and brings a diverse and unique set of skills to his role. David also has an extensive understanding of the mutual sector, having previously worked for CPS Credit Union (SA). He is a Graduate of the Australian Institute of Company Directors and has recently completed an Applied Cyber Security Course at the Massachusetts Institute of Technology (MIT) in Boston. David is the Chair of the Beyond Bank Australia Foundation Ltd Board and is also a member of the Board Risk Committee.

TRENT JOSIAH BARTLETT
DIRECTOR

Trent was appointed to the Beyond Bank Australia Board in September 2016. He has over 18 years of extensive multi-industry Chair, Independent Director, Executive Director and CEO level leadership and experience in listed public companies, large private companies as well as NFP and 'for benefit' focused enterprises operating with diverse business models and scale across many industry sectors. With a speciality in member-owned and member-governed businesses, Trent is currently a Director, Chair of the Remuneration and Nomination Committee and Audit & Risk Committee Member of Australia's largest co-operative, Co-operative Bulk Handling (CBH), Chair of Margaret River Busselton Tourism Association, Chair of Good Samaritan Industries and Non-Executive Director and Chair of the Remuneration and Nomination Committee of the Australian Packaging Covenant Board. Trent also currently mentors CEO's and Senior Executives and is a faculty member of the Australian Institute of Company Directors. Trent is a former CEO of Capricorn Society, one of Australia's largest and most successful cooperative enterprises, as well as having a 15-year General Management career in Australia's largest retailers. He holds postgraduate qualifications in business and e-commerce and is a fellow of the Australian Institute of Company Directors. Trent is a member of the Board Audit Committee and Board Risk Committee.

Board of Directors

Persons who were Directors during the period 1 July 2017 to 30 June 2018.

JODIE LEE LEONARD
DIRECTOR (Term ended 2017)

Jodie was appointed to the Beyond Bank Australia Board in April 2013. She is a professional Non-Executive Director holding a number of Director roles and provides consultancy services through her own management consultancy business. During her period as a Director Jodie was a Non-Executive Director of RACV Limited, RACV Community Foundation Limited and Flexigroup Ltd. Jodie has over 25 years' experience in senior marketing and strategy roles across multiple industries including finance, media, travel, telecommunications and packaged goods. She has worked in blue chip organisations including General Electric, the Nine Network, British Airways, Telstra, Colgate Palmolive and Unilever, working across Australia, New York, Asia and the United Kingdom. She has a Bachelor of Business degree from Western Sydney, with a Major in Marketing, she is a Graduate of the Australian Institute of Company Directors and is a Fellow of the Australian Institute of Marketing and CPM - Certified Practising Marketer. Jodie was also the Chair of the Beyond Bank Australia Foundation Limited Board and a member of the Board Risk Committee.

Committed to our Community

Our Journey Highlights

The Beyond Bank Australia Foundation was established in 2007.

Support funds have been established in Adelaide and Region, Canberra and Region, Perth and Region, Newcastle and Region, Wagga and Region, Northern Gulf SA Region, Griffith and Region and Sydney and Region and have enabled the Beyond Bank Foundation to support our local communities. All support funds receive an annual distribution from the profits of Beyond Bank Australia and are used to fund investments in the community.

Since its inception in 2007, Beyond Bank has contributed $21.0m towards community organisations and programs through our Foundation and Community Development program.

$21.0m
Invested in community organisations and programs.

12,000
More than 12,000 hours volunteered by staff and members.

3,500
We partner with more than 3,500 community organisations.

24,000
Salary packaging services provided to more than 24,400 eligible community sector employees across Australia.

2 time winner
Two-time winner of the ARBA for 'Best Financial Institution in Corporate Social Responsibility'.

2017/18 Community Impact Highlights

Winner
Beyond Bank wins the 2018 Australian Retail Banking Awards (ARBA) 'Best Financial Institution in Corporate Social Responsibility'. This is a great acknowledgement of the continued achievements of all staff and signifies that our Community Development program is regarded as one of the leading programs of its type in Australia.

$3.0m
New support fund established through the Beyond Bank Australia Foundation to further support Sydney, Newcastle and Griffith regions following our merger with MYCU.

$90,000
In Community Entrepreneur Grants issued to four innovative organisations including Ezyaid (Hunter), Forage Supply Co. (SA), Coffin Bay Oyster Farm Tours (Northern SA) and Skin Analytics (WA).

780
Hours volunteered by staff as part of our community leave program.

$2.48m
Invested in our community program and partnerships.

351
Community organisations received a total of **$501,450** through our innovative Community Reward Account.

Beyond Bank Foundation

Beyond Bank Foundation Directors

The Directors of the Beyond Bank Australia Foundation Board include David Nichol (Chair), Rebecca Richardson and Robert Keogh. Jodie Leonard served as Director since 2013 until the completion of her term as a Beyond Bank Director in November 2017.

The Foundation Board has placed a strong focus on addressing the key societal challenges faced in the areas of affordable housing, aged support and disability support.

In addition, the Foundation continues to provide support when natural disasters strike. This year, thankfully, there were no natural disasters in our regions.

Our contribution to building and strengthening communities includes:

- Beyond Bank Australia Foundation (founded in 2007)
- Community Development grants and sponsorships
- Beyond Today sustainability program
- Community volunteering program that has delivered over 12,000 volunteer hours since its inception
- Free financial education program for primary school children
- Banking products and packages that drive financial benefit and sustainability for the community sector
- Salary packaging services for the not-for-profit sector.

Community Development at Beyond Bank Australia

As Australia's first B Corp accredited financial institution, we see a world based on principles of fairness, transparency, working together and sharing for the benefit for all. We believe in a better way of doing business – doing good by doing good.

To deliver upon this, we have a dedicated Community Development team in each of our regions. The team works with our banking and wealth divisions to create and return sustainable value for all of our stakeholders.

We partner with thousands of community organisations, creating mutually beneficial and sustainable partnerships, all with the aim of strengthening communities and creating more good together.

Certified B Corporation

Regional Highlights

Australian Capital Territory

Key highlights in the ACT that have had a significant community impact include:

Beyond Bank wins ACT Volunteering Award

Beyond Bank was declared the winner in the category of 'Corporate Volunteer of the Year' at the annual Volunteering and Contact ACT Awards. This is strong recognition for the entire team in the ACT and the work they undertake to create more good in the local community.

Young Canberra Citizen of the Year Awards

Beyond Bank has been a major sponsor of these awards for the last 29 years. These important awards highlight and celebrate the work of young Canberrans.

Assistance Beyond Crisis

Beyond Bank continued to partner with the Domestic Violence Crisis Service to launch their new program, Assistance Beyond Crisis (ABC). ABC is a sustainable micro finance facility which provides support to those living in the ACT who have escaped domestic violence situations.

Hunter Valley

Key highlights in the Hunter Valley that have had a significant community impact include:

Beyond Bank wins Hunter Business Award for Best Contribution to Community

Beyond Bank was declared the winner in the category of 'Contribution to the Region' at the Hunter Valley Business Awards. This was in recognition of our strong contribution to the region through community partnerships, community products, sponsorships and grants, and community programs.

Hunter Life Education

Hunter Life Education and Beyond Bank have partnered to promote their Water 4 Life Challenge throughout the Hunter Valley. The challenge helps schools to raise funds for 'Life Education' classes, so that over 25,000 children can be provided with the skills to make healthier life choices through age-appropriate education programs.

NFP Connect Series

Beyond Bank was a proud community partner of the NFP Connect Breakfast series again this year. The series unites community organisations to network, support each other and benefit from training tailored to the industry's unique issues.

Western Australia

Key partnerships in Western Australia that have had a significant community impact include:

Fremantle Football Club

The 2017/18 year saw our partnership with the Fremantle Football Club flourish as the official bank of the club and their Community Impact partner.

Edmund Rice WA

Edmund Rice Camps offer camps and recreational activities to children aged between 7-16 years who would not otherwise have such opportunities. Beyond Bank has partnered with Edmund Rice Camps WA to promote the organisation as one of the recipients from the Community Reward Account program.

Telethon Community Cinemas

Beyond Bank partnered with Telethon Community Cinemas in Perth. The cinemas are Perth's family friendly community outdoor cinemas, with all profits donated back to children's charities who provide improvement to the quality of children's lives.

Riverina (NSW)

Key partnerships in the Riverina that have had a significant community impact include:

Country Hope Christmas Appeal

In late 2017, Beyond Bank launched a Christmas Gift Appeal to support long term community partner Country Hope. Country Hope is a local charity that provides valuable support services to country families within our Riverina communities who have a child diagnosed with cancer or another life threatening illness. Through the generosity and kindness of our Riverina branch staff, members and the wider community, Santa Claus was able to distribute gifts at Christmas parties in Wagga and Griffith.

Wagga Wagga Takes 2

Beyond Bank has been a proud sponsor of Wagga Wagga Takes 2 for the past nine years. This year the event proved to be an extraordinary fundraiser, raising over $500,000 for 12 local community charities.

Griffith/Leeton

Key partnerships in Griffith/Leeton that have had a significant community impact include:

Griffith Community Grants

In April 2018, four Community Development grants of $5,000 were announced for the following organisations:

Griffith Suicide Prevention & Support Group - provides an around-the-clock suicide crisis line manned entirely by volunteers.

COMMUNITY

Yambil Hub - assists more than 100 elderly people to live independently in their own homes.

Griffith Netball Association - develops programs targeted at giving disadvantaged families the opportunity to learn and enjoy a team sport.

Will It Your Way - develops local schools to teach students fundamental life skills like enrolling to vote, applying for a tax file number, the importance of making a will and encouraging organ donation.

Leeton Sunrice Festival

Beyond Bank was thrilled to support the Leeton Sunrice Festival over the Easter long weekend. The Festival is held biannually at Easter during the rice harvest and celebrates the importance of the rice industry to the community.

Adelaide and Regional SA

Key partnerships in South Australia that have had a significant community impact:

Credit Union Christmas Pageant

In 2017, Beyond Bank celebrated 22 years as a major partner of the Credit Union Christmas Pageant. Over 200 staff, family and friends volunteered at the event which was seen by over 300,000 spectators.

The pageant is a wonderful opportunity to provide staff and our community partners the experience of being a part of something unique and special to those in South Australia, with over 170 vibrant floats and acts entertaining the streets of Adelaide.

Hutt Street Centre – Walk a Mile in My Boots

Beyond Bank once again supported Hutt Street Centre's Walk a Mile in My Boots event. This was the fourth consecutive year as Major Partner of this highly popular event on the Adelaide calendar.

As always, staff in Adelaide supported the event strongly with 13 staff volunteering at the start and finish lines and an additional 40 staff members participating in the walk. In addition to their time, our staff were also active fundraisers with over $5,000 in additional funds raised for the centre.

SALT Festival

Beyond Bank again supported the annual SALT Festival which was held in the Southern Eyre Peninsula in April 2018. The festival provides a platform for artists and contributors to showcase their ideas and to interact with the local community.

Anglicare SA – Turning Point

The Beyond Bank Foundation provided a grant to Anglicare SA to be used for their Turning Point program. This is an initiative that provides stable housing arrangements for single parents in crisis.

Road Raise Event for CanTeen Australia

Road Raise is a bike ride from Adelaide to Melbourne and in the past three years has raised in excess of $550,000 for CanTeen Australia. The event was founded by Beyond Bank Director Steve Nolis and staff member Shane Farley in conjunction with CanTeen Australia. Beyond Bank has been a strong supporter of the event for all three years.

Sustainability at Beyond Bank

Along with Integrity, Member First, Mutuality and Community, Sustainability **is one of our five values**.

Our sustainability program, titled Beyond Today, is a program that puts our sustainability principles at the heart of everything we do and helps guide us in our business decision-making processes.

In 2016, Beyond Bank Australia became the first bank in Australia to be officially B Corp™ certified and successfully re-certified in December of 2017. B Corp™ companies are for-profit companies certified by the non-profit B Lab® to meet rigorous standards of social and environmental performance, accountability and transparency.

Key sustainability highlights for 2017/18 include:

- 9.5% of our net profit after tax invested into our community programs and partnerships (up from 9% in 2016/17)
- Recognised as 'Best FOR the World' in governance by scoring in the top 10% of all B Corp™ companies globally for being an ethical, responsible and values-driven organisation
- Successfully re-certified as a B Corp™ organisation
- Implemented a diversity and inclusion program and wellness program as part of our commitment to our people
- Over 700 Keep Cups distributed to staff to help reduce waste associated with disposable coffee cups
- Over 18,000 students from 442 schools enrolled in our free Beyond Money financial education program.

Community Programs at Beyond Bank

During 2017/18 Beyond Bank operates a number of innovative community development programs including:

Beyond Today

Beyond Today is an organisation-wide program designed to put sustainability at the heart of everything we do.

Through the program we aim to:

- Embed a culture of sustainability across our business
- Measure our social and environmental impact
- Implement initiatives that have a positive impact on our people, our customers and their communities.

Beyond Money Financial Education Program

The Beyond Money program is aimed at students in years 5, 6 and 7, and was developed to address concerns surrounding financial literacy amongst young people. The program is linked to the national education curriculum, and is also aligned with the National Consumer and Financial Literacy Framework. In 2017/18 the program saw 442 schools and more than 18,000 students enrolled.

Community Volunteering Program

Our Community Volunteering program encourages participation in volunteering by staff and members and includes providing our employees two paid community days each year to volunteer in their local community. To date, the program has delivered an estimated 12,000 volunteer hours by our employees and customers.

Community Investments

Beyond Bank delivers community investments through a number of mechanisms including:

- Community development grants and sponsorships
- Community products designed to assist community organisations with their fundraising efforts with over $500,000 contributed in 2017/18.

Salary Packaging

Beyond Bank has expanded our salary packaging services in the community sector throughout the 2017/18 year.

Salary packaging memberships have now grown to over 24,400 members across Australia.

Corporate Governance

1. Corporate Governance at Beyond Bank Australia (BBA)

Good governance flows from good culture, behaviour and relationships. It reflects embedded values and the integrity with which boards, management and staff conduct their business.

The BBA Board (the Board) is committed to the highest level of corporate governance, professionalism and ethical conduct and believes that it is this commitment that sets the benchmark for the entire organisation. Indeed, it believes that even the most astute board cannot function effectively if there is a lack of an ethical corporate culture. The values, approach and attitude of each Director are the cornerstone of this culture and enable BBA to fulfil a key goal of being a good corporate citizen.

2. Members

The core purpose of BBA is to create and return lifetime value for its customer owners and their communities.

BBA is a mutual organisation which means that the members own BBA. Members may participate and vote at general meetings and any ballot to appoint Directors.

The Board recognises that for members to participate in these events in an informed manner, they must receive relevant and useful information which is clear and concise. Members can obtain information from the BBA website which is updated on a regular basis.

3. Board of Directors

3.1 Role and Responsibilities

The role of the Board is to provide strategic guidance for BBA and its controlled entities (BBA Group) and effective oversight of management. The Board is accountable to the members of BBA for the performance of the BBA Group's businesses. In performing its role, the Board aspires to excellence in governance standards.

The roles, powers and responsibilities of the Board are formalised in the Board Charter which defines the matters that are reserved for the Board and its Committees, and those that are the responsibility of the Chief Executive Officer (CEO) and management.

As set out in the Board Charter, the Board is responsible for:

STRATEGY	GOVERNANCE	OVERSIGHT
Strategy - Approving the strategic direction of the BBA Group and significant corporate strategic initiatives.	**Corporate governance** - Monitoring the effectiveness of the BBA governance framework and that BBA conducts its affairs with a high degree of integrity.	**Performance monitoring** - Approving the BBA Group's annual budget, targets and financial statements, and monitoring financial performance against budget, forecast and targets.
Leadership selection - Appointing and evaluating the performance of the CEO and appointing a Company Secretary.	**Board performance and composition** - Evaluating the performance of the Board and determining its size and composition.	**Audit and compliance** - BBA has an active internal audit function to ensure BBA defines, adopts and maintains comprehensive and reliable business and management systems, including internal control systems and that BBA is aware of and complies with its obligations under applicable laws and codes.
Succession and remuneration planning - Reviewing the succession planning for the CEO position and approving the remuneration of the CEO and the CEO's direct reports.	**Risk management** - Monitoring the effectiveness of risk management by the BBA Group, including satisfying itself that appropriate risk oversight and management systems are in place.	

For effective execution of their responsibilities, each Director must maintain a clear understanding of both opportunities and threats to BBA's business activities and an appreciation of BBA's strategies and activities.

It is also imperative to have effective communication between the Board and executive management with a healthy and robust exchange of ideas and opinions. This ensures that long term strategic decisions and short term operation issues are considered and acted upon promptly.

This guidance at Board level allows BBA to adhere to good corporate practice across its activities while meeting the objectives of all members, employees and regulators.

The Board has delegated authority to the CEO to take appropriate decisions and actions to allow BBA to achieve its strategic goals. The CEO remains accountable to the Board which closely monitors the decisions and actions of the CEO and the general performance of the BBA Group. This monitoring is conducted via various Board committees.

The CEO attends all Board meetings in a spirit of openness and trust to:

- Keep the Board informed on all market place developments that may affect the business strategies of BBA and other financial institutions
- Bring to the Board's attention opportunities that will enhance BBA's business strategies and outcomes
- Regularly report to the Board on progress towards achieving the strategic goals
- Report on staff performance and organisational culture aspects
- Report to the Board any occurrences of material internal control or compliance failures
- Provide knowledge of BBA's business affairs and financial position and summarise such information for the Board where appropriate.

3.2 Composition

To enable the Board to fulfil its role, it is necessary to have a strong structure with the appropriate skills set. In order to achieve this requirement, the Board is comprised of appointed Directors and those elected by the members. The Board currently has seven elected Directors and one appointed Director. All are Non-Executive Directors.

Director	Year Elected/ Appointed to Board	Year Last Elected by Ballot
Sam Andersen	2013	2014
Jodie Baker	2017	n/a
Trent Bartlett	2016	2017
Geoff Knuckey	2012	2016
David Nichol	2015	2015
Steven Nolis	2009	2016
Anne O'Donnell (Chair)	2006	2015
Rebecca Richardson	2018	n/a

Details for each of the Directors is provided on pages 7-10.

3.3 Tenure

Elected Directors are appointed by members for a term of three years. An elected Director is not eligible to be re-elected if at the time of re-election, the cumulative period in office is nine years or more.

3.4 Commitment

The Board normally meets ten times per year with additional meetings held as required. In addition to Board duties, Directors serve on Board committees, ad hoc committees established by the Board and on Boards of controlled entities. Refer to page 23 for committee details and meeting attendance.

3.5 Independence

All BBA Directors are independent of management and free of any business or other relationship that could materially interfere with the exercise of their judgement. To reinforce that independence, BBA policy permits any Director to seek independent professional or legal advice to assist with matters before the Board and may receive financial support from BBA to do so.

The Nomination Committee assesses the independence of Directors and all Directors satisfy the definition of independence as per Prudential Standard CPS 510 Governance. The Board maintains a policy for independence of Directors which is consistent with the requirements of CPS 510.

3.6 Attributes

BBA is diligent in ensuring that Directors are fit and proper persons to govern the BBA Group.

The BBA Constitution requires the Board to establish and maintain a Nomination Committee. This committee must assess and provide a report of each person who is either nominated as a candidate for an elected Director or who is a retiring elected Director standing for re-election.

In this way, BBA members can have greater confidence that all candidates for a Director's election are able to competently act on their behalf as a Director of their Bank.

3.7 Board Performance

The Board has implemented an annual performance evaluation process to assess the Board's performance and that of individual Directors to maintain and improve the quality of its governance, boardroom discussions and decision-making. Part of this process is to ensure that the Board and its committees maintain an appropriate level of skills, experience and expertise.

4. Board Committees and Committees established by the Board

In addition to providing general governance through Board meetings, Directors are involved in specific guidance and assistance through the operation of three standing Board committees (Audit, Governance and Remuneration, and Risk) and one committee established by the Board (Nomination).

In accordance with the BBA Constitution, the Board may establish committees consisting of such number of Directors as it considers appropriate.

Committees are structured to ensure they have the qualifications and experience to execute their responsibilities. With the exception of the Nomination Committee, membership of each committee comprises appropriate Directors and from time to time, the CEO by invitation. Other executive officers may also attend Board and Board committee meetings by invitation. Executive management attendance promotes effective communications and governance, plus it provides contemporary banking and finance industry experience to complement Directors' broader perspectives.

At least two members of the Nomination Committee must be persons who are independent of BBA.

4.1 Board Audit Committee

4.1.1 Role

The role of the Committee is to:

- Assist the Board in discharging its corporate governance oversight responsibilities by providing an objective non-executive review of the effectiveness of the BBA Group's financial reporting process, external audit, internal audit function and the appointment of the BBA Group's external and internal auditors
- Maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis)
- Provide oversight and an assessment of the adequacy of internal control systems and processes
- Help maintain effective internal and external audit functions and communication between the Board and the external and internal auditors as well as other Board Committees.

4.1.2 Expertise

All Committee members have substantial experience as company Directors and one is a qualified accountant.

The Committee members' experience includes:

- Law, human resources, financial management and audit
- Membership of professional bodies and their respective professional development requirements.

4.1.3 Composition

The members of the Committee during the year were:

Chair
G J Knuckey

Members
S D Andersen (to 19 December)
J M Baker (from 19 December)
T J Bartlett
R M Richardson (from 28 February)

4.2 Board Governance and Remuneration Committee

4.2.1 Role

The role of the Committee can be categorised under two functions, being:

1. General Governance Matters

   Assisting the Board to discharge its responsibility to ensure good corporate governance exists within the BBA Group. This includes:

   - Making recommendations to the Board from time to time as to changes that the Committee believes to be desirable to the size and composition of the Board
   - Ensuring an appropriate Board and Board committee structure is in place
   - Considering the skills, knowledge and experience currently represented on the Board to assess whether those skills meet the necessary skills requirements
   - Overseeing the BBA Constitution and making recommendations for changes.

2. Board Remuneration Committee Matters

   Undertaking the duties of a Board Remuneration Committee as required by Prudential Standard CPS 510. This includes:

   - Conducting regular reviews and making recommendations to the Board on the BBA remuneration policy
   - Making annual recommendations to the Board on the remuneration of the CEO, direct reports of the CEO (i.e. executive officers) and other persons whose activities may, in the Committee's opinion, affect the financial soundness of BBA.

4.2.2 Expertise

Members of this Committee bring experience in fields as diverse as management consultancy, financial management, audit, law, human resource management, governance and risk management. In addition to graduate qualifications in a range of disciplines, two Committee members also hold post-graduate business qualifications. All Committee members have considerable experience in company directorship.

4.2.3 Composition

The members of the Committee during the year were:

Chair
S Nolis

Members
G J Knuckey
A M O'Donnell
S D Andersen (from 19 December)

4.3 Board Risk Committee

4.3.1 Role

The role of the Committee is to:

- Consider any matters where there is exposure of the BBA Group to possible economic or financial loss, damage, injury or delay as a consequence of pursuing its business
- Monitor the alignment of the BBA Group's risk profile and controls with the risk appetite (as defined in the risk appetite statement approved by the Board), and oversee the identification, management and reporting of risks inherent in the BBA Group's operations.

4.3.2 Expertise

This Committee is well qualified to perform these duties. In addition to graduate qualifications in a range of disciplines, between Committee members there is considerable executive experience in diverse industries.

4.3.3 Composition

The members of the Committee during the year were:

Chair
S D Andersen

Members
J M Baker (from 19 December)
T J Bartlett (from 19 December)
J L Leonard (to 28 November)
D J Nichol

4.4 Nomination Committee (Committee established by the Board)

4.4.1 Role

The role of the Committee is to:

- Assess each person who is nominated as a candidate for a Directors' election, or who is a retiring elected Director standing for re-election and provide a report to the Board of its assessment of each person
- On an annual basis, seek and consider appropriate information and advice to make a recommendation to the Board on the levels of remuneration for the Board.

4.4.2 Expertise

This Committee is well qualified to fulfil its purpose.

Members of this Committee bring experience in fields as diverse as business development, corporate governance, risk management and management consulting.

Between Committee members there is substantial experience at senior management and Board level.

4.4.3 Composition

The members of the Committee during the year were:

Director
A M O'Donnell

Independent Persons
K Newton
C Stewart

5. Other Board Duties

The following Directors and officers of BBA are also Directors of the named controlled entities:

Beyond Bank Australia Foundation Limited
R O Keogh
R M Richardson
D J Nichol

Eastwoods Group Ltd
S D Andersen
G J Knuckey
A M O'Donnell

Eastwoods Wealth Management Pty Ltd
S D Andersen
G J Knuckey
A M O'Donnell

Beyond Employee Benevolent Fund Pty Ltd
D L Jiranek
R O Keogh
W J Matters

Community CPS Services Pty Ltd
R O Keogh
W J Matters

6. Group Risk Management

The BBA Group is committed to adopting sound risk management principles and creating an operating environment where activities are coordinated to maximise the likelihood of realising potential opportunities whilst managing adverse effects of the associated risks. The purpose is to create a risk culture that results in all staff taking responsibility for managing risks, and using risk management strategies to manage risk, with a view to not only protect existing value but also create additional value. In order to deliver this objective, a consistent and systematic approach to managing risk is required by all staff and this is delivered using the '3 lines of Defence' risk and assurance model.

BBA's Group risk management policy recognises that BBA has a number of controlled entities. For the purposes of risk management, all controlled entities within the BBA Group are covered by and must adhere to BBA's risk management policies. The management of risk on a whole-of-group basis mitigates contagion risk.

Common directorships amongst BBA Group companies and the management structure of the BBA Group ensure that the risks associated with the existing operations and any new developments of the individual entities are evaluated and managed with a view to minimising the risk exposure of the BBA Group.

On an annual basis the Board makes a risk management declaration to APRA which is signed by the Chair of the Board and the Chair of the Board Risk Committee.

7. Conflicts of Interest

BBA maintains a conflicts of interest policy, and the purpose of this policy is to ensure that:

- An executive officer who has a material personal interest in the subject matter of a Board submission declares that interest via an appropriate notation in the submission so that the Board is fully aware of the interest
- Directors comply with their legal obligations to disclose any material personal interests that they have in a matter that relates to the affairs of BBA and its controlled entities.

8. Ethical Standards

The Board plays a key role in upholding the core values of mutual organisations and promoting high standards of corporate and business ethics. BBA's policy is that its Directors and staff maintain the highest ethical standards in line with the BBA code of conduct. BBA also adheres to the Mutual Banking Code of Practice.

9. Remuneration of Directors and Executives

It is BBA policy that each Director and executive officer position be remunerated at a level that is appropriate to the role and its responsibilities with the objective of attracting and retaining people who will maintain BBA's viability and development. All remuneration is provided by way of salary or salary-sacrifice package components with no equity-based benefits.

Remuneration for Directors is assessed annually by the Nomination Committee and may include reference to industry benchmarking information, external consultants and Consumer Price Index (CPI) increases. No component of any Director's remuneration is related to the performance of BBA and, other than statutory superannuation contributions, there are no schemes for Directors' retirement benefits.

Executive officers' remuneration is based on:

- The work value of the role, comprising requirements for expertise and judgement plus the degree of accountability
- Fair market levels based on information provided by professional remuneration consultants.

Directors receive a base fee. A loading is paid to those Directors who occupy additional roles (e.g. Chair of a Committee or Chair of the Board) in recognition of the regular additional workload involved in performing those roles.

10. Directors' Development and Education

The Board is conscious of its obligations to members and regulators and is committed to ongoing training and attendance at relevant conferences and seminars. Only by continuing to keep abreast of issues that have an impact on the business can the Board fulfil its responsibilities.

11. Performance Development

The Board undertakes an annual assessment of its conduct and performance and each Director also partakes in a peer review assessment process. Annual professional development plans are developed and agreed so that Directors continue to meet the high expectations of members and regulators.

12. Communication to Members

The Board aims to keep members informed so they can assess the performance of Directors, management and BBA and provides:

- An Annual Report which is available to members in hard copy upon request and is accessible on the BBA website
- Information at the Annual General Meeting (AGM) or any other general meetings
- Information via social media.

The Directors submit their report together with the financial statements of Community CPS Australia Limited (the Company) trading as Beyond Bank Australia and the Consolidated Entity comprising the Company and its subsidiaries and the Group's interest in associates for the financial year ended 30 June 2018, the Independent Audit Report thereon and the Auditor's Independence Declaration. The financial statements have been prepared in accordance with the requirements of the Corporations Act 2001.

Principal activities

The principal activities of the Company and the activities within the Consolidated Entity in the course of the financial year were to provide financial services to members and this remained unchanged.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year not otherwise disclosed in the financial statements of the Consolidated Entity.

Review of operations

The Consolidated Entity had a successful year in providing financial services to members. Loans under management grew steadily and above system growth at 7.1% for the year whilst deposits from members grew by 2.1%. Total Operating Income grew by 6.4% to $147.0m on the back of loan portfolio growth and despite a reduction in net interest margin from 2.25% to 2.17% over the last year.

Net Profit for the period (after tax) was $25.4m, an increase of 2.9% when compared with last year's profit after tax – a stable result in light of the continued low interest rate environment in Australia and one in which regulatory market constraints imposed in specific lending categories capped capacity for growth.

Below the Net Profit line, an adjustment of $1.1m (after tax) was made to Other Comprehensive Income due to a decline in the fair value of Investment Securities. Under Australian Accounting Standards, Beyond Bank is obliged to assess the fair value of its equity investments at each reporting date. This assessment as at 30 June 2018 concluded that a downward fair value adjustment was appropriate for the investment in Cuscal Ltd due to its changed operating conditions, and more specifically a writedown of their ATM related assets. As a result, the carrying amount of the Consolidated Entity's aggregate equity investment in Cuscal Ltd was adjusted downward by $1.623m ($1.136m net of tax) through Other Comprehensive Income. A reconciliation of reported profit to unaudited underlying profit is set out in Table 1.

Dividends

The Company acquired D Class preference shares from United Credit Union through its merger with that company in 2008/09. During the year dividends of $21,311 were paid on the D Class shares.

Significant events after the balance date

No matters or circumstances have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of the consolidated entity in the financial year ending after 30 June 2018.

Likely developments

The Company and Consolidated Entity will continue to create and return value to members through the provision of financial services to members and other Group clients. Further information about likely developments in the operations of the Consolidated Entity 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 Consolidated Entity.

Table 1 – Consolidated Underlying Earnings
For the year ended 30 June 2018

	Before Tax $'000	Tax $'000	After Tax $'000
Per Statement of Comprehensive Income	**34,801**	**9,360**	**25,441**
+/- Fair value adjustment on interest rate swaps	**(13)**	**(4)**	**(9)**
Strategic Transformation costs	**140**	**42**	**98**
Regulatory Reporting Review costs	**190**	**57**	**133**
Business Acquisition Costs – WB Financial Investments Pty Ltd and Universal Financial Planning Ltd	**107**	**32**	**75**
Business Combination costs - MYCU Merger	**450**	**135**	**315**
Share of net profit of associate	**(451)**	**(135)**	**(316)**
Bonus income from alliance partner	**(300)**	**(90)**	**(210)**
Consolidated Entity Underlying Profit	**34,924**	**9,397**	**25,527**
For the year ended 30 June 2017			
Per Statement of Comprehensive Income	33,977	9,252	24,725
+/- Fair value adjustment on interest rate swaps	(158)	(47)	(111)
Strategic Transformation costs	2,093	628	1,465
Share of net profit of associate	(596)	(179)	(417)
Bonus income from alliance partner	(600)	(180)	(420)
Consolidated Entity Underlying Profit	34,716	9,474	25,242

Indemnification and insurance of officers

During the year, the Company paid an insurance premium to insure officers of the Company and its controlled entities against liability. The liabilities insured are for losses arising from any claim against an officer for any civil or criminal proceeding in their capacity as an officer of the entities. The contract also covers officers of the wholly owned controlled entities.

Disclosure of the amount of insurance premium payable under, and a summary of the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

The Company has not otherwise, during the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors

Individual Director's details are set out on pages 7-11.

Directors' meetings

The names of Directors holding office as at the date of this report and during the year, and attendance at Board and Board Committee meetings held are set out in Table 2. Where non-attendance at meetings was recorded, apologies were received or leave of absence was granted in most instances.

Company Secretaries

Gianni Milani has substantial finance industry experience. Gianni holds a Bachelor of Arts in Accounting, a Master of Business Administration and a Graduate Diploma in Applied Corporate Governance. He is a Fellow Certified Practicing Accountant, an Associate Member of the Governance Institute of Australia and a Chartered Secretary being an Associate of the Institute of Chartered Secretaries and Administrators.

Ray O'Brien has more than 20 years' experience in the banking and finance industry and was the General Manager/Chief Executive of Companion Credit Union from 1996 until the merger of this entity with the Company in 2010 at which point Ray became part of the merged Group's executive team. Ray is a member of the Australian Institute of Company Directors, a Fellow of the Institute of Public Accountants, and a Fellow of the Australasian Mututals Institute.

Rounding off

The amounts contained in this report and in the financial statements have been rounded off to the nearest thousand dollars (unless otherwise stated) in accordance with Corporation's (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by Australian Securities and Investment Commission as the Company has total assets greater than $10m.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 24.

Board Committees

In addition to providing general governance through Board meetings, Directors are involved in providing specific guidance through the operation of three standing Board Committees. Committees are structured to ensure they have the qualifications and experience to execute their responsibilities. Membership of each Committee comprises at least three Directors. The Chief Executive Officer attends all Board Committee meetings. Details of Board Committees are contained in the Corporate Governance Statement on pages 17-21.

Public disclosure of prudential information

Prudential Standard APS 330 Public Disclosure requires the Company and Consolidated Entity to meet minimum requirements for the public disclosure of information on their risk profile, risk management, capital adequacy, capital instruments and remuneration practices to contribute to the transparency of financial markets and to enhance market discipline. This information is published on the Consolidated Entity's public website at beyondbank.com.au/about-us signed in Adelaide this 27th day of August 2018, in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

Anne O'Donnell
Chair

Geoff Knuckey
Director

Table 2 – Board Committee meetings

	Board		Board Audit		Board Risk		Board Governance and Remuneration	
Directors	Eligible to Attend	Meetings Attended	Eligible to Attend	Meetings Attended	Eligible to Attend	Meetings Attended	Eligible to Attend	Meetings Attended
Sam Andersen	11	10	3	3	7	7	3	3
Jodie Baker (term commenced 28/11/2017)	6	6	2	2	3	3	-	-
Trent Bartlett	11	11	5	5	3	3	-	-
Geoff Knuckey	11	11	5	5	-	-	5	5
Jodie Leonard (term ended 28/11/2017)	5	5	-	-	3	2	-	-
David Nichol	11	11	-	-	7	6	-	-
Steven Nolis	11	11	-	-	-	-	5	5
Anne O'Donnell	11	10	-	-	-	-	5	4
Rebecca Richardson (term commenced 01/02/2018)	5	5	2	1	-	-	-	-

Lead Auditor's Independence Declaration and Directors' Declaration

KPMG

Lead Auditor's Independence Declaration under section 307C of the Corporations At 2001

To the Directors of Community CPS Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Community CPS Australia Limited for the financial year ended 30 June 2018 there have been:

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

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

KPMG

John Evans
Partner

Adelaide
27 August 2018

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Liability limited by a scheme approved under Professional Standards Legislation.

Community CPS Australia Limited
Directors' Declaration
For the year ended 30 June 2018

In the opinion of the Directors of Community CPS Australia Limited (the "Company"):

a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

(b) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Australian Accounting Standards, the Corporations Regulations 2001, International Financial Reporting Standards (as disclosed in Note 1b) and giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2018 and their performance for the financial year ended on that date.

Signed this 27th day of August 2018, in accordance with a resolution of the Directors, made pursuant to s.295(5) of the *Corporations Act 2001.*

On behalf of the Directors.

Anne O'Donnell
Chair

Geoff Knuckey
Director

Independent Auditor's Report

KPMG

Independent auditor's report to the members of Community CPS Australia Limited

Opinion

We have audited the consolidated Financial Report of Community CPS Australia Limited (the Group Financial Report). We have also audited the Financial Report of Community CPS Australia Limited (the Company Financial Report).

In our opinion, each of the accompanying Group Financial Report and Company Financial Report of Community CPS Australia Limited are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group and Company's financial position as at 30 June 2018 and of their financial performance for the year ended on that date
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

- Statements of Financial Position as at 30 June 2018
- Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The Group consists of Community CPS Australia Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

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

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

We are independent of the Group and Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audits of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

Other Information is financial and non-financial information in Community CPS Australia Limited's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinions on the Financial Reports do not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

- Preparing Financial Reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*
- Implementing necessary internal control to enable the preparation of Financial Reports that give a true and fair view and are free from material misstatement, whether due to fraud or error
- Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether each of the Financial Reports as a whole are free from material misstatement, whether due to fraud or error
- to issue an Auditor's Report that includes our opinions.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audits of the Financial Reports is located at the Auditing and Assurance Standards Board website at http://ww w.auasb .gov.au/a uditors_responsibilities/ ar3.pdf. This description forms part of our Auditor's Report.

KPMG

John Evans
Partner
Adelaide, 27 August 2018

Statements of Profit or Loss and Other Comprehensive Income

	Note	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000	COMPANY 2018 $'000	COMPANY 2017 $'000
FOR THE YEAR ENDED 30 JUNE 2018					
Continuing operations					
Interest revenue	2	**234,012**	213,379	**234,012**	213,379
Interest expense	3	**109,825**	99,777	**111,038**	100,918
Net interest revenue		**124,187**	113,602	**122,974**	112,461
Net fair value adjustment on interest rate swaps	2	**13**	158	**(1,091)**	(1,100)
Non interest operating income	2	**22,752**	24,359	**19,748**	21,013
Total operating income		**146,952**	138,119	**141,631**	132,374
Impairment losses	3	**4,044**	2,148	**4,044**	1,893
Business combination costs	3	**557**	-	**450**	-
Other expenses	3	**108,001**	102,590	**106,125**	98,980
Operating profit		**34,350**	33,381	**31,012**	31,501
Share of net profit of associates	11	**451**	596	**451**	596
Profit before income tax expense		**34,801**	33,977	**31,463**	32,097
Income tax expense	4	**9,360**	9,252	**9,205**	9,146
Net profit for the period		**25,441**	24,725	**22,258**	22,951
Other comprehensive income, net of tax		**-**	-	**-**	-
items that may be reclassified to profit or loss:					
Available for sale financial asset net change in fair value		**(1,136)**	-	**(1,136)**	-
Total comprehensive income for the period		**24,305**	24,725	**21,122**	22,951

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

Statements of Financial Position

	Note	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000	COMPANY 2018 $'000	COMPANY 2017 $'000
AS AT 30 JUNE 2018					
Assets					
Cash and cash equivalents	5	**73,412**	66,015	**73,412**	66,015
Prepayments and other receivables	6	**26,866**	7,736	**26,600**	7,727
Placements with other financial institutions	7	**612,028**	570,433	**612,028**	570,433
Net Loans and advances	8,9	**5,054,204**	4,717,770	**5,054,204**	4,717,770
Equity accounted investments	11	**6,113**	5,661	**6,113**	5,661
Investment securities	12	**15,050**	15,222	**17,111**	17,283
Property, plant and equipment	13	**20,150**	18,688	**19,781**	18,253
Intangible assets – Capitalised Software	14	**3,277**	2,763	**3,277**	2,763
Intangible assets – Customer Lists	15	**1,163**	759	**-**	-
Goodwill	16	**3,145**	2,449	**-**	-
Other financial assets	20	**2,699**	3,410	**2,699**	3,354
Current tax assets	4	**-**	243	**-**	251
Deferred tax assets	4	**4,953**	3,992	**4,722**	3,808
Total assets		**5,823,060**	5,415,141	**5,819,947**	5,413,318
Liabilities					
Deposits from members	17	**4,360,412**	4,268,837	**4,366,775**	4,274,519
Trade and Other payables	18	**16,365**	15,835	**15,905**	15,243
Borrowings	19	**947,834**	687,501	**947,834**	687,501
Other financial liabilities	20	**2,341**	3,355	**147**	-
Provisions	21	**15**	16	**15**	16
Employee benefits	27	**8,943**	8,413	**8,597**	8,059
Current tax liabilities	4	**242**	-	**153**	-
Total liabilities		**5,336,152**	4,983,957	**5,339,426**	4,985,338
Net assets		**486,908**	431,184	**480,521**	427,980
Equity					
Share capital	22	**607**	681	**612**	686
Reserves	23	**176,512**	144,745	**176,512**	144,745
Retained earnings	24	**309,789**	285,758	**303,397**	282,549
Total equity		**486,908**	431,184	**480,521**	427,980

The Statements of Financial Position are to be read in conjunction with the notes to the financial statements

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2018	Share Capital	Asset Revaluation Reserve	Redeemed Share Reserve	General Reserve for Credit Losses	Transfer of Business Reserve	Retained Earnings	Total Equity
Consolidated	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2016	689	2,962	1,814	19,495	115,098	266,431	406,489
Net profit for the period	-	-	-	-	-	24,725	24,725
Transfers to/(from) Reserves	-	-	31	5,345	-	(5,376)	-
Share Capital redeemed out of profits	(8)	-	-	-	-	-	(8)
Dividends	-	-	-	-	-	(22)	(22)
Balance at 30 June 2017	681	2,962	1,845	24,840	115,098	285,758	431,184
Net profit for the period	-	-	-	-	-	25,441	25,441
Attributable to business combinations	-	783	-	508	30,222	-	31,513
Available for sale financial asset net change in fair value	-	-	-	-	-	(1,136)	(1,136)
Transfers to/(from) Reserves	-	-	110	144	-	(254)	-
Share Capital redeemed out of profits	(74)	-	-	-	-	-	(74)
Dividends	-	-	-	-	-	(20)	(20)
Balance at 30 June 2018	**607**	**3,745**	**1,955**	**25,492**	**145,320**	**309,789**	**486,908**
Company							
Balance at 30 June 2016	694	2,962	1,814	19,495	115,098	264,996	405,059
Net profit for the period	-	-	-	-	-	22,951	22,951
Transfers to/(from) reserves	-	-	31	5,345	-	(5,376)	-
Share capital redeemed out of profits	(8)	-	-	-	-	-	(8)
Dividends	-	-	-	-	-	(22)	(22)
Balance at 30 June 2017	686	2,962	1,845	24,840	115,098	282,549	427,980
Net profit for the period	-	-	-	-	-	22,258	22,258
Attributable to business combinations	-	783	-	508	30,222	-	31,513
Available for sale financial asset net change in fair value	-	-	-	-	-	(1,136)	(1,136)
Transfers to/(from) Reserves	-	-	110	144	-	(254)	-
Share Capital redeemed out of profits	(74)	-	-	-	-	-	(74)
Dividends	-	-	-	-	-	(20)	(20)
Balance at 30 June 2018	**612**	**3,745**	**1,955**	**25,492**	**145,320**	**303,397**	**480,521**

The Statements of Changes in Equity are to be read in conjunction with the notes to the financial statements

Statements of Cash Flows

		CONSOLIDATED		COMPANY	
	Note	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
FOR THE YEAR ENDED 30 JUNE 2018					
Cash flows from operating activities					
Interest received		**233,890**	213,069	**233,890**	213,069
Net (increase) in loans, advances and other receivables		**(180,008)**	(591,483)	**(180,008)**	(591,483)
Net decrease/(increase) in placements with other financial institutions		**1,838**	(46,872)	**1,838**	(46,872)
Other non interest income received		**22,489**	24,272	**19,672**	21,157
Interest and other costs of finance paid		**(110,249)**	(96,509)	**(111,461)**	(97,652)
Net increase in deposits from members		**(93,977)**	487,188	**(93,298)**	488,227
Net increase in borrowings		**260,333**	146,517	**260,333**	146,517
Payments to suppliers and employees		**(122,400)**	(96,558)	**(120,841)**	(93,079)
Income tax paid		**(8,997)**	(10,246)	**(8,876)**	(10,185)
Net cash from operating activities	25(a)	**2,919**	29,378	**1,249**	29,699
Cash flows from investing activities					
Net decrease/(increase) amounts loaned to controlled entities		**-**	-	**251**	(794)
Proceeds from sale of/(payment for) other investments		**-**	(1,500)	**-**	(1,500)
Payment for property, plant and equipment	13	**(3,147)**	(6,550)	**(3,110)**	(6,538)
Net Proceeds from sale of property, plant and equipment		**16**	6	**16**	6
Payment for intangible assets – Capitalised Software	14	**(1,705)**	(1,005)	**(1,705)**	(1,005)
Payment for expenses directly attributable to Business Combinations		**(557)**	-	**(451)**	-
Increase in cash balances via Business Combination	10	**11,241**	-	**11,241**	-
Payment for businesses		**(1,276)**	(461)	**-**	-
Net cash from investing activities		**4,572**	(9,510)	**6,242**	(9,831)
Cash flows from financing activities					
Payments on redemption of share capital		**(74)**	(8)	**(74)**	(8)
Dividends paid		**(20)**	(22)	**(20)**	(22)
Net cash from financing activities		**(94)**	(30)	**(94)**	(30)
Net increase in cash and cash equivalents		**7,397**	19,838	**7,397**	19,838
Cash and cash equivalents at the beginning of the financial year		**66,015**	46,177	**66,015**	46,177
Cash and cash equivalents at the end of the financial year	25 (b)	**73,412**	66,015	**73,412**	66,015

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

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

(a) Reporting Entity

Community CPS Australia Limited ("the Company") is a company domiciled in Australia. The consolidated financial report for the year ended 30 June 2018 comprises the Company and its controlled entities (together referred to as the "Consolidated Entity"). The Consolidated Entity is a profit-for-purpose entity and primarily is involved in providing a range of financial services including personal and business banking, insurance, and financial planning services. The financial report was authorised for issue by the Directors on 27 August 2018.

(b) Statement of Compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Consolidated Entity and the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(c) Basis of Preparation and Areas of Estimation

The financial report has been prepared in Australian dollars and in accordance with the accruals basis of accounting using historical costs except for derivative financial instruments, hedged loans and available for sale assets which are carried at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

ASIC Corporation's (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016 permits the rounding of amounts in financial statements and Directors reports. In accordance with that Class Order, all financial information has been rounded to the nearest thousand unless otherwise stated. The Company holds an Australian Financial Services Licence and has therefore applied ASIC Class Order CO 10/654 and has presented both parent company and consolidated entity financial statements in this financial report.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Consolidated Entity and the Company. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, areas of estimation uncertainty and critical areas where judgement has been applied are as follows:

- Loans and receivables are carried at amortised cost, requiring estimates to be made of their expected life. The expected life of mortgage secured loans is estimated at 81 months (2017: 73 months) while other loans have an estimated expected life of 30 months (2017: 26 months). In addition, loans and receivables are carried net of impairment provisions which are determined based on estimates of default probabilities and the loss incurred in the event of default.
- Judgement has been exercised in determining that not all the risks and rewards of ownership of securitised loans have been transferred
- In assessing goodwill for impairment, estimates have been made of expected future cash flows from the applicable cash generating units and judgement used to determine the rate at which those cash flows are discounted
- Similarly, the obligation for long term employee benefits is determined based on statistical estimates of the amount and timing of related future cash flows with Australian corporate bond rates applied to discount cash flows
- Available for sale investment securities are carried at fair value which is based on an estimate of the amount which would be exchanged between willing parties in an arm's length transaction.

AASB 101 Presentation of Financial Statements allows assets and liabilities to be presented in order of their relative liquidity. As this presentation provides information that is more relevant, assets and liabilities are not presented as current and non-current on the face of the Statements of Financial Position.

(d) Principles of Consolidation

The consolidated financial statements are prepared by including the financial statements of all the entities that comprise the Consolidated Entity, being the Company (the parent entity) and its controlled entities as defined in AASB 10 *Consolidated Financial Statements*. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its powers over the entity.

A list of controlled entities appears in Note 12 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the control ceases. In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the Consolidated Entity are eliminated in full.

i) Business Combinations

Business combinations are accounted for using the acquisition method as at acquisition date, which is the date on which control is transferred to the Consolidated Entity.

The identifiable assets and liabilities of the acquiree are recognised at their fair value at acquisition date. Goodwill is recognised if, and to the extent that, the consideration transferred exceeds the fair value of the acquiree's identifiable assets acquired and liabilities assumed.

Transaction costs that the Consolidated Entity incurs in connection with a business combination are expensed as incurred.

ii) Interests in Equity Accounted Investees

The Consolidated Entity's interest in equity accounted investees comprises interest in an Associate. Associates are those entities in which the Consolidated Entity has significant influence, but not control, over financial and operating policies.

Interest in the Associate is accounted for using the equity method. The interest is initially recognised at cost, including transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Consolidated Entity's share of the Associate's profit or loss and other comprehensive income until the date on which significant influence ceases.

(e) New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Consolidated Entity are set out below. The Consolidated Entity does not plan to adopt these standards early.

- AASB 9 *Financial Instruments*

AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification of financial instruments, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. AASB 9 carries forward the guidance on recognition and de-recognition of financial instruments from AASB 139. AASB 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Consolidated Entity will apply AASB 9 from 1 July 2018. The actual impact of adopting AASB 9 on the Consolidated Entity's financial statements on the application date has not yet been finalised and the estimated adjustment from the adoption of AABS 9 on the opening balances of the Consolidated Entity's equity at 1 July is not disclosed because of the impact of specific factors including the following;

- AASB 9 will require the Consolidated Entity to revise its accounting processes and internal controls and these changes are not yet complete
- The new systems and associated controls in place have not yet been operational for an extended period
- The Consolidated Entity has not yet finalised the testing and assessment of controls over new calculation models
- The Consolidated Entity is refining and finalising its model for Impairment including the critical elements of Probability of Default, Expected Credit Loss, and Exposure at Default
- The new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Consolidated Entity finalises its first financial statements that include the date of initial application.

There are three significant components to AASB 9 – the first of which (*Classification and Measurement*) is broken into sub-categories of Financial Assets and Financial Liabilities;

i. Classification - Financial assets

AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Three principal classification categories for financial assets are stipulated: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

Based on a preliminary assessment of possible changes to the classification and measurement of financial assets as at 30 June 2018, the Consolidated Entity's current expectation is that:

- Loans and advance to members measured at amortised cost under AASB 139 will continue to be measured at amortised cost under AASB 9

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (continued)

(e) New Standards and Interpretations not yet adopted (continued)

- Placements with other financial institutions measured at amortised cost under AASB 139 will continue to be measured at amortised cost under AASB 9
- Investment securities currently classified as available for sale under AASB 139 would generally be measured at FVOCI under AASB 9. This change is expected to result in an immaterial increase in one investment by approximately $0.2 million and a credit for the same amount to reserves.

ii. Classification - Financial liabilities

AASB 9 largely retains the existing requirements for the classification of liabilities of AASB 139 with the exception of changes in fair value of financial liabilities designated at FVTPL.

The consolidated entity has not designated any financial liabilities at FVTPL and therefore treatment of financial liabilities will remain largely unchanged.

iii. Impairment

AASB 9 replaces the 'incurred loss' model applied in AASB 139 with an expected credit loss (ECL) model. This will require considerable judgement in how changes in economic factors affect ECLs.

The consolidated entity expects AASB 9 will result in earlier recognition of expected losses and an increase to the provision for impairment but this impact has not yet been quantified as it requires further assessment of the application of AASB 9 and refining and finalising its model for Impairment including the critical elements of Probability of Default, Expected Credit Loss, and Exposure at Default. Testing and assessment of controls over the new calculation model is also required to be undertaken.

iv. Hedging

AASB 9 replaces the AASB 139 framework with one that widens certain aspects of hedge eligibility and is less rule-based.

AASB 9 simplifies the effectiveness testing and removes the "80-125" rule. This means in practice there should be less testing required, a reduction in time spent on analysis, and with an expected increased focus on a risk management approach.

No significant impact is anticipated although additional disclosures are likely to be required in the Annual Financial statements.

- AASB 15 *Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. AASB 15 supersedes AASB 118 Revenue, and AASB 111 Construction Contracts along with a number of Interpretations. AASB 15 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Consolidated Entity will apply AASB 15 from 1 July 2018 and is still assessing its potential impact.

- AASB 16 *Leases*

AASB 16 removes the classification of leases as either operating leases or finance leases (for the lessee) effectively treating all leases as finance leases and, subject to limited exceptions, requires all leases to be capitalised on the balance sheet. Lessor accounting would remain similar to current practice. AASB 16 is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The Consolidated Entity is assessing the potential impact resulting from application of AASB 16.

The Consolidated Entity's initial assessment indicates the most predominate impact will be the recognition of new assets and liabilities for business premises and motor vehicles. Expenses relating to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for the right of use assets and interest expense on lease liabilities.

As at the reporting date, the Group has non-cancellable operating lease commitments of $49.3 million (see Note 26). The actual impact as at the date of transition will be affected by the transition method, exemptions chosen and the operating leases held as at the date of transition.

Adoption of the standard, should it result in a significant increase in new assets on the balance sheet as expected, could also be expected to have some impact on the capital adequacy ratio depending on the risk weightings required to be applied.

(f) Accounts Payable

Trade and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the procurement of goods and services. These liabilities are initially recognised at fair value and subsequently measured at amortised cost.

(g) Borrowings

Interest on wholesale borrowings and other interest-bearing liabilities is brought to account on an effective yield basis. The amount of the accrual is measured on a nominal basis and recognised as a liability on the Statements of Financial Position. These liabilities are carried at amortised cost.

(h) Cash and Cash equivalents

Cash and cash equivalents comprise cash at branches plus deposits at call with Approved Deposit-taking Institutions. Interest income on cash and cash equivalents is recognised using the effective interest rate method in the Statements of Profit or Loss and Other Comprehensive Income. Cash and cash equivalents are recognised at the gross value of the outstanding balance. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flows but as part of Borrowings in the Statements of Financial Position.

(i) Deposits

Interest on deposits is credited in accordance with the terms of each deposit and brought to account on an effective yield basis. Interest is accrued as part of the deposit balances which are carried at amortised cost.

(j) Derivative Financial Instruments

The Consolidated Entity enters into interest rate swap agreements for the sole purpose of managing interest rate exposures in the Statements of Financial Position and not for speculative purposes. Derivative financial instruments are recognised at fair value. Realised gains and losses on interest rate swaps are recognised immediately in the Statements of Profit or Loss and Other Comprehensive Income via inclusion in the determination of interest revenue while unrealised changes in the fair value of interest rate swaps is included as Other Income.

The Consolidated Entity enters into fixed for floating interest rate swap transactions that are designated as an effective hedging instrument against a specified dollar value of fixed rate loan exposures which will reprice in the same specified month and year. For fair value hedges, the change in fair value of the hedging derivative is recognised immediately in the Statements of Profit or Loss and Other Comprehensive Income together with changes in the fair value of the hedged item attributable to the hedged risk. Hedge accounting is discontinued when the hedge instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit and loss over the last six months of the life of the related hedging instrument.

On initial designation of the derivative as the hedging instrument, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be highly effective in offsetting the changes in fair value of the respective hedged items attributable to hedged risk, and whether the actual result of each hedge is within a range of 80-125 percent.

Interest rate swaps that do not qualify for hedge accounting are accounted for as trading instruments and any changes in fair value are recognised immediately in profit or loss. Further details of derivative financial instruments are disclosed in Note 33(i).

(k) Employee Benefits

A defined contribution plan is a post-employment benefits plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations to defined contribution plans are recognised as a personnel expense in profit or loss when they are due.

Long-term employee benefits

The Consolidated Entity's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs and that benefit is discounted to determine its present value. The calculation is performed using the projected unit credit method. The discount rate is the yield at the reporting date on Australian high quality corporate bonds that have maturity dates approximating the terms of the Consolidated Entity's obligations.

Termination benefits

Termination benefits are recognised as an expense when the Consolidated Entity is committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer encouraging voluntary redundancy, and it is probable that the offer will be accepted.

Short-term benefits

Liabilities for employee benefits for wages, salaries, and annual leave represent present obligations resulting from employees' services provided to reporting date and are expected to be settled wholly within 12 months and hence are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as payroll tax. Non-accumulating non-monetary benefits, such as motor vehicles or free or subsidised goods and services, are expensed based on the net marginal cost to the Consolidated Entity as the benefits are taken by the employees.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (continued)

(k) Employee Benefits (continued)

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Consolidated Entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(l) Financial Assets and Liabilities

The Consolidated Entity initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities at fair value on the date they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. An interest in transferred financial assets that is created or retained by the Consolidated Entity is recognised as a separate asset or liability.

The Consolidated Entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Consolidated Entity enters into transactions whereby it transfers assets recognised on its Statements of Financial Position, but retains either all the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the Statements of Financial Position.

The Consolidated Entity securitises various consumer financial assets, which generally results in a sale of these assets to special-purpose entities, which, in turn issue securities to investors.

(m) Impairment of Assets

The carrying amounts of the Consolidated Entity's assets, other than deferred tax assets, are reviewed at each balance date to determine whether there is any indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset (either in its own right or as part of a cash-generating unit) exceeds its recoverable amount. Impairment losses are recognised in the Statements of Profit or Loss and Other Comprehensive Income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal of that previous revaluation with any excess recognised through the Statements of Profit or Loss and Other Comprehensive Income.

Goodwill is tested for impairment annually. Whenever there is any indication that the goodwill may be impaired any impairment loss is recognised immediately in profit and loss and is not subsequently reversed.

(n) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years. Current tax for current and prior years is recognised as a liability to the extent that it is unpaid.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base of those items. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities, using tax rates enacted or substantially enacted at the balance date.

A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be used.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are not recognised if the temporary differences affect neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

The Company's disclosed available franking credits are based on the balance of its franking account at year end adjusted for:

- franking credits that will arise from the payment of current tax liabilities or franking debits that will arise from the receipt of current tax asset refunds
- franking debits that will arise from the payment of dividends recognised as a liability at year end
- franking credits that will arise from the receipt of dividends recognised as receivables at year end
- franking credits that the Company may be prevented from distributing in subsequent years.

The controlled entities of the Consolidated Entity are not part of a tax consolidation group and are taxed as individual entities. As a result, the individual entities continue to recognise current and deferred tax amounts in their own right which is then consolidated into the accounts of the Consolidated Entity.

(o) Intangible Assets

Goodwill

Goodwill, representing the excess of the cost of acquisition of a business over the fair value of the identifiable net assets acquired, is recognised as an asset and not amortised, but tested for impairment annually. Refer to note 1(m) in relation to impairment.

Computer Software

Software acquired by the Consolidated Entity is stated at cost less accumulated amortisation. Amortisation is charged from the date the asset is available for use on a straight line basis over a period of 2-3 years.

The Barton Securitisation Program

Costs associated with establishing the program and each Series issue, other than the interest cost of the notes, are amortised over the weighted average life of the notes for each Series. This generally results in amortisation over 3-5 years on a straight line basis and is reflected as part of borrowing costs.

Other Intangible Assets

Other intangible assets, including customer relationships that are acquired by the Consolidated Entity and have finite useful lives, are measured at cost less accumulated amortisation and any impairment losses. Amortisation is charged from the date the asset is acquired on a straight line basis over the estimated useful life of the asset (10-20 years).

(p) Investment Securities

Investment Securities are classified as available for sale assets and carried at fair value. Gains and losses arising from fair value changes are recognised in other comprehensive income and presented in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost as this is considered the best estimate of fair value. These assets are subject to annual testing as to whether there is objective evidence of impairment (refer note 1(m)). If assessed as impaired, any cumulative loss previously recognised in comprehensive income, and carried in equity, and any additional impairment loss is transferred to profit or loss. Any subsequent recovery in the fair value of an impaired investment security is recognised in other comprehensive income. In the Company's financial statements, investments in controlled entities are carried at cost.

(q) Leases

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased assets are consumed.

(r) Loans and Advances

Loans and advances are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, after assessing required provisions for impairment. Loan and credit limit interest is calculated on the daily balance outstanding and is charged to members' accounts on the last day of each month. Overdraft interest is calculated on the daily balance outstanding and is charged in arrears to members' accounts at the beginning of the following month. All housing loans are secured by registered mortgages.

Impairment

All loans and advances are subject to regular management review to assess whether there is any objective evidence of impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment provisions against Loans and Receivables are only raised for "incurred losses" (once objective evidence is obtained that a loss event has occurred) not anticipated future losses. Loan impairment is calculated as the difference between the carrying amount and the present value of estimated future cash flows, including possible foreclosure recoveries and associated costs, discounted at the loan's original effective interest rate.

Significant loans and loans in arrears 120 days or greater are assessed individually for impairment. Smaller and less delinquent loans are impairment tested in portfolios based upon similar risk profiles using objective evidence, which may be historical experience adjusted to accommodate the effects of current conditions at each balance date.

Bad debts are written off when identified. Bad loans are written off against the Provision for Impaired Loans. Adjustments to the Provision for Impaired Loans are taken to the Statements of Profit or Loss and Other Comprehensive Income and reported with Impairment Losses. Recovery of loans previously written off is recognised in the Statements of Profit or Loss and Other Comprehensive Income only when the amount has been received from the debtor.

Statutory reporting requirements for Impaired Loans

All loans and advances are reviewed and graded according to the anticipated level of credit risk. AASB 7 *Financial Instruments: Disclosures* prescribes specific reporting requirements of impaired loans, acquired assets and past-due loans.

The following classifications have been adopted:

Restructured loans are those where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member and the revised terms are not comparable to new facilities.

Past-due loans are loans where the borrower has failed to make a repayment when contractually due. Provision for these loans is made according to the period of arrears and with regard to the underlying security.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (continued)

(r) Loans and Advances (continued)

Assets acquired through the enforcement of security are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

Loans and Advances – Provision for Impairment

The components of the aggregate provision as set out in note 9 are described in the following paragraphs.

Specific Provision

The specific provision against impaired loans exists to provide for loans that are 120 days or more in arrears (being a loss event) and for which there is evidence based on past history that a loss will occur and impact on future cash flows. The dynamic arrears-based loss provision is calculated based on current credit delinquency, historical default probabilities and rates of loss in the event of default.

Collective Provision

The collective provision against impaired loans exists to provide for overdrawn and over-limit revolving credit facilities and loans that are less than 120 days in arrears (being a loss event) and for which there is evidence based on past history that a loss will occur and impact on future cash flows.

The statutory collective component of the provision is contingent upon the length of time loan repayments are in arrears and the security held. The provision varies according to the type of security attached to the loan and the number of days each loan is in arrears.

Reversals of Impairment Losses

An impairment loss in respect of Loans and Advances carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. 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 if no impairment loss had been recognised.

General Reserve for Credit Losses

In accordance with APRA Prudential Regulations a General Reserve for Credit Losses is maintained. This reserve exists to provide an additional reserve against possible volatility in future cash flows as a result of unexpected loan defaults. This reserve is raised to recognise that loans that are not currently in arrears have a probability of future loss, and that loans that are provided for may result in a higher loss due to changed circumstances.

The reserve is calculated based on current non-delinquent credit balances, historical default probabilities and loss in the event of default rates plus a calculated stress scenario loss for mortgage secured exposures and adjusted for expected changes in economic default drivers and internal credit risk appetite.

(s) Member Share Capital

Withdrawable member share capital (redeemable preference shares) is classed as a liability (at amortised cost) and is therefore reported under the classification of Deposits from members (Note 17). Each member holds one redeemable preference share.

The Redeemed Share Reserve represents the amount of Preference Shares redeemed by the Company during the period 1 July 1999 to the date of this financial report. The Corporations Act 2001 requires that redemption of these shares is to be made out of retained profit or through a new issue of shares for the purpose of the redemption. Since the value of the shares redeemed have been paid to the members in accordance with the terms and conditions of the share issue, the account balance represents the amount of profits appropriated to the account for the period stated above.

(t) Other Receivables

Receivables are recorded at amounts due less any allowance for impairment and are classified as loans and receivables.

(u) Placements with Other Financial Institutions

Placements with other financial institutions are classified as held to maturity financial instruments and are reported exclusive of accrued interest. Income is recognised when earned. Term deposits with financial institutions are recorded at amortised cost.

Investments in Bank Bills and Bank Bonds are recorded at cost plus or minus any amount taken into account for discounts or premiums arising at acquisition. Discounts or premiums are amortised over the period of investment through the Statements of Comprehensive Income so that the investments attain their redemption values by maturity date. Any profits or losses arising from the sale of placements with other financial institutions prior to maturity are taken to the Statements of Profit or Loss and Other Comprehensive Income in the period in which they are realised.

(v) Preference Share Capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Company's Board.

(w) Property, Plant and Equipment

Assets acquired are initially recorded at the cost of acquisition, being the fair value of the consideration provided plus costs incidental and directly attributable to the acquisition.

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Consolidated Entity in future years, otherwise the costs are expensed as incurred.

Items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is provided on property, plant and equipment and is calculated on a straight line basis from the date the asset is held ready for use so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The following estimated useful lives are used in the calculation of depreciation:

	For Current and Comparable Period
Buildings	40 years
Fit-out and leasehold improvements	5 to 10 years
Plant and equipment	3 to 7 years

Held for sale assets

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. Thereafter the assets are generally measured at the lower of their carrying amount or fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses are recognised in profit or loss.

(x) Provisions

Provisions are recognised when the Consolidated Entity has a present, legal or constructive obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the expected consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation and those cash flows are discounted to the present value where appropriate.

(y) Revenue Recognition

Dividend Income

Dividend income is recognised when the right to receive the dividend has been established, which in the case of unlisted securities is when the dividend is declared.

Interest Revenue

Interest revenue on loans (other than loans designated as "non-accrual") is recognised using the effective interest method on an accrual basis taking into consideration the interest rate applicable to the financial assets. Loan establishment fees are also included in the effective interest rate method and are amortised over the life of the loan. Other transactions related loan fees, including loan break fees, are recognised at the point of rendering the service to the member and reported as part of Other Income.

Due to the short term nature and reviewability of Revolving Credit facilities, all associated fees, including establishment fees, are recognised at the time the related service is performed.

Rendering of Services

Wealth Management fees and commissions are recognised on an accruals basis or when services have been rendered.

Sale of Assets

Income from the sale of assets is recognised when the significant risks and rewards of ownership of the asset passes from the Consolidated Entity to the buyer.

	CONSOLIDATED		COMPANY	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
2 REVENUE				
Revenue from operations consisted of the following items:				
Interest revenue	**234,012**	213,379	**234,012**	213,379
Fair value adjustment on interest rate swaps	**13**	158	**(1,091)**	(1,100)
Other income				
Fees and commissions				
- Loan fee income	**2,696**	3,173	**2,696**	3,173
- Securitised loan management fees	**62**	138	**94**	163
- Wealth management income	**3,716**	3,710	**-**	-
- Member fee income	**4,618**	4,512	**4,618**	4,512
- Insurance commissions	**4,965**	5,404	**4,965**	5,404
- Other commissions	**4,000**	4,284	**4,000**	4,284
Income from property	**294**	302	**294**	302
Recovery of loans and advances previously written off	**386**	352	**386**	352
Dividend income	**1,586**	1,797	**1,586**	1,797
Other	**429**	687	**1,109**	1,026
Total other income	**22,752**	24,359	**19,748**	21,013
Total revenue	**256,777**	237,896	**252,669**	233,292

	CONSOLIDATED		COMPANY	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
3 EXPENSES				
Profit before income tax expense has been arrived at after charging the following expenses:				
Interest expense	**109,825**	99,777	**111,038**	100,918
Bad debts written off	**3,011**	1,722	**3,011**	1,722
Increase in impairment provisions	**1,033**	188	**1,033**	171
Impairment adjustment for intangible assets - customer lists	**-**	238	**-**	-
Impairment losses	**4,044**	2,148	**4,044**	1,893
Business combination costs	**557**	-	**450**	-
Other expenses				
Depreciation				
- Plant and equipment	**1,658**	1,439	**1,643**	1,427
- Building	**208**	142	**208**	142
- Leasehold improvements	**2,504**	2,106	**2,417**	2,021
	4,370	3,687	**4,268**	3,590
Amortisation				
- Customer Lists	**48**	38	**-**	-
- Software	**1,195**	893	**1,195**	893
	1,243	931	**1,195**	893
Staff costs	**48,800**	45,536	**46,383**	43,051
Contributions to defined contribution superannuation funds	**4,177**	3,930	**3,959**	3,705
Provision for employee entitlements	**955**	1,142	**925**	1,071
General administrative expenses				
- Fee and commission expense	**10,510**	9,930	**10,510**	9,930
- Information technology	**11,575**	10,591	**11,504**	10,516
- Occupancy	**2,776**	2,561	**2,757**	2,492
- Brand and marketing	**5,572**	5,882	**5,552**	5,860
- Printing and stationery	**476**	500	**456**	475
- Communication	**2,629**	2,517	**2,594**	2,484
Other operating expenses	**7,011**	7,214	**8,202**	6,885
Operating lease rentals	**7,900**	7,996	**7,813**	7,855
Net loss on disposal of property, plant and equipment	**7**	173	**7**	173
Total other expenses	**108,001**	102,590	**106,125**	98,980
Total non interest expense	**112,602**	104,738	**110,619**	100,873
Total expenses	**222,427**	204,515	**221,657**	**201,791**

	CONSOLIDATED		COMPANY	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
4 INCOME TAXES				
(a) Income tax recognised in the Statements of Profit or Loss and Other Comprehensive Income				
Tax expense comprises:				
Current tax expense				
Current year	**9,606**	9,468	**9,439**	9,377
Adjustments recognised in the current year in relation to prior years	**(110)**	(816)	**(127)**	(816)
	9,496	8,652	**9,312**	8,561
Deferred tax expense				
Origination and reversal of temporary differences	**(136)**	600	**(107)**	585
Total tax expense	**9,360**	9,252	**9,205**	9,146
The prima facie income tax on profit from operations reconciles to the income tax provided in the financial statements as follows :				
Profit from operations	**34,801**	33,977	**31,463**	32,097
Income tax expense calculated at 30% (2017: 30%)	**10,440**	10,193	**9,439**	9,629
Franked dividends received	**(476)**	(539)	**(476)**	(539)
Deferred tax on equity accounted associates	**(136)**	(179)	**(136)**	(179)
Net fair value adjustment on interest rate swaps	**(4)**	(47)	**327**	330
Other sundry items	**(219)**	40	**284**	136
Change in recognised temporary differences	**(136)**	600	**(107)**	585
	(971)	(125)	**(108)**	333
Under/(Over) provision of income tax in previous year	**(109)**	(816)	**(126)**	(816)
Income tax expense	**9,360**	9,252	**9,205**	9,146

	CONSOLIDATED		COMPANY	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
4 INCOME TAXES (CONTINUED)				
(b) Income tax recognised directly in equity				
The following deferred amounts were charged directly to equity during the period:				
Deferred tax arising from business combinations	**(337)**	-	**(320)**	-
Deferred tax on fair value change in available-for-sale investment securities	**(487)**		**(487)**	
	(824)	-	**(807)**	-
(b) Current tax balances				
Current Tax Assets comprise:				
Tax refund receivable	**-**	243	**-**	251
	-	243	**-**	251
Current Tax Liabilities comprise:				
Income tax payable	**242**	-	**153**	-
	242	-	**153**	-
(c) Deferred tax balances				
Deferred tax assets comprise:				
Other receivables	**-**	70	**-**	70
Net Loans and advances to members	**1,193**	1,075	**1,193**	1,075
Other financial assets	**102**	15	**102**	15
Property, plant and equipment	**4,707**	4,099	**4,613**	4,026
Intangible assets	**141**	733	**79**	733
Trade and Other payables	**1,290**	963	**1,277**	949
Employee benefits	**2,683**	2,524	**2,579**	2,418
Other	**165**	121	**165**	102
	10,281	9,600	**10,008**	9,388
Deferred tax liabilities comprise:				
Prepayments	**2**	1	**2**	1
Net Loans and advances to members	**108**	17	**108**	17
Equity accounted investments	**1,308**	1,172	**1,308**	1,172
Investment securities	**1,698**	1,949	**1,698**	1,949
Property, plant and equipment	**1,731**	1,271	**1,729**	1,269
Intangible assets	**481**	1,198	**441**	1,172
	5,328	5,608	**5,286**	5,580
Net deferred tax assets	**4,953**	3,992	**4,722**	3,808
(d) Franking credits				
Adjusted franking account balance (tax provision basis)			**167,343**	153,055
5 CASH AND CASH EQUIVALENTS				
Cash on hand and deposits at call	**73,412**	66,015	**73,412**	66,015
	73,412	66,015	**73,412**	66,015

	CONSOLIDATED		COMPANY	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
6 PREPAYMENTS AND OTHER RECEIVABLES				
Prepayments and other receivables	**23,044**	4,272	**22,764**	3,979
Allowance for impairment	**-**	(18)	**-**	-
	23,044	4,254	**22,764**	3,979
Interest receivable	**3,822**	3,482	**3,822**	3,482
Amount receivable from controlled entities	**-**	-	**14**	266
	26,866	7,736	**26,600**	7,727

7 PLACEMENTS WITH OTHER FINANCIAL INSTITUTIONS				
Bank term deposits	**101**	-	**101**	-
Bank negotiated certificates of deposit and bonds	**600,638**	560,642	**600,638**	560,642
Other deposits	**11,289**	9,791	**11,289**	9,791
	612,028	570,433	**612,028**	570,433

8 NET LOANS AND ADVANCES TO MEMBERS				
Revolving credit loans	**139,803**	159,491	**139,803**	159,491
Term loans	**4,918,378**	4,561,862	**4,918,378**	4,561,862
Gross loans and advances	**5,058,181**	4,721,353	**5,058,181**	4,721,353
Provision for impairment	**(3,977)**	(3,583)	**(3,977)**	(3,583)
Net loans and advances	**5,054,204**	4,717,770	**5,054,204**	4,717,770

(a) Concentration of risk

The loan portfolio of the Consolidated Entity includes no loans, or groups of loans that represent greater than 10% of capital. An analysis of the concentration of the Consolidated Entity's loans and advances by geographic location is provided below:-

• South Australia	**1,871,526**	1,843,411	**1,871,526**	1,843,411
• Western Australia	**1,193,731**	1,165,502	**1,193,731**	1,165,502
• Australian Capital Territory	**799,193**	779,016	**799,193**	779,016
• New South Wales	**859,890**	671,828	**859,890**	671,828
• Other	**333,841**	261,596	**333,841**	261,596
Gross loans and advances	**5,058,181**	4,721,353	**5,058,181**	4,721,353

8 NET LOANS AND ADVANCES TO MEMBERS (CONTINUED)

(b) Securitised loans

The Company has established The Barton securitisation program to provide a diversified and longer term source of funding compared to previous wholesale funding options. The Company sells the rights to future cashflows of eligible residential home loans into The Barton program and receives funds equal to the aggregated outstanding balances on all loans which The Barton program has purchased and then subsequently issued Notes for investors to invest in. Whilst the cashflows have been transferred, the Company has been appointed to service the loans. In practical terms, the Company's obligation is to continue to manage the loans as if it were the lender.

The transfer of a financial asset is dependant upon the extent to which the risks and rewards of ownership are transferred. In the case of loans securitised with The Barton program it has been determined that the Company substantially retains the risks and rewards of ownership and hence continues to recognise the assets for financial reporting purposes. The balance at year end is separately disclosed below with a liability to Barton Trusts for the equivalent amount being recognised under Note 19 – Borrowings.

The risks associated with The Barton securitised loans relate to the potentially variable nature of the cashflows received by the Company for servicing the loans. In addition, the Company currently owns The Barton subordinated note tranches and is therefore exposed to first loss credit risk in respect of Barton loans. These risks are managed by the Company.

Securitised Loan Funding is provided through Perpetual Corporate Trust Limited ("Perpetual").

In addition to The Barton program, the Company has used Integris Securitisation Services Pty Ltd ("Integris") to provide funding for future lending. The sale of loans to Integris is considered to be a clean sale of loan receivables that effectively transfers the risks and rewards of ownership and hence these loans are treated as off-balance sheet.

	CONSOLIDATED		COMPANY	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
On-Balance sheet securitised loans (The Barton Program)	**980,991**	727,525	**980,991**	727,525
Associated funding received from Notes issued	**947,834**	685,535	**947,834**	685,535
The fair value of securitised loans and the associated bank facilities are substantially the same as the carrying amount.				
Off-Balance sheet securitised loans	**14,817**	17,292	**14,817**	17,292

	CONSOLIDATED		COMPANY	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
9 IMPAIRMENT OF LOANS AND ADVANCES				
The policy covering impaired loans and advances is set out in Note 1.				
Specific provision for impairment				
Balance at beginning of financial year	**2,469**	2,371	**2,469**	2,371
Bad debts written off	**(3,012)**	(1,722)	**(3,012)**	(1,722)
Acquired through business combinations	**328**	-	**328**	-
Impaired loan expense	**3,045**	1,820	**3,045**	1,820
Closing specific provision for impairment	**2,830**	2,469	**2,830**	2,469
Collective provision for impairment				
Balance at beginning of financial year	**1,114**	1,041	**1,114**	1,041
Impaired loan expense	**33**	73	**33**	73
Closing collective provision for impairment	**1,147**	1,114	**1,147**	1,114
Total provision for impairment	**3,977**	3,583	**3,977**	3,583
Past-due loan balances				
With provision for impairment	**34,475**	31,364	**34,475**	31,364
Provision for impairment	**(3,977)**	(3,583)	**(3,977)**	(3,583)
Without provision for impairment	**123,280**	98,925	**123,280**	98,925
Net past-due loans	**153,778**	126,706	**153,778**	126,706
Past-due loans with no provision are mortgage loans that are fully secured by real property and no loss is expected even in the event of enforcement and subsequent repossession and sale.				
(a) Interest revenue on non-accrual and restructured loans	**-**	-	**-**	-
(b) Interest foregone on non-accrual and restructured loans	**546**	57	**546**	57
(c) Net fair value of assets acquired through the enforcement of security during the financial year	**2,139**	777	**2,139**	777

Notes to the Financial Statements

10 BUSINESS COMBINATIONS

The Company accepted a total voluntary transfer of My Credit Union Limited ("MYCU") on 1 February 2018 under the Financial Sector (Business Transfer and Group Restructure) Act 1999 (Cth). No consideration was paid under this transaction. MYCU's business was assessed for Identifiable Intangible Assets and none were recognised by the Company because their values are not material.

The Group acquired some of the assets of wealth management business WB Financial Investments Pty Ltd ("WB") in April 2018. The Acquisition resulted in recognition of Goodwill and Identifiable Intangible Assets.

'Business combinations enable the Consolidated Entity to offer its members enhanced access and a broader range of products and services. In addition, its increased scale will enhance its ability to pursue its strategic goals, further spread its geographic risks, improve operating efficiency and provide increased opportunities for its staff.

	CONSOLIDATED		COMPANY	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Details of business combinations are as follows:				
Consideration				
Cash	**832**	-	**-**	-
Deferred purchase consideration	**276**	-	**-**	-
	1,108	-	**-**	-
Fair value of net assets acquired				
Assets				
Cash and cash equivalents	**11,241**	-	**11,241**	-
Prepayments and other receivables	**334**	-	**334**	-
Placements with other financial institutions	**43,433**		**43,433**	
Net Loans and advances to members	**160,757**	-	**160,757**	-
Investment securities	**1,452**	-	**1,452**	-
Property, plant and equipment	**2,710**	-	**2,710**	-
Intangible assets- Capitalised software	**4**	-	**4**	-
Intangible assets- Customer lists	**452**	-	**-**	-
Deferred tax assets	**909**	-	**892**	-
Liabilities				
Deposits from members	**185,192**	-	**185,192**	-
Trade and Other payables	**2,001**	-	**2,001**	-
Provisions	**1,158**		**1,158**	-
Employee benefits	**476**	-	**419**	-
Current tax liabilities	**(32)**	-	**(32)**	-
Deferred tax liabilities	**572**	-	**572**	-
Net assets acquired	**31,925**	-	**31,513**	-
Equity				
Reserves	**1,291**	-	**1,291**	-
Retained earnings	**30,222**	-	**30,222**	-
Net assets less equity acquired	**412**	-	**-**	-
Goodwill on acquisition	**696**	-	**-**	-

Notes to the Financial Statements

11 EQUITY ACCOUNTED INVESTMENTS

The Company is a shareholder in Data Action Pty Ltd ("DA"). As a consequence of the merger with Alliance One Credit Union Limited ("A1") on 1 July 2013, the Company's shareholding in DA increased. Upon initial adoption of revised Accounting Standard AASB 128 Investments in Associates and Joint Ventures it was determined that significant influence existed from that date.

The Company has determined that significant influence exists because it has representation on the Board of DA, along with meeting additional criteria for assessing influence including holding more than 20% of the voting power of DA.

Profit sharing is based on relative shareholding.

	CONSOLIDATED		COMPANY	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Investment in Associate	**6,113**	5,661	**6,113**	5,661
Profit Share interest	**28.30%**	28.30%	**28.30%**	28.30%
Share of associate's balance sheet				
Current assets	**4,509**	5,016	**4,509**	5,016
Non-current assets	**4,331**	3,578	**4,331**	3,578
	8,840	8,594	**8,840**	8,594
Current liabilities	**1,935**	2,041	**1,935**	2,041
Non-current liabilities	**529**	573	**529**	573
	2,464	2,614	**2,464**	2,614
Net Assets	**6,376**	5,980	**6,376**	5,980
Share of associate's profit or loss				
Revenue	**10,265**	12,882	**10,265**	12,882
Profit/(loss) before income tax	**2,118**	1,961	**2,118**	1,961
Income tax expense	**676**	488	**676**	488
Profit/(loss) after income tax	**1,442**	1,473	**1,442**	1,473
Dividends received	**991**	877	**991**	877
Total Share of net profit of associates	**451**	596	**451**	596

12 INVESTMENT SECURITIES

	CONSOLIDATED		COMPANY	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Unlisted shares at cost				
- Controlled entities	**-**	-	**2,061**	2,061
- Available-for-sale investment securities	**1,689**	1,689	**1,689**	1,689
	1,689	1,689	**3,750**	3,750
Unlisted shares at fair value				
- Available-for-sale investment securities	**13,361**	13,533	**13,361**	13,533
Total investment securities	**15,050**	15,222	**17,111**	17,283

Available-for-sale investment securities carried at cost are investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured because the information about these companies that would be required to estimate their fair value is not readily available. Available-for-sale investment securities carried at fair value are investments in equity instruments of a company in which the Consolidated Entity acquired additional shares in 2008 from a willing seller in an arms length transaction. The 2008 purchase price applicable to this transaction was applied to the Consolidated Entity's entire holding as the shares' fair value. Under Australian Accounting Standards, Beyond Bank is obliged to assess the fair value of its equity investments at each reporting date. This assessment as at 30 June 2018 concluded that a downward fair value adjustment was appropriate for the investment in Cuscal Ltd due to changed operating conditions. As a result the carrying amount of the Consolidated Entity's aggregate equity investment in Cuscal Ltd was adjusted downward by $1.623m ($1.136m net of tax) through Other Comprehensive Income.

Investment in controlled entities

All controlled entities are domiciled in Australia.
Investment in controlled entities comprises:

	CONSOLIDATED ENTITY INTEREST	
	2018	2017
Name	**%**	%
Eastwoods Wealth Management Pty Ltd	**100**	100
Eastwoods Group Ltd	**100**	100
Beyond Employee Benevolent Fund Pty Ltd	**100**	100
Community CPS Services Pty Ltd	**100**	100
Beyond Bank Australia Foundation Ltd	**100**	100
Beyond Bank Australia Master Support Fund	**100**	100
Beyond Bank Australia Master DGR Fund	**100**	100
The Barton W Warehouse Trust	**100**	100
The Barton A Warehouse Trust	**100**	100
The Barton Series 2011-1 Trust	**100**	100
The Barton Series 2013-1R Trust	**100**	100
The Barton Series 2014-1 Trust	**100**	100
The Barton Series 2017-1 Trust	**100**	-

Eastwoods Wealth Management Pty Ltd is wholly owned by Eastwoods Group Ltd.

Beyond Bank Australia Foundation Ltd is a public company limited by guarantee with the Company being the sole $100 guarantor.

Beyond Bank Australia Foundation Master Support Fund, Beyond Bank Australia Foundation Master DGR Fund, and Beyond Employee Benevolent Fund Pty Ltd are not-for-profit entities primarily involved in administering charitable donations.

In April 2011, the Company established a residential mortgage-backed securitisation (RMBS) program, The Barton program, and established The Barton Series 2011-1 Trust to purchase mortage loans it originated.

Under The Barton program the Company subsequently established the following facilities: The Barton W Warehouse in February 2012 and The Barton A Warehouse in August 2011, The Barton Series 2014-1 Trust in November 2014, The Barton Series 2017-1 in July 2017, and internal securitisation program The Barton Series 2013-1R Trust in May 2013.

Community CPS Services Pty Ltd was established in 2011 to manage the activity of the securitisation trusts.

13 PROPERTY, PLANT AND EQUIPMENT		Land & Buildings at deemed cost	Fit-out & Leasehold Improvements at cost	Plant & Equipment at cost	Total
Consolidated	Note	$'000	$'000	$'000	$'000
Gross Carrying Amount					
Balance at 30 June 2016		5,280	23,353	19,513	48,146
Additions		-	4,336	2,214	6,550
Disposals		(95)	(1,504)	(2,089)	(3,688)
Balance at 30 June 2017		5,144	26,226	19,638	51,008
Transfers between asset classes within the entity		(72)	-	72	-
Acquisitions through business combinations	10	3,042	-	708	3,750
Additions		130	1,655	1,362	3,147
Disposals		-	(1,243)	(2,411)	(3,654)
Balance at 30 June 2018		**8,244**	**26,638**	**19,369**	**54,251**
Accumulated depreciation					
Balance at 30 June 2016		1,677	14,387	16,081	32,145
Transfers between asset classes within the entity		(3)	3	-	-
Disposals		(9)	(1,421)	(2,082)	(3,512)
Depreciation Expense	3	113	2,135	1,439	3,687
Balance at 30 June 2017		1,778	15,104	15,438	32,320
Transfers between asset classes within the entity		(56)	-	56	-
Acquisitions through business combinations	10	642	-	398	1,040
Disposals		-	(1,231)	(2,398)	(3,629)
Depreciation Expense	3	208	2,504	1,658	4,370
Balance at 30 June 2018		**2,572**	**16,377**	**15,152**	**34,101**
Net Book Value					
As at 30 June 2017		3,366	11,122	4,200	18,688
As at 30 June 2018		**5,672**	**10,261**	**4,217**	**20,150**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		Land & Buildings at deemed cost	Fit-out & Leasehold Improvements at cost	Plant & Equipment at cost	Total
Company	Note	$'000	$'000	$'000	$'000
Gross carrying amount					
Balance at 30 June 2016		5,280	22,687	19,415	47,382
Additions		-	4,333	2,205	6,538
Disposals		(95)	(1,504)	(2,089)	(3,688)
Balance at 30 June 2017		5,144	25,557	19,531	50,232
Transfers between asset classes within the entity		(72)	-	72	-
Acquisitions through business combinations	10	3,042	-	708	3,750
Additions		130	1,642	1,338	3,110
Disposals		-	(1,243)	(2,408)	(3,651)
Balance at 30 June 2018		**8,244**	**25,956**	**19,241**	**53,441**
Accumulated depreciation					
Balance at 30 June 2016		1,677	14,192	16,032	31,901
Transfers between asset classes within the entity		(3)	3	-	-
Disposals		(9)	(1,421)	(2,082)	(3,512)
Depreciation expense	3	113	2,050	1,427	3,590
Balance at 30 June 2017		1,778	14,824	15,377	31,979
Transfers between asset classes within the entity		(56)	-	56	-
Acquisitions through business combinations	10	642	-	398	1,040
Disposals		-	(1,231)	(2,396)	(3,627)
Depreciation expense	3	208	2,417	1,643	4,268
Balance at 30 June 2018		**2,572**	**16,010**	**15,078**	**33,660**
Net book value					
As at 30 June 2017		3,366	10,733	4,154	18,253
As at 30 June 2018		**5,672**	**9,946**	**4,163**	**19,781**

An independent valuation of the Consolidated Entity's land and buildings at Mawson, ACT, was performed as at 23 March 2015 by Mr J. Lovell A.A.P.I. of CBRE Valuations Pty Ltd to determine the fair value of the land and buildings. The valuation was performed on the basis of the Controlled Entity occupying the majority of the building and a sub-lease being in place that valued the property at $3.250m.

An independent valuation was obtained for the land and buildings at Homebush, NSW, acquired as a result of Consolidated Entity's merger with My Credit Union Limited during the period. The valuation was performed in January 2018 by Mr S Varrica of Raine & Horne Five Dock to determine the fair value of the land and buildings. The valuation considered the market value of the property on a vacant possession basis to be between $2.400m and $2.600m, the lower of which was used as the basis of the Business Combination entry.

Capital expenditure commitments for plant and equipment contracted for but not provided for and payable within one year are $348,494 (2017:$Nil). There are no capital commitments payable after one year (2017: $Nil).

	Note	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000	COMPANY 2018 $'000	COMPANY 2017 $'000
14 INTANGIBLE ASSETS - CAPITALISED SOFTWARE					
Gross carrying amount - Capitalised Software					
Balance at beginning of the financial year		**11,274**	11,157	**11,274**	11,157
Acquisitions through business combinations	10	**13**	-	**13**	-
Additions		**1,705**	1,005	**1,705**	1,005
Disposals		**(5,003)**	(888)	**(5,003)**	(888)
Balance at end of financial year		**7,989**	11,274	**7,989**	11,274
Accumulated Amortisation					
Balance at beginning of the financial year		**8,511**	8,506	**8,511**	8,506
Acquisitions through business combinations	10	**9**	-	**9**	-
Disposals		**(5,003)**	(888)	**(5,003)**	(888)
Amortisation expense	3	**1,195**	893	**1,195**	893
Balance at end of financial year		**4,712**	8,511	**4,712**	8,511
Net book value					
Balance at beginning of the financial year		**2,763**	2,651	**2,763**	2,651
Balance at end of financial year		**3,277**	2,763	**3,277**	2,763

15 INTANGIBLE ASSETS – CUSTOMER LISTS					
Balance at beginning of the financial year	10	**759**	1,036	**-**	-
Acquisitions through business combinations	3	**452**	-	**-**	-
Amortisation expense		**(48)**	(38)	**-**	-
Impairment expense		**-**	(239)	**-**	-
Balance at end of financial year		**1,163**	759	**-**	-

16 GOODWILL					
Balance at beginning of the financial year		**2,449**	2,449	**-**	-
Additional amounts recognised from business combinations occurring during the year	10	**696**	-	**-**	-
Balance at end of financial year		**3,145**	2,449	**-**	-

Goodwill is associated with the Consolidated Entity's Wealth Management cash-generating unit. The recoverable amount of the goodwill is based on its value in use; determined by discounting the future cash flows generated from the continuing use of these units based on the following key assumptions:-

- Forecast cash flows for the Wealth Management cash-generating unit are projected to grow on average 6.0% (2017: 4.5%) based on recent actual operating results, the Board approved budget for the coming Financial year, the Board approved forecast for the subsequent two Financial years and an extrapolated forecast for the following two Financial years (based on medium term growth trends) to provide a five year Cash flow forecast.
- The post-tax discount rate applied to the forecast cash-generating unit cash flows for Wealth Management 9.6% (2017: 9.3%) is based on the calculated weighted average cost of capital for each corresponding company using current risk free rates and applying applicable market Beta's, equity, small cap and credit premia. A long term growth rate into perpetuity of 3% (2017: 3%) was used to determined a terminal value. While differences in impairment calculations modelled under alternative key assumptions were generally not material, a post-tax discount rate in excess of 11.5% would lead to a conclusion that the goodwill may be impaired.

	Note	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000	COMPANY 2018 $'000	COMPANY 2017 $'000
17 DEPOSITS FROM MEMBERS					
Withdrawable member shares		**873**	756	**873**	756
Deposits from controlled entities at call		**-**	-	**6,022**	3,952
Call deposits		**2,269,215**	2,048,256	**2,269,215**	2,048,256
Term deposits		**2,090,324**	2,219,825	**2,090,665**	2,221,555
		4,360,412	4,268,837	**4,366,775**	4,274,519

Each member share entitles the holder to vote at a meeting of members (except if the member is a minor), to participate equally in any surplus upon winding up and to request its redemption at any time. The shares are not transferable and have no dividend entitlement.

The number of member shares at 30 June 2018 is 229,133 (2017: 209,925)

(a) Concentration of deposits

The deposit portfolio of the Company does not include any deposits or groups of deposits that represents a material concentration in terms of the source of liability.

18 TRADE AND OTHER PAYABLES	Note				
Unearned loan fee obligation		**844**	894	**844**	894
Deferred purchase consideration		**276**	462	**-**	-
Trade and other creditors		**15,245**	14,479	**15,061**	14,349
		16,365	15,835	**15,905**	15,243

19 BORROWINGS					
Subordinated debt		**-**	1,966	**-**	1,966
Securitised loan funding		**947,834**	685,535	**947,834**	685,535
		947,834	687,501	**947,834**	687,501

Securitised Loan Funding is provided through Perpetual Corporate Trust Limited ("Perpetual").

Funding provided through Perpetual is in its capacity as Trustee for the The Barton Series Trusts. Under the transaction documents for these facilities, The Barton Series Trusts acquire residential mortgages originated by the Company. The acquisition of these residential mortgages by each of the Series Trusts is funded by Notes issued from those Trusts. The Master Trust Deed established for each structure does not have an expiry date. The maturity profile of the Issued Notes are effectively tied to the maturity profile of the associated securitised loans and has been disclosed accordingly at Note 33(b). The Barton Series 2017-1 Trust was established as a new Series trust in July 2017.

Warehouse securitisation funding under The Barton trust program is also provided by Perpetual in its capacity as Trustee of The Barton A Warehouse Trust and The Barton W Warehouse Trust. The Barton A Warehouse Trust was established in August 2011, expires in October 2018 and, under its transaction documents, acquires residential mortgages originated by the Company with funding provided by Australia and New Zealand Banking Group. The Barton W Warehouse Trust was established in February 2012, expires in May 2019 and, under its transaction documents, acquires residential mortgages originated by the Company with funding provided by Westpac Banking Corporation and Waratah Finance. Both warehouse facilities can be renewed with the agreement of the relevant parties.

	CONSOLIDATED		COMPANY	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
20 OTHER FINANCIAL ASSETS/(LIABILITIES)				
At fair value:				
Interest rate swap assets	**2,699**	3,410	**2,699**	3,354
Interest rate swap liabilities	**(2,341)**	(3,355)	**(147)**	-
	358	55	**2,552**	3,354

In certain circumstances the Company has the right to set-off the amounts due to/owed from interest rate counter parties for the above interest rate swap instruments.

The impact of netting off would not have a material impact on the reported financial position of the Company.

21 PROVISIONS				
Provision for Dividends				
Balance at beginning of financial year	**16**	16	**16**	16
Dividends declared	**19**	22	**19**	22
Dividends paid	**(20)**	(22)	**(20)**	(22)
Balance at end of financial year	**15**	16	**15**	16
22 SHARE CAPITAL				
D Class shares				
Balance at beginning of financial year	**681**	689	**686**	694
Redeemed out of (retained) profits during the year	**(74)**	(8)	**(74)**	(8)
Balance at end of financial year	**607**	681	**612**	686

D Class shares are non-cumulative redeemable preference shares with no voting rights additional to those attributable to the holder's member share and are redeemable at the option of the Company. The dividend rate is determined by the Board every six months and paid annually. At 30 June 2018, there were 612,200 D Class shares on issue fully paid to $1 per share (2017: 686,200).

23 RESERVES

Asset revaluation reserve
Upward (or subsequent downward) adjustments to the carrying value of assets are recorded in the asset revaluation reserve.

Redeemed share reserve
Upon a member ceasing membership with the Company or redeeming a D Class Share out of retained profit the redeemed share reserve is used.

General reserve for credit losses
In accordance with APRA Prudential Regulations a General Reserve for Credit Losses is maintained. This reserve exists to provide an additional reserve against possible volatility in future cash flows as a result of unexpected loan defaults.

Transfer of business reserve
Mergers with other mutual entities are accounted for by recognising the identifiable assets and liabilities of the transferring entity on the Statements of Financial Position at their fair value at the date of merger. The excess of the fair value of assets taken up over liabilities assumed is taken directly to equity as a reserve.

Notes to the Financial Statements

	CONSOLIDATED		COMPANY	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
24 RETAINED EARNINGS				
Balance at beginning of financial year	**285,758**	266,431	**282,549**	264,996
Transfer to general reserve for credit losses	**(144)**	(5,345)	**(144)**	(5,345)
Transfer to redeemed member share reserve	**(110)**	(31)	**(110)**	(31)
Available for sale financial asset net change in fair value	**(1,136)**	-	**(1,136)**	-
Net profit attributable to members	**25,441**	24,725	**22,258**	22,951
Dividends	**(20)**	(22)	**(20)**	(22)
Balance at end of financial year	**309,789**	285,758	**303,397**	282,549

25 NOTES TO THE STATEMENTS OF CASH FLOWS				
(a) Reconciliation of profit to net cash flows from operating activities:				
Profit for the period	**25,441**	24,725	**22,258**	22,951
Impairment losses	**4,044**	2,148	**4,044**	1,893
Depreciation and amortisation of non current assets	**5,611**	4,618	**5,461**	4,482
Business combination costs classified as cash flows from investing activities	**557**	-	**450**	-
Share of net profit of associates	**(451)**	(596)	**(451)**	(596)
Net (Gain) / Loss on sale of plant and equipment	**7**	173	**7**	173
Changes in assets and liabilities				
Decrease / (Increase) in loans, advances and other receivables	**(180,008)**	(591,483)	**(180,008)**	(591,483)
Decrease / (Increase) in placements with other financial institutions	**1,838**	(46,872)	**1,838**	(46,872)
Decrease / (Increase) in interest receivable	**(122)**	(310)	**(122)**	(310)
Decrease / (Increase) in prepayments and other receivables	**(19,600)**	2,807	**(19,595)**	2,774
Decrease / (Increase) in other financial assets	**(13)**	(158)	**1,091**	1,100
Decrease / (Increase) in deferred tax assets	**(153)**	600	**(107)**	585
Increase / (Decrease) in deposits from members	**(93,977)**	487,188	**(93,297)**	488,229
Increase / (Decrease) in other borrowings	**260,333**	146,517	**260,333**	146,517
Increase / (Decrease) in interest payable	**(423)**	3,266	**(423)**	3,266
Increase / (Decrease) in employee entitlements	**53**	399	**120**	377
Increase / (Decrease) in current tax asset	**517**	(1,594)	**436**	(1,624)
Increase / (Decrease) in other creditors	**(735)**	(2,050)	**(786)**	(1,763)
Net cash from operating activities	**2,919**	29,378	**1,249**	29,699

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000	COMPANY 2018 $'000	COMPANY 2017 $'000

25 NOTES TO THE STATEMENTS OF CASH FLOWS (CONTINUED)

(b) Reconciliation of cash and cash equivalents

For the purposes of the Statements of Cash Flows, cash and cash equivalents includes cash on hand and in financial institutions and money market instruments readily convertible to cash within one working day, net of outstanding overdrafts.

Cash as 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;

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000	COMPANY 2018 $'000	COMPANY 2017 $'000
Cash and cash equivalents (Note 5)	**73,412**	66,015	**73,412**	66,015
Closing cash balance	**73,412**	66,015	**73,412**	66,015

(c) 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 to and withdrawals from deposit accounts
- Borrowings and repayments on loans, advances and other receivables
- Membership shares purchased and redeemed
- Dealings with other financial institutions.

(d) Financing facilities

The Company has access to the following financing facilities with Cuscal Ltd and The Barton Warehouse Trusts. The overdraft facility from Cuscal Ltd is secured by security deposits.

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000	COMPANY 2018 $'000	COMPANY 2017 $'000
Overdraft facility - Cuscal Ltd				
Approved limit (committed)	**40,000**	40,000	**40,000**	40,000
Balance at end of financial year	**-**	-	**-**	-
Unused credit at end of financial year	**40,000**	40,000	**40,000**	40,000
Loan securitisation funding - Barton W Warehouse Trust				
Approved limit (committed)	**250,000**	250,000	**250,000**	250,000
Balance at end of financial year	**223,000**	241,693	**223,000**	241,693
Unused credit at end of financial year	**27,000**	8,307	**27,000**	8,307
Loan securitisation funding - Barton A Warehouse Trust				
Approved limit (committed)	**150,000**	250,000	**150,000**	250,000
Balance at end of financial year	**147,720**	238,071	**147,720**	238,071
Unused credit at end of financial year	**2,280**	11,929	**2,280**	11,929

All facilities are reviewed annually and therefore contractually mature within one year

26 OPERATING LEASES

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000	COMPANY 2018 $'000	COMPANY 2017 $'000
Non-cancellable operating lease payments				
Less than 1 year	**8,999**	8,108	**8,494**	7,674
Between 1 and 5 years	**24,221**	21,863	**23,061**	20,422
Beyond 5 years	**16,058**	16,347	**16,058**	16,347
	49,278	46,318	**47,613**	44,443
Non-cancellable operating lease commitments receivable				
Less than 1 year	**316**	193	**316**	193
Between 1 and 5 years	**619**	159	**619**	159
Beyond 5 years	**-**	-	**-**	-
	935	352	**935**	352

Operating Leases - as Lessee

Occupancy - The Consolidated Entity has entered into lease arrangements for periods up to 15 years, for the occupancy of business premises. The total amount of rental expense recognised in the financial year, in relation to occupying these premises was $7,900,141 (2017: $7,996,061). This represents the minimum lease payments. There are no contingent rental clauses.

The occupancy leases have varying option clauses to extend up to 5 years and contain market review clauses in the event that the Consolidated Entity exercises its option to renew. The Consolidated Entity does not have an option to purchase the leased asset at the expiry of the lease period.

Motor Vehicles - The Consolidated Entity has entered into lease arrangements for periods up to 5 years, for the operation of these assets. The total amount of rental expense recognised in the financial year, in relation to using the assets was $585,164 (2017: $504,404). This represents the minimum lease payments. The Consolidated Entity does not have an option to purchase the leased asset at the expiry of the lease period.

Operating Leases - as Lessor

The Company has entered into sub-lease arrangements with external parties for occupancy of leased space for periods of up to 3 years.

Rental Income recognised by the Consolidated Entity in the financial year was $122,539 (2017: $86,157).

	CONSOLIDATED		COMPANY	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
27 EMPLOYEE BENEFITS				
(a) Employee entitlements				
Provision for employee benefits - current				
- Annual leave	**4,118**	3,896	**3,951**	3,748
- Long service leave - current	**486**	525	**471**	504
	4,604	4,421	**4,422**	4,252
Provision for employee benefits - non current				
- Long service leave - non current	**4,339**	3,992	**4,175**	3,807
Total provision for employee benefits	**8,943**	8,413	**8,597**	8,059
Accrued Staff costs included in trade and other payables (Note 18)	**963**	925	**870**	837
Aggregate employee benefit and related on-cost liabilities	**9,906**	9,338	**9,467**	8,896

28 COMMITMENTS TO EXTEND CREDIT

Binding commitments to provide loan funding are agreements to lend to the member as long as there is no violation of any condition established in the contract. The total commitment amounts do not necessarily represent future cash requirements. The balance of undrawn credit limits are commitments which can be unconditionally revoked at any time without notice and are subject to review at least annually.

	CONSOLIDATED		COMPANY	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Approved but undrawn loans	**104,089**	115,014	**104,089**	115,014
Approved but undrawn credit limits	**208,682**	220,774	**208,682**	220,774
	312,771	335,788	**312,771**	335,788

Notes to the Financial Statements

29 SIGNIFICANT ALLIANCES

The Company has significant alliances with the following suppliers of services:

Cuscal Ltd

This entity supplies the Company with rights to member cheques, Redi and Visa cards in Australia and provides services in the form of settlement with bankers for member cheques, electronic funds deposit, and Visa card transactions and provides the link for all member electronic funds transactions to the computer bureau which services the Company. The Company is a shareholder in Cuscal Ltd.

Data Action Pty Ltd

The Company is a shareholder in Data Action Pty Ltd, the computer bureau which provides the Company with a range of computing services.

Allianz Insurance Ltd

The Company is an agent of Allianz Australia Insurance Limited for the purpose of offering their specialised range of insurance products to members.

BT Financial Group

Eastwoods Wealth Management Pty Ltd has an agreement with Asgard Capital Management Ltd to provide administration services to financial planning clients and with BT Select to provide dealer-to-dealer services. Asgard and BT Select are both members of the BT Financial Group.

QBE Lenders Mortgage Insurance Limited Pty Ltd

The Company is an agent of QBE Lenders' Mortgage Insurance Limited for the purpose of offering their Lenders mortgage insurance products to members.

	CONSOLIDATED		COMPANY	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
30 AUDITOR'S REMUNERATION				
Amounts received or due and receivable by the auditors of the Consolidated Entity - KPMG :				
- auditing the financial report	**219**	188	**163**	146
- other regulatory activities	**91**	83	**87**	77
- other assurance services	**86**	62	**86**	62
- taxation services	**62**	106	**62**	106
- other consulting services	**84**	72	**84**	72
	542	511	**482**	463

The Board is satisfied that the provision of non-audit services has not compromised auditor independence.

No audit or other services were provided by practices related to the auditor of the Consolidated Entity.

Notes to the Financial Statements

31 KEY MANAGEMENT PERSONNEL DISCLOSURES

The following were key management personnel of the Company at any time during the reporting period.

Non-Executive Directors	Executives
A M O'Donnell (Chairman)	R Keogh (Chief Executive Officer)
S Nolis	W Matters (Deputy CEO and Chief Financial Officer)
G J Knuckey	R O'Brien (General Manager - Risk and Business Optimisation)
J L Leonard (Term Ended 28/11/17)	P Laforest (General Manager - Brand and Marketing)
S D Andersen	J Lipkiewicz (General Manager - Professional Services)
D J Nichol	P Rutter (General Manager - Community Development)
T J Bartlett	D Jiranek (General Manager - People and Culture)
R M Richardson (Term Commenced 1/2/2018)	N May (General Manager - Customer Experience)
J M Baker (Term Commenced 28/11/2017)	S Warwick (General Manager - Transformation) – to 15/9/2017

	CONSOLIDATED		COMPANY	
	2018 $	2017 $	2018 $	2017 $
Key management personnel compensation				
The aggregate compensation of the key management personnel of the Company at any time during the reporting period.				
Short term employee benefits	**3,914,860**	3,500,809	**3,914,860**	3,500,809
Other long term benefits	**3,852**	(1,658)	**3,852**	(1,658)
Post employment benefits	**291,704**	310,419	**291,704**	310,419
	4,210,416	3,809,570	**4,210,416**	3,809,570

The key management personnel compensation detailed above is included in staff costs (Note 3) with $681,557 (2017: $650,549) relating to Directors included in Other Operating Expenses (Note 3).

Other transactions with key management personnel - financial instruments				
Loans to key management personnel and their related parties				
Loans and overdrafts outstanding	**9,259,017**	8,493,460	**9,259,017**	8,493,460

Loans totalling $5,114,744 (2017: $7,290,245) were made to key management personnel during the year.

During the year key management personnel repaid $4,665,908 (2017: $8,504,471) of the balance outstanding on their loan.

Loans are either unsecured or secured by registered mortgage over the borrower's residences.

Interest received on the loans during the year totalled $316,720 (2017: $307,980).

Deposits from key management personnel and their related parties				
Deposit balances	**2,743,090**	3,494,433	**2,743,090**	3,494,433

Financial instrument transactions between key management personnel and the Company during the financial year were in the nature of normal personal banking, investment and deposit transactions. These transactions occurred on an arm's length basis and on normal commercial terms and conditions materially no more favourable than those given to other employees or members generally.

These terms and conditions have not been breached and no amounts have been written down or recorded as allowances as the balances are considered fully collectible.

Other transactions with key management personnel

Each key management member holds one Member share in the Company.

32 OTHER RELATED PARTY DISCLOSURES

Other related party transactions - ultimate parent entity
Community CPS Australia Ltd is the parent entity in the Consolidated Entity and the ultimate parent entity in the wholly owned group.

Other related party transactions - equity interests in controlled entities
Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 12 to the financial statements.

Other related party transactions - equity accounted associates
Data Action Pty Ltd provides a range of services, which includes computing services, stationary and communication, and received $9,113,905 (2017: $8,771,979) for services provided.

Other related party transactions - transactions within the wholly-owned group

The wholly-owned group includes:

- The ultimate parent entity in the wholly-owned group
- Controlled entities, listed in Note 12.

Amounts receivable and payable to entities in the wholly-owned group are disclosed in Note 6 to the financial statements.

Other transactions that occurred during the financial year between entities in the wholly-owned group were;

- Net changes in amounts payable/receivable to/from Eastwoods Wealth Management Pty Ltd - $243,854 (2017: $790,238)
- Interest charged on receivables during the year from Eastwoods Wealth Management Pty Ltd $NIL (2017: $Nil)
- The Company provides administrative support to its controlled entities across a range of services, including accounts payable processing, marketing support, property maintenance, Information Technology etc. The extent of this support is not material to the Company and no charges are levied for their provision
- The Company made donations totalling $1,881,250 (2017: $369,891) to the Beyond Bank Australia Foundation Master Support Fund and the Beyond Bank Australia Foundation Master DGR Fund
- A management fee of $63,425 (2017: $64,764) was charged by Eastwoods Group Ltd to Eastwoods Wealth Management Pty Ltd for management services provided
- A management fee of $1,066,577 (2017: $973,960) is paid to Community CPS Services Pty Ltd for trust management services in relation to The Barton Trusts.

'Payments received by the Company from each of the individual Barton Trusts are summarised in the following table;

Trust Name	Servicing Fees	Residual Income	Eligible Facilities	Total
30 June 2018				
The Barton W Warehouse Trust	585,093	559,584	-	**1,144,677**
The Barton A Warehouse Trust	479,784	500,989	-	**980,774**
The Barton Series 2011-1 Trust	181,809	413,620	188,949	**784,378**
The Barton Series 2013-1R Trust	1,197,123	1,839,976	1,431	**3,038,530**
The Barton Series 2014-1 Trust	432,216	920,324	620,801	**1,973,341**
The Barton Series 2017-1 Trust	1,097,307	4,049,042	5,200	**5,151,549**
30 June 2017				
The Barton W Warehouse Trust	553,510	372,324	-	**925,834**
The Barton A Warehouse Trust	682,854	1,162,624	-	**1,845,478**
The Barton Series 2011-1 Trust	226,833	511,059	226,275	**964,167**
The Barton Series 2013-1R Trust	1,196,847	2,164,754	526,845	**3,888,446**
The Barton Series 2014-1 Trust	546,767	1,180,226	784,989	**2,511,982**

33 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

The Company and Consolidated Entity as part of its daily operations is exposed to a range of risks. The management of these risk exposures involves a number of activities including the identification of particular risks, quantifying the risk exposure, implementing procedures to control and mitigate the risks, and risk reporting.

The Company and Consolidated Entity has in place an enterprise wide risk management process. The process is managed through its Board Risk Committee, the Board Audit Committee, and the Management Operations Risk Committee, and is supported by a documented risk management plan, risk policies and strategies, internal controls and procedures, and a Business Risk and Continuity Plan.

The risk management process involves establishing the context and the identification, analysis, evaluation, treatment, communication and ongoing monitoring of risks. A risk database has been established as part of the risk management process that utilises internationally recognised software enabling a structured and logical assessment and reporting of identified risks including their consequences and likelihood, and the assessment of established risk mitigation controls.

Risks of financial instruments are reported for the Consolidated Entity only as they are not materially different to those of the Company.

The Company does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Company's policies, as approved by the Board. Compliance with policies is reviewed by the risk management structure in place on a continuous basis, as discussed above.

(b) Liquidity risk management

Liquidity risk is the risk that the Consolidated Entity will encounter difficulties in meeting obligations from its financial liabilities. The Consolidated Entity's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Consolidated Entity has in place policies, information systems and a structured process to measure, monitor and manage liquidity risk. The key measure used by the Consolidated Entity for managing liquidity risk is the ratio of high quality liquid assets to its liabilities base, as defined in APRA Prudential Standards. The management process incorporates specific liquidity management strategies and liquidity contingency plans that manage liquidity on a daily basis under normal situations and assumed adverse scenarios. The liquidity strategy requires the holding of surplus funds in high quality liquid assets, the availability of appropriate standby lines of funding, maintenance of reliable sources of funding (retail and wholesale) and daily, medium and longer term liquidity projections.

APRA Prudential Standards place specific management and reporting requirements on banks in relation to liquidity risk. The Prudential Standards provide that liquidity strategies and liquidity holdings can be based on either a scenario analysis or on a minimum liquidity holdings basis. APRA has approved the adoption by the Company of a minimum liquidity holdings basis whereby the Company is required to maintain a minimum holding of 9% of its liabilities in specified high quality liquid assets at all times. The Company and the Consolidated Entity complied with all APRA liquidity requirements throughout the year.

	CONSOLIDATED	
	2018	2017
	%	%
Liquidity holdings	**13.27**	12.78

33 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk management (continued)

An analysis of residual contractual maturities of the Consolidated Entity's financial assets and liabilities is set out below. Expected maturity periods for Loans and Advances to Members are substantially shorter than contractual maturity dates.

Financial Instruments	< 1 mth	1-3 mths	3 mths-1 yr	1-5 yrs	> 5 yrs	No maturity specified	Total carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
i) Financial assets - 2018							
Cash and Deposits at call	**68,277**	**-**	**-**	**-**	**-**	**5,135**	**73,412**
Placements with other financial institutions	**81,250**	**82,585**	**258,210**	**178,592**	**-**	**11,391**	**612,028**
Loans and advances	**139,803**	**18,131**	**78,940**	**505,416**	**4,315,891**	**-**	**5,058,181**
Equity accounted investments	**-**	**-**	**-**	**-**	**-**	**6,113**	**6,113**
Investment securities	**-**	**-**	**-**	**-**	**-**	**15,050**	**15,050**
Total financial assets	**289,330**	**100,716**	**337,150**	**684,008**	**4,315,891**	**37,689**	**5,764,784**
ii) Financial liabilities - 2018							
Deposits from members	**2,582,085**	**645,082**	**1,024,901**	**107,471**	**-**	**873**	**4,360,412**
Borrowings	**-**	**-**	**370,720**	**-**	**577,114**	**-**	**947,834**
Other financial liabilities (net)	**-**	**(4)**	**(137)**	**(217)**	**-**	**-**	**(358)**
Total financial liabilities	**2,582,085**	**645,078**	**1,395,484**	**107,254**	**577,114**	**873**	**5,307,888**
Commitments to extend credit	**312,771**	**-**	**-**	**-**	**-**	**-**	**312,771**
i) Financial assets - 2017							
Cash and Deposits at call	61,265	-	-	-	-	4,750	66,015
Placements with other financial institutions	96,497	107,926	173,039	183,180	-	9,791	570,433
Loans and advances	159,491	19,794	71,304	552,116	3,918,648	-	4,721,353
Equity accounted investments	-	-	-	-	-	5,661	5,661
Investment securities	-	-	-	-	-	15,222	15,222
Total financial assets	317,253	127,720	244,343	735,296	3,918,648	35,424	5,378,684
ii) Financial liabilities - 2017							
Deposits from members	2,375,843	748,223	1,038,403	105,612	-	756	4,268,837
Borrowings	-	1,966	479,764	-	205,771	-	687,501
Other financial liabilities (net)	5	-	7	(67)	-	-	(55)
Total financial liabilities	2,375,848	750,189	1,518,174	105,545	205,771	756	4,956,283
Commitments to extend credit	335,788	-	-	-	-	-	335,788

Notes to the Financial Statements

33 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults

The Consolidated Entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statements of Financial Position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question. Collateral held takes the form of mortgage interests over real property, other registered securities and guarantees. The value of collateral held against individual exposures is generally only assessed at the time of borrowing or when a specific review of that exposure is undertaken in accordance with policy.

The Consolidated Entity minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of members within the specified categories. The majority of members are concentrated in South Australia, Western Australia, the Australian Capital Territory and regional New South Wales. Credit risk in loans receivable is managed through both up-front and ongoing risk assessment processes applied for all members, including affordability and security requirements, approval authorities and the securing of credit insurance for higher risk loans. Loan provisions are calculated as disclosed under Note 1 - Summary of Significant Accounting Policies.

The Group holds collateral against loans and advances to members in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral usually is not held against investment securities, and no such collateral was held at 30 June 2017 or 2018.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating of at least investment grade.

	CONSOLIDATED AND COMPANY			
Exposure to credit risk	**Loans and advances to members**		**Placements with other financial institutions**	
	2018	2017	**2018**	2017
Carrying amount	**$'000**	$'000	**$'000**	$'000
Individually impaired				
- Mortgage secured	**12,226**	9,757	**-**	-
- Other loans	**420**	709	**-**	-
Gross amount	**12,646**	10,466	**-**	-
Less: Allowance for impairment	**2,830**	2,469	**-**	-
Carrying amount	**9,816**	7,997	**-**	-
Collectively impaired:				
- Mortgage secured	**13,275**	13,126	**-**	-
- Other loans	**1,327**	1,347	**-**	-
- Overdrawn and overlimit savings	**7,228**	6,425	**-**	-
Gross amount	**21,830**	20,898	**-**	-
Less: Allowance for impairment	**1,147**	1,114	**-**	-
Carrying amount	**20,683**	19,784	**-**	-
Past due but not impaired				
- less than 30 days	**123,280**	98,925	**-**	-
- 30 days +	**-**	-	**-**	-
Carrying amount	**123,280**	98,925	**-**	-
Neither past due nor impaired				
Carrying amount	**4,900,425**	4,591,064	**612,070**	570,433
Total carrying amount	**5,054,204**	4,717,770	**612,070**	570,433

33 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain member, creditor and market confidence and to sustain future development of the business. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's medium term target is to achieve a return on equity of greater than 8%; during the year ended 30 June 2018 the return was 5.6% percent (2017: 5.9%). There were no changes in the Group's approach to capital management during the year.

(e) Capital adequacy

The management of the capital of a financial institution is a fundamental part of its risk management process as an essential element of capital is its availability to absorb future, unexpected and unidentified losses. As a mutual organisation, the Company's primary source of capital is retained earnings. The Company maintains an Internal Capital Adequacy Assessment Process to provide assurance that its capital holdings are commensurate with its risk exposures, it identifies future capital needs in advance and has plans in place to respond to unexpected capital deficiencies. Note 35 provides an outline of the Capital Adequacy of the Company.

(f) Market risk management

Market risk is the risk of exposure to changes to financial prices affecting the value of positions held by the Company as part of its normal trading activities. As the Company does not deal in foreign exchange contracts or commodities, market risk for the Group consists solely of interest rate risk.

Interest rate risk is managed in the following ways:

The Board has in place a market risk policy which establishes a methodology for the calculation, examination and reporting of the interest rate risk position on a regular basis. The policy sets risk limits above which the Company is required to actively hedge its exposure through the use of on-balance sheet methods or through financial instruments such as interest rate swaps.

Overall daily management of interest rate risk is vested in the Assets and Liability Committee (ALCO). The ALCO meets monthly and reviews the interest rate risk position and measures taken to manage that position. The ALCO is also responsible for reviewing all policies associated with market risk and treasury matters, making recommendations to the Board as required.

Two methods are used to measure interest rate risk, namely Market Value of Equity (MVE) and net interest income volatility with the MVE the preferred measure. The MVE method encompasses the price sensitivity of assets and liabilities and the value of the cash flows to maturity. The calculations are obtained through the use of specific modelling software using actual and projected financial information within defined interest rate scenarios of upward and downward shocks of 200 basis points. The net interest income approach is derived from the same modelling software utilising simulated income projections. A rudimentary gap analysis methodology is also employed. Refer to Note 33(h).

33 FINANCIAL INSTRUMENTS (CONTINUED)

(g) Interest rate risk management

The Company's activities primarily expose the Consolidated Entity to the financial risks of changes in interest rates. The Company utilises financial modelling techniques to identify the value at risk to net interest income and the market value of equity, given a number of assumed changes in market interest rates. The Board has in place a market risk policy which sets risk limits above which the Company is required to actively hedge its exposure through the use of on-balance sheet methods or through financial instruments such as interest rate swaps.

The Consolidated Entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at the balance date, which is not materially different to that of the Company, are as follows:

Financial Instruments	Variable int. rate	Fixed interest rate maturing in: < 1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	> 5 yrs	Non interest bearing	Total	Weighted av. effective int. rate
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
i) Financial assets - 2018										
Cash and Deposits at call	68,277	-	-	-	-	-	-	5,135	73,412	1.35%
Other receivables	-	-	-	-	-	-	-	26,866	26,866	n/a
Placements with other financial institutions	11,391	600,595	-	-	-	-	-	42	612,028	2.64%
Loans and advances	3,084,613	914,035	766,477	207,052	54,803	22,858	8,343	-	5,058,181	4.41%
Investment securities	-	-	-	-	-	-	-	15,050	15,050	n/a
Total financial assets	3,164,281	1,514,630	766,477	207,052	54,803	22,858	8,343	47,093	5,785,537	
ii) Financial liabilities - 2018										
Deposits from members	2,269,214	1,963,455	57,762	45,552	2,780	279	-	21,370	4,360,412	1.84%
Other payables	-	-	-	-	-	-	-	16,365	16,365	n/a
Borrowings	-	947,834	-	-	-	-	-	-	947,834	3.17%
Other financial liabilities	-	(141)	(217)	-	-	-	-	-	(358)	n/a
Total financial liabilities	2,269,214	2,911,148	57,545	45,552	2,780	279	-	37,735	5,324,253	
Interest rate swaps – notional principal	-	351,000	259,000	-	-	-	-	-	610,000	1.85%

Notes to the Financial Statements

33 FINANCIAL INSTRUMENTS (CONTINUED)

(g) Interest rate risk management (continued)

Financial Instruments	Variable int. rate	Fixed interest rate maturing in: < 1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	> 5 yrs	Non-interest bearing	Total	Weighted av. effective int. rate
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
i) Financial assets – 2017										
Cash and Deposits at call	61,265	-	-	-	-	-	-	4,750	66,015	1.35%
Other receivables	-	-	-	-	-	-	-	7,736	7,736	n/a
Placements with other financial institutions	9,791	560,512	-	-	-	-	-	130	570,433	2.28%
Loans and advances	2,495,923	739,028	800,563	580,381	74,029	26,135	5,294	-	4,721,353	4.51%
Investment securities	-	-	-	-	-	-	-	15,222	15,222	n/a
Total financial assets	2,566,979	1,299,540	800,563	580,381	74,029	26,135	5,294	27,838	5,380,759	
ii) Financial liabilities – 2017										
Deposits from members	2,048,256	2,093,582	69,462	29,227	3,838	2,054	-	22,418	4,268,837	2.02%
Other payables	-	-	-	-	-	-	-	15,835	15,835	n/a
Borrowings	-	687,501	-	-	-	-	-	-	687,501	2.96%
Other financial liabilities	-	11	296	(362)	-	-	-	-	(55)	n/a
Total financial liabilities	2,048,256	2,781,094	69,758	28,865	3,838	2,054	-	38,253	4,972,118	
Interest rate swaps – notional principal	-	75,000	351,000	259,000	-	-	-	-	685,000	1.84%

The Consolidated Entity has disclosed the above information in relation to financial assets and liabilities based on the expected repricing dates. These dates may differ significantly from the contractual dates however this basis provides a more accurate measure for evaluating the interest rate risk to which the entity is exposed.

The Company provides mortgage secured loans to its members at interest rates that can be fixed for terms of one to five years. The member retains an option to break their loan contract during the fixed rate period upon payment of the prescribed fee. This fee is calculated based on the economic loss of the Company and should off-set the loss incurred due to the breaking of the contract.

33 FINANCIAL INSTRUMENTS (CONTINUED)

(h) Market risk sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Consolidated Entity's net interest revenue and net financial assets or "market value of equity" to standard interest rate scenarios. Standard interest rate scenarios considered on a monthly basis include 100 and 200 basis point (bp) parallel falls and rises in all yield curves. Sensitivity outcomes are assessed relative to either 12 month forecast net interest revenue, in respect of net interest revenue sensitivity, or the Consolidated Entity's current capital base, for market value of equity sensitivity.

	30 June 2018				30 June 2017			
	100 bp rise	**100 bp fall**	**200 bp rise**	**200 bp fall**	100 bp rise	100 bp fall	200 bp rise	200 bp fall
Market value of equity sensitivity								
Average for the period	**-1.07%**	**1.12%**	**-2.11%**	**2.92%**	-1.51%	1.60%	-2.96%	3.97%
Maximum for the period	**-1.73%**	**1.80%**	**-3.42%**	**4.58%**	-1.95%	2.02%	-3.83%	4.92%
Minimum for the period	**-0.35%**	**0.37%**	**-0.68%**	**1.18%**	-1.15%	1.21%	-2.26%	2.76%
Net interest revenue sensitivity								
Average for the period	**0.97%**	**-0.96%**	**1.94%**	**-1.50%**	0.95%	-0.94%	1.91%	-1.53%
Maximum for the period	**1.20%**	**-1.18%**	**2.41%**	**-2.04%**	1.14%	-1.13%	2.30%	-1.89%
Minimum for the period	**0.67%**	**-0.66%**	**1.35%**	**-0.84%**	0.73%	-0.72%	1.46%	-1.11%

33 FINANCIAL INSTRUMENTS (CONTINUED)

(i) Interest rate swap contracts

The Consolidated Entity may use various types of interest rate contracts in managing interest rate exposure, including interest rate swap contracts.

Under interest rate swap contracts, the Consolidated Entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Consolidated Entity to mitigate the risk of changing interest rates.

The Consolidated Entity enters into interest rate swap agreements for the sole purpose of managing interest rate exposures in the Statements of Financial Position and not for speculative purposes.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date.

	Average interest rate		Fair Value		Notional principal amount	
	2018	2017	**2018**	2017	**2018**	2017
Outstanding fixed for floating contracts			**$'000**	$'000	**$'000**	$'000
Less than 1 year	**1.85%**	1.75%	**141**	(10)	**351,000**	75,000
1 to 2 years	**1.86%**	1.85%	**217**	(296)	**259,000**	351,000
2 to 5 years	**-**	1.86%	**-**	361	**-**	259,000
			358	55	**610,000**	685,000

	CONSOLIDATED		COMPANY	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and assessed as effective fair value hedges.				
Fair value movements on financial instruments recognised in the Statements of Profit or Loss and Other Comprehensive Income comprised the following:				
- Net (losses)/gains on effective fair value hedging instruments	**302**	2,581	**302**	2,581
- Net gains/(losses) on fair value hedged items	**(289)**	(2,423)	**(289)**	(2,423)
- Net gains/(losses) on derivatives not hedge accounted - securitisation	**-**	-	**(1,104)**	(1,258)
Total fair value movements recognised in the Statement of Profit or Loss and Other Comprehensive Income	**13**	158	**(1,091)**	(1,100)

Notes to the Financial Statements

33 FINANCIAL INSTRUMENTS (CONTINUED)

(j) Financial assets and liabilities by classification

The table below sets out the Consolidated Entity's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

	Note	Available for sale	At fair value	Held-to-maturity	Loans and Receivables	Other at Amortised cost	Total Carrying Amount	Fair Value
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2018								
Cash and cash equivalents	5	**-**	**-**	**-**	**73,412**	**-**	**73,412**	**73,412**
Placements with other financial institutions	7	**-**	**-**	**612,028**	**-**	**-**	**612,028**	**611,713**
Loans and advances to members	8,9	**-**	**-**	**-**	**5,054,204**	**-**	**5,054,204**	**5,144,068**
Investment securities	12	**15,050**	**-**	**-**	**-**	**-**	**15,050**	**15,050**
Deposit from members	17	**-**	**-**	**-**	**-**	**4,360,412**	**4,360,412**	**4,351,809**
Borrowings	19	**-**	**-**	**-**	**-**	**947,834**	**947,834**	**947,834**
Other financial liabilities	20	**-**	**(358)**	**-**	**-**	**-**	**(358)**	**(358)**
30 June 2017								
Cash and cash equivalents	5	-	-	-	66,015	-	66,015	66,015
Placements with other financial institutions	7	-	-	570,433	-	-	570,433	570,058
Loans and advances	8,9	-	-	-	4,717,770	-	4,717,770	4,791,506
Investment securities	12	15,222	-	-	-	-	15,222	15,222
Deposit from members	17	-	-	-	-	4,268,837	4,268,837	4,257,501
Borrowings	19	-	-	-	-	687,501	687,501	687,501
Other financial liabilities	20	-	(55)	-	-	-	(55)	(55)

33 FINANCIAL INSTRUMENTS (CONTINUED)

(k) Fair value of financial instruments

The following methods are used to determine the fair values of financial assets and liabilities based on the assumptions in the summary of significant accounting policies at Note 1.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities (the consolidated Entity has no such financial instruments)
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs for the asset or liability that are not based on observable market data.

The fair value heirachy applied to each category of financial asset and liability is noted in brackets below.

Cash and cash equivalents (Level 1)

As the assets are at call the carrying amount equates to fair value.

Other receivables (Level 2)

The carrying amount of trade debtors and other receivables is estimated to approximate fair value.

Placements with other financial institutions (Level 2)

The fair values of other deposits are estimated using discounted cash flow analysis, based on current market rates for investments having substantially the same terms and conditions. Bank accepted bills of exchange and bank negotiable certificates of deposit held are not intended to be traded but held until maturity. The fair value of these assets is based on the quoted market price at balance date.

Loans and advances to members (Level 3)

The fair values of loans receivable are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements.

Other financial assets / liabilities (Level 2)

The fair value of Interest rate swaps are determined as the net present value of the future cash flows.

Investment securities (Level 3)

With exception of shares held in Cuscal Ltd, the fair value and carrying value of unlisted shares is their original cost as their fair value cannot be measured reliably. A parcel of Cuscal shares were purchased during the year ended 30 June 2008 for $1.25 per share. In acquiring the parcel of Cuscal shares, a range of high level values were determined using various valuation methodologies with a market methodology average supporting the $1.25 price. As the shares purchased are identical in terms of rights and obligations to Cuscal shares already held, this determined the fair value for the original shares held and hence a fair value upward adjustment was raised in equity in that year.

Deposits from other financial institutions (Level 2)

The fair values of deposits from other financial institutions are estimated using discounted cash flow analysis, based on current market rates for deposits having substantially the same terms and conditions.

Deposits from members (Level 3)

The carrying amount approximates fair value for savings account balances as they are at call.

The fair value of members' term deposits are estimated using discounted cash flow analysis, based on current market rates for term deposits having substantially the same terms and conditions.

Other Payables (Level 2)

This includes interest payable and accrued expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value.

Borrowings (Level 2)

The fair values of borrowings are estimated using discounted cash flow analysis, based on current market rates for borrowings having substantially the same terms and conditions.

The aggregate net fair values of financial assets and financial liabilities at the balance date are detailed in the table above under note 33(j).

Notes to the Financial Statements

33 FINANCIAL INSTRUMENTS (CONTINUED)

(k) Fair value of financial instruments (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Investment Securities		
Balance at beginning of the financial year	**15,222**	13,722
Purchases	**-**	1,500
Acquisitions through business combinations	**1,452**	-
Fair Value adjustment through Other Comprehensive Income	**(1,624)**	-
Balance at end of financial year	**15,050**	15,222

Although the Consolidated Entity considers that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value at Level 3. However, changing one or more of the inputs to reasonably possible alternative assumptions would not change the fair value of Level 3 financial instruments significantly relative to total assets or equity.

34 TRANSFERS OF FINANCIAL ASSETS

In the ordinary course of business, the Company enters into transactions that result in the transfer of financial assets that consist primarily of loans and advances to members. In accordance with Note (l), the transferred financial assets continue to be recognised in their entirety to the extent of the Company's continuing involvement or are derecognised in their entirety.

The Company transfers financial assets primarily through securitisation activities in which loans and advances to members are transferred to investors in the notes issued by consolidated special purpose entities ("SPEs"), ie, The Barton Trust. The notes issued are collaterised by the purchased assets.

A transfer of such financial assets arises when the Company sells assets to a consolidated SPE, then the transfer is from the Group (that includes the consolidated SPE) to investors in the notes. The transfer is in the form of the Group assuming an obligation to pass cash flows from the underlying assets to investors in the notes.

Although the Company does not own more than half the voting power, it has effective control over these SPEs because it is exposed to the majority of ownership risks and rewards of the SPEs and hence, these SPEs are consolidated.

The SPEs that are part of the Group transfer substantially all the economic risks and rewards of ownership of the transferred assets to investors in the notes. Derecognition of the transferred assets is prohibited because the cashflows that it collects from the transferred assets on behalf of the investors are not passed through to them without material delay.

In these cases, the consideration received from the investors in the notes in the form of cash is recognised as a financial asset and a corresponding financial liability is recognised.

The investors in the notes have recourse only to the cash flows from the transferred financial assets.

When the Company transfers assets as part of the securitisation transactions it does not have the ability to use the assets during the term of the arrangement.

The total of both on and off balance sheet securitised loans is disclosed at Note 8(b) Net Loans and Advances to Members - Securitised Loans.

	CONSOLIDATED	
	2018	2017
	%	%
35 CAPITAL ADEQUACY		
APRA calculation	**17.34**	15.06

	CONSOLIDATED	
	2018	2017
	$'000	$'000
Capital		
Paid-up ordinary capital	**607**	681
Reserves	**151,020**	119,908
Retained earnings including current year earnings	**309,789**	285,758
Common Equity Tier 1 and Total Tier 1 capital	**461,416**	406,347
Goodwill and other intangibles	**7,585**	5,971
Deferred tax assets dependant on future profitability	**4,953**	3,992
Investments in banking and financial entities, Consolidated entity owns <10%	**15,050**	15,222
Equity investments in commercial entities	**6,113**	5,661
Regulatory adjustment to Common Equity Tier 1	**33,701**	30,846
Common Equity Tier 1 capital - net of deductions	**427,715**	375,501
Tier 2 Provisions (General Reserve for Credit Losses)	**25,492**	24,840
Total Capital	**453,207**	400,341

APRA Prudential Standards require banks to maintain at all times a minimum ratio of capital to risk-weighted assets of 8%.

As part of its risk management process, the Company has developed a methodology with financial modelling to assist in determining the optimum level of capital that is consistent with assessed risk exposure and business activity. The optimum capital is managed within a range well above the 8% minimum required by APRA and incorporates an assessment of the combined risk exposure for operations, market and credit risk. The Company and the Consolidated Entity complied with all APRA capital adequacy requirements throughout the year.

Notes to the Financial Statements

36 CONTINGENT LIABILITIES

Credit Union Financial Support System (CUFSS):

The Company is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme that many Credit Unions and Mutual Banks agreed to participate in. CUFSS is a company limited by guarantee, each member's guarantee being $100.

As a member of CUFSS, the Company:

- May be required to advance funds of up to 3% (excluding permanent loans) of total assets to a CUFSS member requiring financial support
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

No such direction has, at balance date, been given to the Company.

Financial guarantees provided on behalf of members:

At balance date, the Company had financial guarantees in place that it had provided on behalf of members, totalling $5,690,834 (2017: $5,750,353).

The Company has not received any directions in relation to these guarantees to balance date.

The fair value of these guarantees is $Nil as they are secured by either registered mortgage or term deposit and no loss is anticipated even in the event of directions.

37 SUBSEQUENT EVENTS

There have been no events subsequent to balance date which would have a material effect on the Group's financial statements as at 30 June 2018.

Glossary of Terms and Acronyms

AFSL
Australian Financial Services Licence authorises licensees to conduct a financial services business, as regulated by ASIC.

APRA
Australian Prudential Regulation Authority.

ASIC
Australian Securities and Investments Commission.

BBSW
Bank Bill Swap Reference Rate is used in financial markets as a benchmark for interest rate related transactions.

Capital Adequacy Ratio
A ratio used to measure the prudential strength of a financial institution. Prudential strength is calculated as total retained earnings and other equity divided by total assets, weighted to reflect the relative risks associated with our operations.

Consolidated
The combined accounts of Community CPS Australia Limited (trading as Beyond Bank Australia) and its controlled entities.

Contingent Liability
A possible liability that arises from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain future events not wholly within Beyond Bank Australia's control.

Controlled Entity
An entity for which Beyond Bank Australia is able to control its decision making, to ensure it operates for the benefit of Beyond Bank Australia.

Deferred Tax Amounts
Deferred Tax Assets and Deferred Tax Liabilities reflect the tax effect of timing differences, being items which are brought to account in different periods for income tax and accounting purposes.

Derivative Financial Instrument
Derivative financial instruments create rights and obligations that have the effect of transferring between the parties to the instrument one or more of the financial risks inherent in an underlying primary financial instrument, but without the transfer of the underlying primary instrument.

Equity
The excess of Beyond Bank Australia's assets over its liabilities, which is the amount owned by members. Also referred to as Member's Funds.

Equity Accounted Investments
An investment of more than 20% and less than 100% ownership interest over which Beyond Bank Australia is able to exert 'significant influence'. Significant influence normally stems from the investor's voting power which is linked to ownership interest and is evidenced by existence of factors such as representation on the board of the investee and participation in policy making processes for that entity.

Fair Value
The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Franking Credit
Tax credits arising largely from the payment of tax by Beyond Bank Australia that are available for attachment to eligible distributions by Beyond Bank Australia to its members.

Interest Rate Swap
A type of Derivative Financial Instrument under which Beyond Bank Australia agrees to exchange interest cash flows with another party for an agreed period of time.

Liability
A debt or obligation to another party, eg. a savings account held on behalf of a Beyond Bank Australia member.

Liquid Assets
A monetary asset that can be readily converted to cash at Beyond Bank Australia's option without significant change in value.

Provisions
An amount set aside out of profits of Beyond Bank Australia for an expense which has been incurred, but the amount and timing of payment can only be estimated (eg. long service leave or bad debts).

Receivables
Amounts owed by members and other external parties for which payment is expected soon.

Reserves
Several reserves exist within equity and have been derived from specific transactions. Namely; the net change in value of revalued assets still held (Asset Revaluation Reserve), the Equity transferred to Beyond Bank Australia from another credit union upon merger (Transfer of Business Reserve), and the value of shares redeemed out of retained profits (Redeemed Share Reserve).

Securitisation
A financing technique whereby one party can convert an illiquid asset (such as a member's loan) into a liquid asset (such as cash) through the equitable assignment of its ownership interest (essentially the sale of the illiquid asset).

Registered Office

Beyond Bank Australia

Adelaide 100 Waymouth St, Adelaide SA 5000
GPO Box 1430, Adelaide SA 5001
ABN 15 087 651 143
AFSL/Australian Credit Licence 237 856

Phone 13 25 85

Email contactus@beyondbank.com.au

Regional Offices

Canberra 105 Mawson Drive, Mawson ACT 2607

Maitland 1/212 High Street, Maitland NSW 2320

Perth 3 Loftus Avenue, West Leederville WA 6007

Sydney Units 9 and 10, 11-21 Underwood Road, Homebush NSW 2140

Branches

Branches located across the Australian Capital Territory, New South Wales, South Australia and Western Australia.

Beyond Bank Australia Wealth Management

Norwood 62 The Parade, Norwood SA 5067
ABN 17 008 167 002
AFSL 237 853

Canberra 105 Mawson Drive, Mawson ACT 2607

Maitland 1/212 High Street, Maitland NSW 2320

Perth 3 Loftus Avenue, West Leederville WA 6007