47th Annual Report 2018

wecu

Woolworths Employees' Credit Union

good value, good sense banking

List of our
Products and Services

Membership
Exclusively for Team Members of the Woolworths Group and their families - once a Member always a Member

Loans
Personal, Car, Home, Investment and Consolidation

VISA Credit Card
Uncomplicated - low interest rate and up to 55 days interest free

Term Deposit Accounts
From 3 months to 2 years

Specific Savings Accounts
Goal, Christmas Club, Youth, Deeming, Mortgage Offset and Cash Management accounts

Easy Access to Savings
Visa Debit Card, rediCard, Cheque book, Internet Banking and ATM's

Electronic Banking
BPAY, Telephone, Internet, Bank@Post, Electronic Statements and Mobile Phone Banking (including the WECU app, Apple Pay, Android Pay and Samsung Pay)

NetPlus Account
Convenient at-call access to your savings through Internet Banking and ATM's at a higher interest rate

Payroll Deposit Service
Have your pay, or part of your pay, deposited directly into your account to make paying bills easier through our direct debit system

Insurance
Health, Car, Home and Contents, Boat, Caravan, Travel, Landlords and Loan Repayment

Financial Planning
High quality, personalised financial advisory service - first interview free

Travel
Loans, Foreign Currency, VISA Credit Card, VISA Debit Card, Insurance, Traveller's Cheques and Access Prepaid Mastercard

Car Search
Free car buying service

Contents

VISION AND MISSION

VISION STATEMENT

To provide the most suitable Financial Services for the Team Members of the Woolworths Group and their immediate families.

MISSION STATEMENT

Supporting the Woolworths community with a comprehensive everyday banking offering and a seamless secured and flexible experience.

ORGANISATIONAL VALUES

- Trust
- Moral Integrity
- Excellent Service
- Consistent, accurate and responsive
- Ethical, friendly and considerate
- Financially strong, safe and secure
- Sound Management
- Competent leadership and governance

CUSTOMER VALUE PROPOSITION

- We will educate our customers to better understand the products and services that are available to them.
- Banking in the workplace as part of the group has many inside advantages for the customers.
- As a mutual our customers are also our owners and have one equal share each and one equal vote.
- A strong relationship with the Woolworths Group improves the levels of service and communication for our customers.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 47th Annual General Meeting of Woolworths Employees' Credit Union Limited (ABN: 67 087 651 803, AFSL & Australian Credit Licence No.240720) will be held at 5.00 pm AEDT on Wednesday 31 October 2018 in the Woolworths State Office, 522-550 Wellington Road, Mulgrave, Victoria with links to Norwest NSW.

AGENDA

1. Welcome and opening by the Chair of the Board.
2. Apologies.
3. Table the Minutes of the 46th Annual General Meeting held on 1 November 2017.
4. Receive the Credit Union's Annual Report containing the Chairman's Report, Directors' Report, Directors' Declaration, Auditor's Independence Declaration, Independent Auditor's Report and Financial Statements for the financial year ended 30 June 2018.
5. Appointment of Directors.
6. To consider and if thought fit, to pass the following resolution as a special resolution:
   "That with effect on the day after this special resolution is passed, the Credit Union's Constitution be amended by replacing Appendix 3 Clause A3-l with:
   A3-1 Subscription Price
   The subscription price for a member share is $1.00"
7. To consider other business items.
8. To close the meeting.

By order of the Board

Steve Sampson
Company Secretary

26th September 2018

Woolworths Employees' Credit Union

Chairman	A.E. Parle
Directors	B. Ashley, C.M. Elliott, D.J. Rowan, P.D. Ryan, A.M. Wilson.

Management and Administration

Steve Sampson
General Manager

Bill McLardie
Deputy General Manager

Sanjay Unadkat
Finance Manager

Josephine McCabe
Administration Manager

Stephen Cook
Business Development Manager

Klaus Dithmer
Compliance Officer and Chief Risk Officer

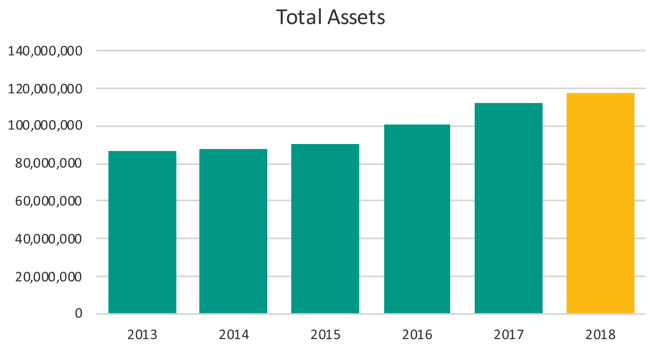
Branch Staff

VICTORIA	Bruce Bello, Tracey Cherubin, Geoff Duncan, Francine Efthimiadis, Lynette Emerson, Lyndall Heap, Wendy Huang, Kerryn Keating, Lyn Leighton, Mary-Jaine Saylon, Amy Simcox, Pam Sleeman, Vicki Tellatin, Debra Yallop
NEW SOUTH WALES	Rosalind Carr, Simone Dimech, Brendan Flynn, Allison Micallef, Diane Micallef, Donna Myers
QUEENSLAND	Sue McIntyre
SOUTH AUSTRALIA	Victoria Neville

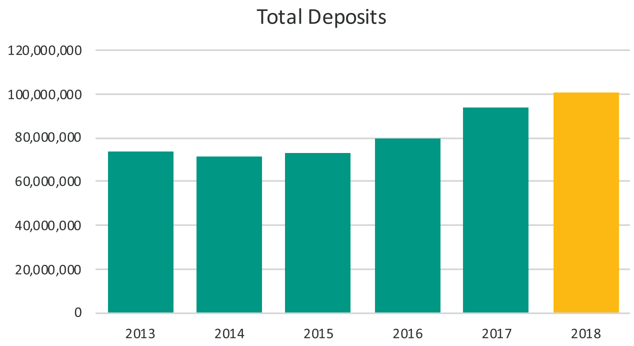
Auditors	Grant Thornton Audit Pty Ltd (External) Aspire Accounting Holdings Pty Ltd (Internal)
Solicitors	Daniels Bengtsson Pty Ltd
Banker	CUSCAL National Australia Bank
Affiliation	CUSCAL
Registered Office	522-550 Wellington Road, Mulgrave, Victoria 3170
Postal Address	Private Bag 10, Mulgrave North, Victoria 3170
Office Hours	Monday to Friday 8.30 am - 4.30 pm
Member Insurance	QBE Bond & Package Insurance QBE Insurance (Australia) Limited QBE Travel Insurance (Australia) Limited Australian Unity Health Limited QBE Mortgage Guarantee Insurance Genworth Mortgage Guarantee Insurance
Financial Planning	Bridges Financial Services Pty Ltd

KEY STATISTICS TO 30 JUNE 2018

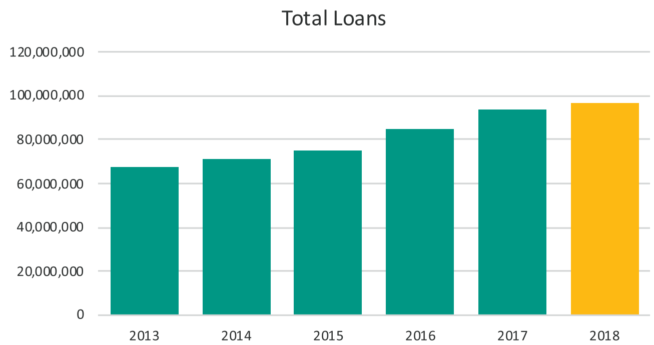
$117.2m Total Assets



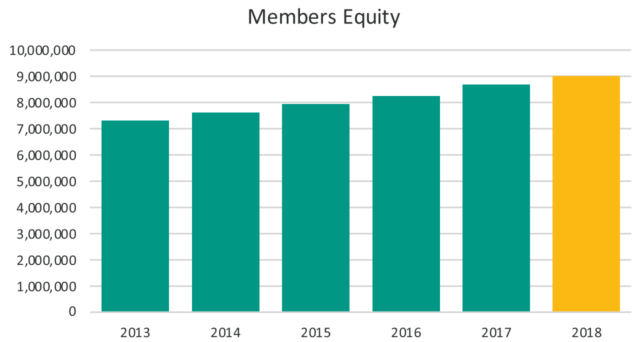
$100.7m Total Deposits



$96.6m Total Loans



$9m Members Equity



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Your Credit Union finished the 2017 – 2018 financial year with assets of $117 million, member equity of $9 million and a risk weighted capital ratio of 16.24%, with the latter ratio remaining substantially higher than those of the 4 major banks

HELLO MEMBERS

On behalf of our Board of Directors I am pleased to present my report to the Members of Woolworths Employees' Credit Union.

FINANCIAL OVERVIEW

A sound and stable financial performance is an important outcome in enabling WECU to continue to offer competitively priced and innovative Products and services to our Membership.

For the year ended 30 June 2018 our Total Assets position grew to $117.3 Million; with a Profit after tax of $319,822. Capital Adequacy and Liquidity levels remain strong and are in excess of the required regulatory benchmarks.

A full financial report is covered in greater detail in the Director's Report and Financial Statements in the following pages.

OUR PEOPLE & CULTURE

The strength of any organisation is in its people and in the leadership of the team and as a Not For Profit organisation, any financial benefit generated is directed back to helping our WECU members and our broader Woolworths community.

DURING THE YEAR WECU

- Created the Team Emergency Loan (TEL) facility to present more viable options to our members who previously defaulted to Pay Day Lenders.
- Maintained its interest rates at a continued low level despite market and wholesale money cost pressures.
- Continued with the popular $5,000 Student Scholarship Award that was launched seven years ago to assist our student members with their secondary education costs.
- Additionally we continued with the support of St Vincent de Paul and numerous other worthy charities.

PLANNING FOR THE FUTURE

The ever changing Financial Services sector, particularly some of the insights gained from the recent Royal Commission, present a great opportunity for the Mutual Industry to demonstrate the high level of integrity with which it operates and how well credentialed it is as a viable alternative to the major players in the broader industry.

Looking forward there is a great deal to be excited about with new initiatives and opportunities to add and enhance our Member offering which will benefit existing and prospective Members.

In our recent Strategic Plan we identified and are now developing some key initiatives that will further enhance our capacity to deliver greater benefits to our members, both current and future:

- A Name Brand change to enhance the relevance of our offering in the eyes of our members.
- Deeper connection with our host organisation (Woolworths Group) through an enhanced membership offering as part of the Woolworths Team benefits program.
- Advances in technology and the Fintech product offerings.
- The creation of more educational products and services aimed directly at financial literacy.

Our people are a critically important element of our success. During the year Pam Sleeman celebrated 20 years with WECU and Amy Simcox, Wendy Huang and Diane Micallef all celebrated 10 years and Mari-Jaine Saylon celebrated 5 years with WECU.

I would like to recognise retiring Director Warren Dumont and thank Warren for his long term contribution to the Credit Union during his time on the Board.

The support from the Woolworths Group is critical to the future success of the Credit Union and we are fortunate to have its engagement and support.

I wish to thank my fellow Directors who volunteer their time and energy with the governance, strategy and direction of the Credit Union and to the General Manager, Steve Sampson, and his Management team and our dedicated staff out in our branches and in the field who operate with the care and best interests of the Members.

Our strongest thanks goes to our Valuable Members for their strong and loyal support over the 47 years that WECU has operated, because it is only with this support that WECU exists.

Sincere regards,

Tony Parle
Chairman

Your Directors present their report on the Credit Union for the financial year ended 30 June 2018.
The Credit Union is a company registered under the Corporations Act 2001.

DIRECTORS

The Directors of the Credit Union at any time during or since the end of the financial year are:

NAMES, QUALIFICATIONS, EXPERIENCES AND SPECIAL RESPONSIBILITIES

A.E. Parle (Chair)
MAMI, FCPA, GAICD
Bachelor of Business (Accounting)
Director since May 1994
Audit Committee
Governance & Remuneration Committee
Risk Committee

B. Ashley
MAMI, CA, AICD
Graduate Diploma of Applied Finance
Bachelor of Commerce
Director since March 2018

W.J. Dumont
MAMI
Bachelor of Business (Accounting)
Director May 2001 – November 2017
Audit Committee (Chair)
Risk Committee (Acting Chair April 2016 – February 2017)

C.M. Elliott
MAMI, CA
Bachelor of Commerce
Post Graduate Diploma (Management)
Director since September 2016
Audit Committee
Risk Committee (Chair since February 2017)

K.F. Figueiredo
MAMI
Bachelors of Arts in Chemistry
Master of Science in Safety
Non-executive Director Australia Network on Disability
Member of the American Society of Safety Engineers ASSE
Director April 2012 – May 2018
Governance & Remuneration Committee
Marketing & Development Committee

C. Katsikogianis
MAMI
Bachelor of Commerce
Post Graduate Certificate (Management)
Director August 2016 – November 2017

C.J. Milburn (Deputy Chair)
MAMI
Director July 2001- August 2018
Audit Committee
Risk Committee

R.A. Perry
MAMI
Six Sigma Black Belt
Accenture Industrial Engineering
Associate Director November 2014 – November 2015
Director December 2015 - August 2018
Marketing & Development Committee

D.J. Rowan
Post Graduate Certificate (Management)
Diploma of Management
Director since August 2018

P.D. Ryan
MAMI
Post Graduate Certificate (Management)
Director since July 2001
Marketing & Development Committee (Chair)

A.M. Wilson
MAMI, GAICD
Master of Management
Masters in Risk Management
Director since November 2013
Governance & Remuneration Committee (Chair)

The Directors retire by rotation and/or as per the Constitution's Terms of Office provisions.

** MAMI – MEMBER OF AUSTRALASIAN MUTUALS INSTITUTE LTD.*
** GAICD – GRADUATE OF THE AUSTRALIAN INSTITUTE OF COMPANY DIRECTORS*
** AICD – MEMBER OF THE AUSTRALIAN INSTITUTE OF COMPANY DIRECTORS*
** FCPA – FELLOW OF CERTIFIED PRACTICING ACCOUNTANTS AUSTRALIA*
** CA – MEMBER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN AUSTRALIA*

Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.
The Company Secretary in office at the date of this report:-

S. W. Sampson
Diploma in Financial Services
FAMI, FFIN, FAIM, JP
General Manager since 2009
Company Secretary since 2011

Directors' benefits

No Director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Credit Union, controlled Credit Union, or a related body corporate with a Director, a firm of which a Director is a member or a Credit Union in which a Director has a substantial financial interest, other than that disclosed in note 20 of the financial report.

Review And Results Of Operations

The Credit Union experienced a decrease of 5.63% in operating income during the year and a decrease in non-interest expenses of 1.88%, resulting in an operating profit (after income tax) of $319,822, presenting a return on assets of 0.28%. Members' funds grew by 3.68%. Reserves now stand at $9.01 million, which equates to a capital adequacy level of 16.24%. In the opinion of the Directors, the results for the year were satisfactory. No dividend has been declared by the Directors.

Principal Activities

The principal activities of the Credit Union during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution. No significant changes in the nature of these activities occurred during the year.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Credit Union during the financial year.

Significant events after the balance date

No matters or circumstances have arisen since the end of the year, which significantly affected or may significantly affect the operations of the Credit Union, the results of those operations, or the state of the affairs of the Credit Union for the financial year ended 30 June 2018.

Likely developments and expected results

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

- The operations of the Credit Union;
- The results of those operations; or
- The state of affairs of the Credit Union

in the financial years subsequent to this financial year.

Auditor's independence

The auditors have provided the declaration of independence to the board as prescribed by the Corporations Act 2001 as set out on page 13.

Rounding of amounts

The Credit Union is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar, or in certain cases, to the nearest thousand.

Directors' Meetings

The numbers of meetings of Directors (including meetings of committees of Directors) eligible to attend during the year and the number of meetings attended by each Director were as follows:

	Board Meeting		Audit Committee		Risk Committee		Marketing and Development Committee		Governance and Remuneration Committee		Total	
Director	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
A. E. Parle	11	9	5	5	4	4			3	3	23	21
B. Ashley	3	2									3	2
W. J. Dumont	4	1	3	3	2	2					9	6
C. M. Elliott	11	7	5	5	4	4					20	16
K. F. Figueiredo	9	7					3	2	3	2	15	11
C. Katsikogianis	4	2									4	2
C. J. Milburn	11	9	5	3	4	3					20	15
R. A. Perry	11	9					4	4			15	13
P. D. Ryan	11	9					4	4			15	13
A. M. Wilson	11	9							3	3	14	12

Indemnification and Insurance of Directors and Officers

During the year, a premium was paid in respect of a contract insuring Directors and Officers of the Credit Union against liability. The Officers of the Credit Union covered by the insurance contract include the Directors, Executive Officers, Secretary and Employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by the insurance contract is prohibited by a confidentiality clause in the contract. No insurance cover has been provided for the benefit of the Auditors of the Credit Union.

Signed in accordance with a resolution of the Directors.

Anthony Wilson

A. E. Parle
Director
26 September 2018

A. M. Wilson
Director
26 September 2018

DIRECTORS' DECLARATION

THE DIRECTORS OF THE COMPANY DECLARE THAT:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards and the Corporations Regulations 2001; and
   (b) give a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

On behalf of the Board

A. E. Parle
Director
26 September 2018

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Auditor's Independence Declaration to the Directors of Woolworths Employees' Credit Union Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Woolworths Employees' Credit Union Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Madeleine Mattera

Madeleine Mattera
Partner - Audit & Assurance

Sydney, 26 September 2018

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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Independent Auditor's Report to the Members of Woolworths Employees' Credit Union Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Woolworths Employees' Credit Union Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

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

Basis for Opinion

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

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

Grant Thornton

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

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Madeleine Mattera

Madeleine Mattera
Partner – Audit & Assurance

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	NOTE	2018 - $	2017 - $
STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018			
Interest revenue	2	**4,808,129**	4,602,884
Interest expense	2	**(1,805,502)**	(1,695,798)
Net interest income	2	**3,002,627**	2,907,086
Fees, commission and other income	2	**953,868**	1,285,441
TOTAL OPERATING INCOME		**3,956,495**	4,192,527
Bad and doubtful debts	2	**21,348**	27,180
Other expenses	2	**3,492,194**	3,553,558
TOTAL EXPENSES	2	**3,513,542**	3,580,738
Profit before income tax		**442,953**	611,789
Income tax expense	3	**(123,131)**	(165,282)
PROFIT AFTER INCOME TAX		**319,822**	446,507
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME		**319,822**	446,507

	NOTE	2018 - $	2017 - $
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018			
ASSETS			
Cash	4	**6,482,651**	4,773,223
Investments at amortised cost	5	**13,107,894**	12,121,800
Receivables	6	**452,955**	439,822
Loans and advances	7	**96,625,347**	94,039,677
Property, plant and equipment	8	**268,750**	286,590
Intangible assets	9	**218,529**	236,678
Other assets	11	**135,151**	148,217
TOTAL ASSETS		**117,291,277**	112,046,007
LIABILITIES			
Deposits	13	**100,743,224**	93,891,719
Payables and other liabilities	14	**1,440,372**	2,361,581
Due to other financial institutions	15	**6,007,744**	7,008,580
Current tax liabilities	12	**37,350**	50,189
Deferred tax liabilities	10	**47,887**	39,060
TOTAL LIABILITIES		**108,276,577**	103,351,129
NET ASSETS		**9,014,700**	8,694,878
MEMBERS FUNDS,			
Retained earnings		**8,619,709**	8,310,890
General reserve for credit losses		**261,351**	252,158
Capital Profits Reserve		**133,640**	131,830
TOTAL MEMBERS FUNDS		**9,014,700**	8,694,878

These statements should be read in conjunction with the notes to the financial statements.

	NOTE	2018 - $	2017 - $
STATEMENT OF CASH FLOWS YEAR ENDED 30 JUNE 2018			
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		4,795,992	4,603,385
Dividend received	2	-	16,674
Interest paid		(1,757,847)	(1,662,976)
Other non interest income received		931,146	991,016
Bad debts recovered	2	8,583	14,589
Payments to suppliers		(3,602,478)	(3,191,679)
Net (increase) decrease in other receivables	6	(996)	500,878
Net (decrease) increase in sundry creditors and other liabilities	14	(714,350)	540,265
Income tax paid		(127,143)	(130,012)
Net (increase) in receivables from other financial institutions	5	(986,094)	(4,146,612)
Net (increase) in loans and advances	7	(2,574,286)	(9,269,022)
Net increase in deposits	13	6,851,505	14,240,303
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	2,824,032	2,506,809
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of intangible assets	9	(56,451)	(117,997)
Acquisition of property, plant and equipment	8	(72,772)	(165,962)
Proceeds from sale of property, plant and equipment		15,455	45,500
Proceeds from sale of CUSCAL shares		-	353,090
NET CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		(113,768)	114,631
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (decrease) in borrowings	15	(1,000,836)	(3,701,419)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		(1,000,836)	(3,701,419)
NET INCREASE / (DECREASE) IN CASH HELD		1,709,428	(1,079,979)
Cash at beginning of year		4,773,223	5,853,202
CASH AT END OF YEAR	16	6,482,651	4,773,223

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Retained Earnings $	*General Reserve for Credit Losses $*	*Capital Profits Reserve $*	*Total $*
Total at 1 July 2017	8,310,890	252,158	131,830	8,694,878
Total Comprehensive Income for the year	319,822	-	-	319,822
Transfer to / from Retained Earnings	(9,193)	9,193	-	-
Transfer to / from Capital Profits Reserve	(1,810)	-	1,810	-
TOTAL AT 30 JUNE 2018	8,619,709	261,351	133,640	9,014,700

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Retained Earnings $	*General Reserve for Credit Losses $*	*Capital Profits Reserve $*	*Total $*
Total at 1 July 2016	7,890,384	232,107	125,880	8,248,371
Total Comprehensive Income for the year	446,507	-	-	446,507
Transfer to / from Retained Earnings	(20,051)	20,051	-	-
Transfer to / from Capital Profits Reserve	(5,950)	-	5,950	-
TOTAL AT 30 JUNE 2017	8,310,890	252,158	131,830	8,694,878

These statements should be read in conjunction with the notes to the financial statements.

1. STATEMENT OF ACCOUNTING POLICIES

This complete set of financial statements is prepared for Woolworths Employees' Credit Union for the year ended 30 June 2018. The report was authorised for issue on 26 September 2018 in accordance with a resolution of the board of directors. The Credit Union is a public company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is 522-550 Wellington Road, Mulgrave, Victoria 3170. The complete set of financial statements is presented in Australian dollars. The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards ensures compliance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The Credit Union is a for-profit entity for the purpose of preparing the financial statements.

(A) BASIS OF MEASUREMENT

The financial statements have been prepared on an accruals basis, and are based on historical costs, which do not take into account changing money values or current values of non current assets. The accounting policies adopted are consistent with those of the previous year unless otherwise stated.

(B) CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

Financial assets and financial liabilities are recognised when the Credit Union becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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

(I) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. The Credit Union's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates identified by the Credit Union.

(II) FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. The Credit Union does not have any financial assets at FVTPL.

(III) HTM INVESTMENTS

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Credit Union has the intention and ability to hold them until maturity. The Credit Union currently holds Term Deposits, Negotiable Certificates of Deposit (NCD) and Bonds in this category. If more than an insignificant portion of these assets are sold or redeemed early then the asset class will be reclassified as Available for Sale financial assets. HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

(IV) AVAILABLE FOR SALE (AFS) FINANCIAL ASSETS

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All other AFS financial assets are measured at fair value. Gains and losses on these assets are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss. Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

(v) Classification and subsequent measurement of financial liabilities

The Credit Union's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

(C) LOANS TO MEMBERS

(i) Basis of recognition

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

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

(ii) Interest earned

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

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

Credit cards – the interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a members account on the 26th day of each month, on cash advances and purchases in excess of the payment due date. Purchases are granted up to 55 days interest free until the due date for payment.

Non accrual loan interest – while still legally recoverable, interest is not brought to account as income where the Credit Union is informed that the member has deceased, or, where a loan is impaired.

(iii) Loan origination fees and discounts

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

(iv) Transaction costs

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

(v) Fees on loans

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

(vi) Net gains and losses

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

(D) LOAN IMPAIRMENT

(i) Specific and collective provision for impairment

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. Estimated impairment losses are calculated on either a portfolio basis for loans of similar characteristic, or on an individual basis. The amount provided is determined by management and the board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement. The critical assumptions used in the calculation are set out in Note 7 and Note 24 details the credit risk management approach for loans.

The APRA Prudential Standards require a minimum provision to be maintained, based on specific percentages on the loan balance which are contingent upon the length of time the repayments are in arrears. This approach is used to assess the collective provisions for impairment.

An assessment is made at each balance date to determine whether there is objective evidence that a specific financial asset or a group of financial assets is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden on the borrower.

(ii) Reserve for credit losses

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

- The level of security taken as collateral; and
- The concentration of loans taken by employment type.

(iii) Renegotiated loans

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

(E) BAD DEBTS WRITTEN OFF
(DIRECT REDUCTION IN LOAN BALANCE)

Bad debts are written off from time to time as determined by management and the board of directors when it is reasonable to expect that the recovery of debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognised. If no provision had been recognised, the write offs are recognised as expenses in profit or loss.

(F) CASH AND LIQUID ASSETS

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(G) DEPOSITS WITH OTHER FINANCIAL INSTITUTIONS

Term deposits and negotiable certificates of deposit with other financial institutions are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity. Interest is recognised when earned. The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the statement of financial position.

(H) EQUITY INVESTMENTS AND OTHER SECURITIES

Investments in shares are classified as available for sale financial assets where they do not qualify for classification as loans and receivables, or investments held for trading.
Investments in shares which do not have a ready market and are not capable of being reliably valued are recorded at the lower of cost or recoverable amount.
Movements in available for sale asset balances are reflected in equity through the Available for Sale Reserve.

(I) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are depreciated on a straight line basis so as to write off the net cost of each asset over its expected useful life to the Credit Union. The useful lives are adjusted if appropriate at each reporting date. Estimated useful lives at reporting date are:-

Leasehold improvements:........ 7 years
Plant and equipment:............... 3 to 5 years

(J) INTANGIBLE ASSETS

Items of computer software which are not integral to the computer hardware owned by the Credit Union are classified as intangible assets. Computer software is amortised over the expected useful life of the software. These lives range from 3 to 8 years.

(K) MEMBER SAVINGS

(I) Basis for measurement

Member savings and term investments are quoted at the aggregate amount payable to depositors as at the balance date.

(II) Interest payable

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

(L) DUE TO OTHER FINANCIAL INSTITUTIONS

Amounts due to other financial institutions are carried at the principal amount. Interest is charged as an expense as it accrues.

(M) ACCOUNTS PAYABLE AND OTHER LIABILITIES

Liabilities for trade creditors and accruals are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Credit Union.

(N) EMPLOYEE ENTITLEMENTS

Employee entitlements are not provided for on the Credit Union's statement of financial position. The Credit Union is charged a loading on salaries for employee entitlements by the host organisation, Woolworths Limited. Provision for employee entitlements are maintained by Woolworths Limited.

(O) INCOME TAX

The income tax expense shown in profit or loss is based on the profit before income tax adjusted for any non tax deductible, or non-assessable items between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Current and deferred tax balances relating to amounts recognised directly in equity. Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 27.5%. Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation; and the anticipation the Credit Union will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a income tax benefit to be obtained.

(P) GOODS AND SERVICES TAX

As a financial institution the Credit Union is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input taxed credits (RITC), of which 75% of the GST paid is recoverable.
Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST). To the extent that the full amount of the GST incurred is not recoverable from the Australian Taxation Office (ATO), the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial position. Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(Q) IMPAIRMENT OF ASSETS

At the reporting date the Credit Union assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the income statement where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In determining recoverable amount the expected net cash flows have not been discounted to their present value using a market determined risk adjusted discount rate.

(R) ROUNDING OF AMOUNTS

The Credit Union is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar, or in certain cases, to the nearest thousand.

(S) ACCOUNTING ESTIMATES AND JUDGEMENTS

Management have made judgements when applying the Credit Union's accounting policies with respect to the classification of member withdrawable shares as liabilities. Management have made critical accounting estimates when applying the Credit Union's accounting policies with respect to the impairment provisions for loan.

(T) NEW STANDARDS APPLICABLE FOR THE CURRENT YEAR

There were no new or revised accounting standards applicable for the financial year commencing from 1 July 2017 that had any significant impact on the financial statements of the Credit Union.

(U) NEW OR EMERGING STANDARDS NOT YET MANDATORY

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting period. The Credit Union's assessment of the impact of these new standards and interpretations is set out below. Changes that are not likely to impact the financial report of the Credit Union have not been reported.

AASB Reference	Nature of Change	Application date	Impact on Initial Application
AASB 9 Financial Instruments	The new standard replaces AASB 139 and supersedes AASB 9 versions previously issued in December 2009 and December 2010. It amends the requirements for classification and measurement of financial assets. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. Recognition of credit losses are to no longer be dependent on the Credit Union first identifying a credit loss event. The Credit Union will consider a broader range of information when assessing credit risk and measuring expected credit losses including past experience of historical losses for similar financial instruments.	Periods beginning on or after 1 January 2018.	The Credit Union has undertaken a detailed assessment of the impact of AASB9. Based on the Credit Union's assessment, the likely impact on the first time adoption of the Standard for the year commencing 1 July, 2018 includes: * initial recognition of the higher lifetime impairment on loans with the increased credit risk on retained earnings and provisions for impairment of approximately $40,000 * initial recognition of the higher 12 month expected impairment on loans with no increased credit risk on retained earnings and provisions for impairment of approximately $20,000. The above amounts are not considered material to impact the Credit Union's Capital Adequacy or members' equity, since these amounts have previously been recognised in the General Reserve for Credit Losses. The Credit Union is yet to decide whether to recoup the increase from the General Reserve for Credit Losses, or retain the increase against the retained earnings as an additional retention of funds. The above assessment is based on the review of the past 10 year's loans bad debt experience and is to be modified as circumstances change in line the changing economic environment.
AASB 15 Revenue from Contracts with Customers	Revenue from financial instruments is not covered by this new Standard, but AASB 15 establishes a new revenue recognition model for other types of revenue. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard replaces AASB 118 Revenue and related revenue interpretations.	Periods beginning on or after 1 January 2018.	Based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted, as most of the Credit Union's revenue arises from the provision of financial services which are governed by AASB 9 Financial Instruments. Few revenue transactions of the Credit Union are impacted by the new standard.

2. OPERATING PROFIT

NET PROFIT BEFORE TAX HAS BEEN DETERMINED AFTER:	2018 - $	2017 - $
INTEREST REVENUE		
Loans and advance	4,446,332	4,255,878
Deposits with other financial instructions	361,797	347,006
	4,808,129	4,602,884
INTEREST EXPENSE		
Member deposits	1,667,707	1,456,869
Short term borrowings	137,795	238,929
	1,805,502	1,695,798
NET INTEREST INCOME	3,002,627	2,907,086
FEES, COMMISSION AND OTHER INCOME		
Dividends - Other corporations	-	16,674
Gain on sale of non-current assets	14,139	263,162
Fees and commissions		
- Other fee income	370,884	443,434
- Insurance commissions	312,081	327,292
- Other commissions	166,501	160,856
Bad debts recovered	8,583	14,589
Other income	81,680	59,434
FEES, COMMISSION AND OTHER INCOME	953,868	1,285,441
NON INTEREST EXPENSE		
Bad and doubtful debts	21,348	27,180
Amortisation - Software	74,600	93,767
Depreciation - Property plant and equipment	89,296	95,343
General and administration		
- Personnel costs	1,662,275	1,752,858
- Other	1,666,023	1,611,590
NON INTEREST EXPENSE	3,513,542	3,580,738
PROFIT BEFORE TAX	442,953	611,789

3. INCOME TAX

THE PRIMA FACIE TAX ON PROFIT IS RECONCILED TO THE INCOME TAX EXPENSE AS FOLLOWS:		
PRIMA FACIE TAX ON PROFIT BEFORE TAX AT 27.5%	121,812	168,242
TAX EFFECT OF:		
Tax on non deductible expenses	1,319	4,186
Franking credit	-	(7,146)
INCOME TAX EXPENSE ATTRIBUTABLE TO PROFIT	123,131	165,282

The income tax expense comprises of amounts set aside for current year profits.

The franking account balance at year end, adjusted for income tax payable is	2,328,757	2,201,614

4. CASH

	2018 - $	2017 - $
Cash on hand	208,763	215,097
Cash at banks	6,273,888	4,558,126
	6,482,651	4,773,223

5. INVESTMENTS AT AMORTISED COST

Bonds	7,029,415	6,042,305
Negotiable Certificates of Deposit	3,975,951	3,978,205
CUSCAL Sucurity Deposit	2,102,528	2,101,290
	13,107,894	12,121,800
Maturity Analysis		
Not longer than 3 months	3,975,951	3,978,205
Longer than 3 and not longer than 12 months	2,102,528	2,101,290
Longer than 1 year and not longer than 5 years	7,029,415	6,042,305
	13,107,894	12,121,800

6. RECEIVABLES

Interest receivable	51,751	39,614
Other receivables	401,204	400,208
	452,955	439,822

All receivables are due within 12 months.

7. LOANS AND ADVANCES

Overdrafts	298,263	322,658
Credit card	907,404	808,129
Residential loans	88,747,510	87,186,001
Personal loans	6,690,734	5,752,837
Total loans and advances	96,643,911	94,069,625
Provision for impairment	(18,564)	(29,948)
NET LOANS AND ADVANCES	96,625,347	94,039,677

A) DIRECTORS AND DIRECTOR-RELATED ENTITIES		
Loans to director-related entities	49,839	244,024

B) MATURITY ANALYSIS		
Overdrafts	298,263	322,658
Credit Card	907,404	808,129
Not longer than 3 months	1,450	1,795
Longer than 3 months and not longer than 12 months	248,729	356,356
Longer than 1 year and not longer than 5 years	4,908,004	5,106,191
Longer than 5 years	90,280,061	87,474,496
TOTAL LOANS	96,643,911	94,069,625

7. LOANS AND ADVANCES ...CONTINUED

C) CREDIT QUALITY - SECURITY HELD AGAINST LOANS	2018 - $	2017 - $
Secured by mortgage over real estate	**88,747,510**	87,186,001
Partially secured by goods mortgage	**5,461,794**	3,707,467
Wholly unsecured	**2,434,607**	3,176,157
	96,643,911	94,069,625

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

Security held as mortgage against real estate is on the basis of:-		
- loan to valuation ratio of less than 80%	**81,188,538**	80,239,252
- loan to valuation ratio of more than 80% but mortgage insured	**7,558,972**	6,946,749
	88,747,510	87,186,001

Where the loan value is less than 80% there is a 20% margin to cover the costs of any sale, or potential value reduction.

D) CONCENTRATION OF LOANS

Loans to members are predominantly to employees of Woolworths Ltd and their families.

GEOGRAPHICAL CONCENTRATIONS - 2018	HOUSING 2018 - $	OTHER 2018 - $
Victoria	**53,758,809**	**3,512,894**
NSW	**29,175,952**	**3,663,496**
Tasmania	**855,378**	**126,680**
Queensland	**3,543,549**	**478,282**
Western Australia	**643,576**	**61,892**
South Australia	**454,638**	**15,666**
Australian Capital Territory	**84,948**	**36,170**
Northern Territory	**230,660**	**1,321**
	88,747,510	**7,896,401**

GEOGRAPHICAL CONCENTRATIONS - 2017	HOUSING 2017 - $	OTHER 2017 - $
Victoria	56,736,295	3,633,659
NSW	25,487,499	2,579,886
Tasmania	635,875	128,221
Queensland	3,178,945	411,504
Western Australia	730,953	69,546
South Australia	-	2,530
Australian Capital Territory	173,149	57,581
Northern Territory	243,285	697
	87,186,001	6,883,624

E) SECURITISED LOANS

The Credit Union acts as an agent for a securitisation entity to arrange and fund loans made directly by the securitisation entity. These loans do not qualify for recognition and are not recognised in the books of the Credit Union at any time. The value of securitised loans under management is set out in Note 22.

F) TRANSFERS OF FINANCIAL ASSETS – OFF BALANCE SHEET LOANS

The Credit Union has an off balance sheet funding facility with Bendigo and Adelaide Bank. This facility replaces securitised loans facility funded through Integris. These loans do not qualify for recognition and are not recognised in the books of the Credit Union at any time. The value of off balance sheet loans under management is set out in Note 23.

7. LOANS AND ADVANCES ...CONTINUED

(G) PROVISION FOR IMPAIRMENT	2018 - $	2017 - $
Total provision comprises:		
Individual specific provisions	18,564	29,948
	18,564	29,948
Movement in the provision for impairment:		
Balance at the beginning of the year	29,948	31,272
Add/(deduct):		
Transfers from (to) profit or loss	21,348	(29,828)
Bad debts written off provision	(32,732)	28,504
Balance at end of year	18,564	29,948
Impaired loans written off:		
Amounts written off against provision for impaired loans	32,731	28,504
Total bad debts	32,731	28,504
Bad debts recovered in period	8,583	14,589

Key assumptions in determining the provision for impairment:

The Credit Union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment, the Credit Union is required to estimate the potential impairment using the length of time the loan in arrears and the historical losses arising in past years. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment. A provision is allowed for specifically identified loans. The policy covering impaired loans and advances is set out in Note 1(D).

ANALYSIS OF LOANS IMPAIRED OR POTENTIALLY IMPAIRED BY CLASS	2018 - $ VALUE OF IMPAIRED LOANS	2018 - $ PROVISION FOR IMPAIRMENT
Mortgage	1,053,864	-
Personal	71,647	13,341
Credit Card and Overdrafts	67,298	5,223
	1,192,809	18,564

ANALYSIS OF LOANS IMPAIRED OR POTENTIALLY IMPAIRED BY CLASS	2017 - $ VALUE OF IMPAIRED LOANS	2017 - $ PROVISION FOR IMPAIRMENT
Personal	47,564	11,518
Credit Card and Overdrafts	76,741	18,430
	124,305	29,948

7. LOANS AND ADVANCES ...CONTINUED

ANALYSIS OF LOANS THAT ARE IMPAIRED OR POTENTIALLY IMPAIRED BASED ON AGE OF REPAYMENTS OUTSTANDING	2018 - $ CARRYING VALUE	2018 - $ PROVISION
Not impaired loans and loans less than 30 days in arrears	95,451,102	-
30 to 90 days in arrears	977,284	-
90 to 180 days in arrears	8,582	3,433
180 to 270 days in arrears	3,502	3,072
270 to 365 days in arrears	136,143	-
Over 365 days in arrears	-	-
Overlimit facilities over 14 days	67,298	12,059
TOTAL	96,643,911	18,564

ANALYSIS OF LOANS THAT ARE IMPAIRED OR POTENTIALLY IMPAIRED BASED ON AGE OF REPAYMENTS OUTSTANDING	2017- $ CARRYING VALUE	2017 - $ PROVISION
Not impaired loans and loans less than 30 days in arrears	93,945,321	-
30 to 90 days in arrears	32,017	-
90 to 180 days in arrears	2,785	1,114
180 to 270 days in arrears	-	-
270 to 365 days in arrears	11,787	9,430
Over 365 days in arrears	974	974
Overlimit facilities over 14 days	76,741	18,430
TOTAL	94,069,625	29,948

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

NON ACCRUAL LOANS	2018 - $	2017 - $
Balances with specific provisions for impairment	21,480	37,057
Specific provision for impairment	(18,564)	(29,948)
NET NON ACCRUAL LOANS	2,916	7,109

There are no restructured loans or assets acquired through enforcement of security.

PAST-DUE LOANS

BALANCE	151,968	32,106

The loans that are past due are not considered for impairment as they are well secured.
There were no renegotiated loans during the year.

8. PROPERTY, PLANT AND EQUIPMENT

	2018 - $	2017- $
OFFICE EQUIPMENT		
At cost	52,142	210,828
Provision for depreciation	(38,598)	(191,268)
	13,544	19,560
EDP EQUIPMENT		
At cost	159,797	457,835
Provision for depreciation	(76,527)	(350,830)
	83,270	107,005
MOTOR VEHICLES		
At cost	265,645	260,345
Provision for depreciation	(93,709)	(100,320)
	171,936	160,025
TOTAL PLANT AND EQUIPMENT	268,750	286,590
TOTAL PROPERTY, PLANT AND EQUIPMENT		
Cost	477,584	929,008
Provision for depreciation and amortisation	(208,834)	(642,418)
Total written down amount	268,750	286,590
MOVEMENT IN CARRYING AMOUNTS		
MOVEMENT IN CARRYING AMOUNTS – OFFICE EQUIPMENT		
Balance at beginning of financial year	19,560	20,405
Additions	1,743	7,761
Depreciation expense	(7,759)	(8,606)
CARRYING AMOUNT AT END OF FINANCIAL YEAR	13,544	19,560
MOVEMENT IN CARRYING AMOUNTS – EDP EQUIPMENT		
Balance at beginning of financial year	107,005	99,320
Additions	3,852	38,871
Depreciation expense	(27,587)	(31,186)
CARRYING AMOUNT AT END OF FINANCIAL YEAR	83,270	107,005
MOVEMENT IN CARRYING AMOUNTS – MOTOR VEHICLES		
Balance at beginning of financial year	160,025	113,977
Additions	67,177	119,330
Depreciation expense	(53,950)	(55,551)
Disposals	(1,316)	(17,731)
CARRYING AMOUNT AT END OF FINANCIAL YEAR	171,936	160,025
MOVEMENT IN CARRYING AMOUNTS – TOTAL		
Balance at beginning of financial year	286,590	233,702
Additions	72,772	165,962
Depreciation expense	(89,296)	(95,343)
Disposals	(1,316)	(17,731)
CARRYING AMOUNT AT END OF FINANCIAL YEAR	268,750	286,590

9. INTANGIBLE ASSETS

	2018 - $	2017 - $
Computer software	**421,245**	1,204,877
Less Provision for amortisation	**(202,716)**	(968,199)
	218,529	236,678
Movement in carrying amounts		
Balance at beginning of financial year	**236,678**	212,448
Additions	**56,451**	117,997
Amortisation expense	**(74,600)**	(93,767)
CARRYING AMOUNT AT END OF FINANCIAL YEAR	**218,529**	236,678

10. DEFFERED TAX ASSETS / (LIABILITIES)

Deferred tax assets / (liabilities)	**(47,887)**	(39,060)

Deferred tax assets / (liabilities) comprise temporary differences attributable to:
Deferred loan fees/costs (per effective interest rate method), and provisions.

11. OTHER ASSESTS

Prepayments	**135,151**	148,217

12. CURRENT TAX LIABILITIES

Current income tax payable	**37,350**	50,189

13. DEPOSITS

Call deposits	**49,546,911**	45,192,090
Term deposits	**51,028,163**	48,533,409
Member withdrawable shares	**168,150**	166,220
	100,743,224	93,891,719

(A) MATURITY ANALYSIS

On call	**49,546,911**	45,192,090
Not longer than 3 months	**26,351,810**	23,524,928
Longer than 3 and not longer than 12 months	**24,243,471**	24,422,228
Longer than 1 and not longer than 5 years	**432,882**	586,253
No maturity specified	**168,150**	166,220
	100,743,224	93,891,719

(B) CONCENTRATION OF RISK

The Credit Union's deposit portfolio does not include any deposit which represents 10% or more of total liabilities. Member deposits at balance date were received from individuals employed principally with Woolworths Ltd.

Geographical concentrations

Victoria	**68,416,144**	63,052,630
NSW	**27,376,577**	26,393,951
Tasmania	**1,080,894**	862,070
Queensland	**2,899,100**	2,354,520
Western Australia	**311,669**	365,899
South Australia	**255,939**	353,592
Australian Capital Territory	**275,493**	420,454
Northern Territory	**127,408**	88,603
	100,743,224	93,891,719

14. PAYABLES AND OTHER LIABILITIES

	2018 - $	2017 - $
Trade creditors	274,529	529,043
Accrued interest payable	379,166	331,511
Sundry creditors & other liabilities	786,677	1,501,027
	1,440,372	2,361,581

All accounts payable and other liabilities are due within 12 months.

15. DUE TO OTHER FINANCIAL INSTITUTIONS

Secured liabilities	6,007,744	7,008,580

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

All borrowings are due within 3 months.

16. STATEMENT OF CASH FLOWS

(A) RECONCILIATION OF THE OPERATING PROFIT AFTER TAX TO THE NET CASH FLOWS FROM OPERATIONS

Operating profit after tax	319,822	446,507
Provision for impairment	(11,384)	(1,324)
Depreciation and amortisation	163,896	189,110
Net gain on disposal of plant and equipment	(14,139)	(27,769)
Net gain on disposal of CUSCAL shares	-	(235,393)
Changes in assets and liabilities		
Interest receivable	(12,137)	501
Trade creditors	(254,514)	234,539
Accrued interest payable	47,655	32,822
Tax provision	(12,839)	(3,234)
Deferred tax assets	8,827	38,503
Prepayments	13,066	(33,265)
Deposits with other financial institutions	(986,094)	(4,146,612)
Loans and advances	(2,574,286)	(9,269,022)
Deposits	6,851,505	14,240,303
Other receivables	(996)	500,878
Sundry creditors and other liabilities	(714,350)	540,265
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,824,032	2,506,809

(B) RECONCILIATION OF CASH

Cash balance comprises:		
Cash on hand	208,763	215,097
Bank	6,273,888	4,558,126
CLOSING CASH BALANCE	6,482,651	4,773,223

16. STATEMENT OF CASH FLOWS...CONTINUED

(C) CASH FLOWS PRESENTED ON A NET BASIS

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

(a) member deposits to and withdrawals from deposit accounts

(b) borrowings and repayments on loans and advances.

(D) BANK OVERDRAFT FACILITY

The Credit Union has a bank overdraft facility available to the extent of $400,000 (2017: $400,000).

The facility is secured by a fixed and floating charge over the assets of the Credit Union.

17. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

In the normal course of business the Credit Union enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of members.

CREDIT RELATED COMMITMENTS

Binding commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

	2018 - $	2017 - $
Approved but undrawn loans and credit limits	**890,697**	944,170
Loan redraw facilities available	**6,312,030**	6,047,381

OTHER EXPENSE COMMITMENTS

Not later than 1 year	**378,768**	331,500
later than 1 year but not 2 years	**390,131**	341,445
Later than 2 years but not 5 years	**545,427**	895,810
	1,314,326	1,568,755

UNDRAWN LOAN FACILITIES

Loan facilities available to members for overdrafts and line of credit loans are as follows:-

Total value of facilities approved	**1,807,578**	1,876,358
Less amount advanced	**(1,205,667)**	(1,130,787)
NET UNDRAWN VALUE	**601,911**	745,571

LIQUIDITY SUPPORT SCHEME

The Credit Union is a member of the Credit Union Financial Support Scheme Limited (CUFSS), a company limited by guarantee, established to provide financial support to member Credit Unions in the event of a liquidity or capital problem. As a member, the Credit Union is committed to maintaining 3.1% of total assets as deposits in its Austraclear account.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating Credit Union would be 3.1% of the Credit Union's total assets. This amount represents the Credit Union's irrevocable commitment under the ISC. At balance date, there were no loans issued.

18. SUBSEQUENT EVENTS

Since the end of the financial year, no events of a material or significant nature have occurred.

19. AUDITORS' REMUNERATION

	2018 - $	2017 - $
Amounts received or due and receivable by the auditors of Woolworths Employees' Credit Union Limited		
Audit of the financial statements of the Credit Union - Grant Thornton (Includes statutory audit, APRA audit and ASIC financial services license audit)	50,000	50,000
Taxation Services	6,000	6,000
	56,000	56,000

20. RELATED PARTY DISCLOSURES

(A) REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any director (whether executive or otherwise) of that entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Key management personnel has been taken to comprise the directors and 2 members of the executive management team responsible for the day to day financial and operational management of the Credit Union.

The aggregate compensation of key management persons during the year was $401,904 (2017: $379,607) comprising wages, salaries, fringe benefits received, superannuation contributions, paid annual and sick leave and bonuses.

(B) LOANS TO KEY MANAGEMENT PERSONNEL

The aggregate value of loans to key management personnel amounted to $441,671 (2017: $245,898). Loans to key management personnel are approved on the same terms and conditions, which are applied to members. There are no benefits or concessional terms and conditions applicable key management persons or their close family members. There are no loans, which are impaired in relation to key management persons.

(C) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Other transactions with related parties include deposits from key management personnel. The total value of savings and term deposits from key management personnel amounted to $114,953 (2017: $156,464).

(D) THE FOLLOWING RELATED PARTY TRANSACTIONS OCCURRED DURING THE FINANCIAL YEAR:

(i) Transactions with other related parties

There were no transactions with related parties other than those disclosed elsewhere in this note.

(ii) Transactions with the directors of Woolworths Employees' Credit Union Limited.

There were no transactions with directors at concessional interest rates.

(iii) Transactions with director-related entities.

There were no transactions with director related entities at concessional interest rates.

21. OUTSOURCING ARRANGEMENTS

The Credit Union has arrangements with other organisations to facilitate the supply of services to members.

(a) CUSCAL Limited

CUSCAL is an Approved Deposit Taking Institution registered under the Corporations Act 2001 and the Banking Act. The Credit Union has equity in the company. This organisation:

(i) provides the licence rights to Visa Card in Australia and settlement with other institutions for ATM, Visa card and cheque transactions, direct entry transactions, as well as the production of Visa and Redicards for use by members;

(ii) This company operates the computer network used to link Redicards and Visa cards operated through Reditellers and other approved ATM providers to the Credit Union's IT Systems.

(iii) provides treasury and money market facilities to the Credit Union.

(b) Ultradata Australia Pty Ltd

Provides and maintains the application software utilised by the Credit Union.

(c) Transaction Solutions Limited

This service provider operates the computer facility on behalf of the Credit Union in conjunction with other Credit Unions. The Credit Union has a management contract with the company to supply computer support staff and services to meet the day to day needs of the Credit Union and compliance with the relevant Prudential Standards.

22. SECURITISATION

The Credit Union had an arrangement with Integris Securitisation Services Pty Ltd whereby it acted as an agent to promote and complete loans on their behalf, for on sale to an investment trust. The Credit Union also manages the loans portfolio on behalf of the trust, and bears no risk exposure in respect of these loans. The amount of securitised loans under management as at 30 June 2018 is $26,931 (2017: $7,486). The Credit Union has not funded any loans under this facility in 2017-2018.

23. TRANSFERS OF FINANCIAL ASSETS

The credit union has established arrangements for the transfer of loan contractual benefits of interest and repayments to support ongoing liquidity facilities. These arrangements are with:-

- The Integris securitisation trust where the Credit Union acts as agent for the trust in arranging loans on behalf of Integris, and/or can transfer the contractual rights to the trust of pre-existing loans at market value; and
- Bendigo and Adelaide Bank (Bendigo) where the Credit Union has arrangements where it can transfer the contractual rights to Bendigo of pre-existing loans at market value.

Only residential mortgage-backed securities (RMBS) that meet specified criteria, are eligible to be transferred in each of the above situations.

Securitised loans not on the balance sheet - Derecognised in their entirety

The values of securitised loans which are qualifying for de-recognition arising from transfer of interest in the loans, as the conditions do not meet the criteria in the accounting standards. In each case the loans are variable interest rate loans, hence the book value of the loans transferred equates to the fair value of those loans.

The associated liabilities are equivalent to the book value of the loans reported.

Integris Securitisation Services Pty Ltd

The Integris securitisation trust is an independent securitisation vehicle established by the peak Credit Union body Cuscal. The Credit Union has an arrangement with Integris Securitisation Services Pty Ltd whereby it acts as an agent to promote and complete loans on their behalf, for on sale to an investment trust. The Credit Union also manages the loans portfolio on behalf of the trust. The Credit Union bears no risk exposure in respect of these loans. The Credit Union receives a management fee to recover the costs of administration of the processing of the loan repayments and the issue of statements to the members.

The Credit Union does not have any obligations in connection with performance or impairment guarantees, or call options to repurchase the loans. Refer to the Bendigo and Adelaide Bank lending facility below.

Bendigo and Adelaide Bank non-securitisation lending facility

As the Integris Securitisation program through Cuscal was discontinued in February 2014, the Credit Union as well as a number of other participating Credit Unions, as a consequence and as an alternative, entered into an APRA approved Receivables Acquisition and Servicing Agreement with the Bendigo and Adelaide Bank (Bendigo). This off - Balance Sheet loan funding facility is designed to cater for larger loans and/or high loan demand that on-Balance Sheet liquidity cannot readily address. Under this arrangement the Credit Union will assign mortgage secured loans to Bendigo at the book value of the loans, subject to acceptable documentation criteria with a complete absence of any securitisation vehicle and/or securitisation related matters.

The Credit Union will contract directly with Bendigo and will be responsible for ensuring the funding program is suitable for the organisation as well as its ongoing availability and administration.

The loans transferred qualify for de-recognition on the basis that the assignment transfers all the risks and rewards to Bendigo and there are no residual benefits to the Credit union. The Credit union receives a management fee to recover the costs of ongoing administration for processing of the loan repayments and the issue of statements to the members.

The amount of loans under management through this facility as at 30 June 2018 is $7,281,162 (2017: $4,038,820).

24. FINANCIAL INSTRUMENTS

(A) NET FAIR VALUES

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

	TOTAL CARRYING AMOUNT AS PER STATEMENT OF FINANCIAL POSITION		AGGREGATE NET FAIR VALUE	
	2018 - $	2017 - $	2018 - $	2017 - $
FINANCIAL ASSETS				
Cash and liquid assets	6,482,651	4,773,223	6,482,651	4,773,223
Investments at amortised cost	13,107,894	12,121,800	13,107,894	12,121,800
Loans and advances	96,625,347	94,039,677	96,625,347	94,039,677
Receivables	452,955	439,822	452,955	439,822
Total financial assets	116,668,847	111,374,522	116,688,847	111,374,522
FINANCIAL LIABILITIES				
Deposits	100,743,224	93,891,719	100,743,22	93,891,719
Borrowings	6,007,744	7,008,580	6,007,744	7,008,580
Trade creditors and accruals	1,440,372	2,361,581	1,440,372	2,361,581
Total financial liabilities	108,191,340	103,261,880	108,191,340	103,261,880

THE FOLLOWING METHODS AND ASSUMPTIONS ARE USED TO DETERMINE THE NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

RECOGNISED FINANCIAL INSTRUMENTS

Cash and liquid assets and due from other financial institutions: The carrying amounts approximate fair value because of their short-term to maturity or are receivable on demand.

Current securities and investments: The redemption value of term deposits at balance date approximates fair value. These investments are intended to be held until maturity.

Trade payables and due to other financial institutions: The carrying amount approximates fair value, as they are short term in nature.

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

Loan and advances: The fair values of variable rate loans receivable including impaired loans are estimated at their carrying value.

Investments/securities: For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, fair value is estimated at lower of cost or recoverable amount.

Other financial liabilities: This includes interest payable and unrealised expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value.

All classes of financial assets and financial liabilities are held at amortised cost.

(B) CREDIT RISK EXPOSURES

The Credit Union's maximum exposures* to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

CONCENTRATIONS OF CREDIT RISK

The Credit Union minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of members within the specified category. All members are concentrated in Australia.

Credit risk in loans receivable is managed in the following ways:

- a risk assessment process is used for all members; and
- credit insurance is obtained for high-risk members.

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

24. FINANCIAL INSTRUMENTS CONTINUED

(C) INTEREST RATE RISK

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

FIXED INTEREST RATE MATURING IN:

Financial Instruments	Floating Interest Rate		0-3 Months		4-12 Months		Over 1 to 5 Years		Over 5 Years		Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 **$'000**	**2018 $'000**	2017 $'000	**2018 %**	2017 %
FINANCIAL ASSETS																
Cash and liquid assets	**6,274**	4,558	**-**	-	**-**	-	**-**	-	**-**	-	**209**	215	**6,483**	4,773	**1,18**	1,18
Investments at amortised cost	**-**	-	**3,976**	3,978	**2,103**	2,102	**7,029**	6,042	**-**	-	**-**	-	**13,108**	12,122	**2.67**	2.55
Loans and Advances	**96,238**	93,551	**-**	115	**-**	-	**406**	403	**-**	-	**-**	-	**96,644**	94.069	**4.55**	4.69
Receivables	**-**	-	**52**	40	**-**	-	**-**	-	**-**	-	**401**	400	**453**	440	**N/A**	N/A
TOTAL FINANCIAL ASSETS	**102,512**	98,109	**4,028**	4,133	**2,103**	2,102	**7,435**	6,445	**-**	-	**610**	615	**116,688**	111,404	**-**	-
FINANCIAL LIABILITIES																
Deposits	**49,547**	45,192	**26,352**	23,525	**24,243**	24,423	**433**	586	**-**	-	**168**	166	**100,743**	93,982	**1,68**	1,66
Due to other financial institutions	**-**	-	**6,008**	7,009	**-**	-	**-**	-	**-**	-	**-**	-	**6,008**	7,009	**2,84**	2,43
Trade creditors and accruals	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**1,440**	2,362	**1,440**	2,362	**N/A**	N/A
TOTAL FINANCIAL LIABILITIES	**49,547**	45,192	**32,360**	30,534	**24,243**	24,423	**433**	586	**-**	-	**1,608**	2,528	**108,191**	103,263	**-**	-

25. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

2018	BOOK VALUE	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	AFTER 5 YEARS	NO MATURITY	TOTAL CASH FLOWS
	$	$	$	$	$	$	$	$
FINANCIAL ASSETS								
Cash	6,482,651	6,482,651	-	-	-	-	-	6,482,651
Liquid Investments	13,107,894	2,000,000	2,000,000	2,153,852	7,946,900	-	-	14,100,752
Loans & advances	96,625,347	739,622	1,571,561	6,877,302	30,875,806	116,159,465	-	156,223,756
Receivables	401,204	-	-	-	-	-	401,204	401,204
Total financial assets	116,617,096	9,222,273	3,571,561	9,031,154	38,822,706	116,159,465	401,204	177,208,363
FINANCIAL LIABILITIES								
Due to other financial institutions	6,007,744	4,010,150	2,012,855	-	-	-	-	6,023,005
Creditors	274,529	-	-	-	-	-	274,529	274,529
Deposits from members – at call	49,715,061	49,546,911	-	-	-	-	168,150	49,715,061
Deposits from members – term	51,028,163	15,745,983	10,965,584	24,578,481	438,153	-	-	51,728,201
Total financial liabilities	107,025,497	69,303,044	12,978,439	24,578,481	438,153	-	442,679	107,740,796

2017	BOOK VALUE	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	AFTER 5 YEARS	NO MATURITY	TOTAL CASH FLOWS
	$	$	$	$	$	$	$	$
FINANCIAL ASSETS								
Cash	4,773,223	4,773,223	-	-	-	-	-	4,773,223
Liquid Investments	12,121,.800	2,000,000	2,000,000	2,136,089	6,818,055	-	-	12,954,144
Loans & advances	94,039,677	731,397	1,529,515	6,562,782	28,458,241	111,973,521	-	149,255,456
Receivables	400,208	-	-	-	-	-	400,208	400,208
Total financial assets	111,334,908	7,504,620	3,529,515	8,698,871	35,276,296	111,973,521	400,208	167,383,031
FINANCIAL LIABILITIES								
Due to other financial institutions	7,008,580	5,010,087	2,012,893	-	-	-	-	7,022,980
Creditors	529,043	-	-	-	-	-	529,043	529,043
Deposits from members – at call	45,358,310	45,192,090	-	-	-	-	166,220	45,358,310
Deposits from members – term	48,533,409	55,747,987	13,282,547	24,764,002	595,018	-	-	94,389,554
Total financial liabilities	101,429,342	105,950,164	15,295,440	24,764,002	595,018	-	695,263	147,299,887

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union. The Credit Union's risk management focuses on the major areas of market risk, credit risk and operational risk. Authority flows from the Board of Directors to the Board Audit and Risk Committees which are integral to the management of risk.

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

Board Audit Committee: Assists the Board by providing an objective non-executive review of the effectiveness of the Credit Union's financial reporting and internal controls. The Board Audit Committee receives internal audit reports on assessment and compliance with the controls.

Board Risk Committee: Assists the Board by providing an objective non-executive oversight of the implementation and operation of the Credit Union's risk management framework. The Board Risk Committee also considers and confirms that the significant risks are to be assessed within the internal audit plan.

Management: This group is responsible for implementing risk management policies and controls and liaising with the Board Audit Committee, Board Risk Committee and Internal Audit.

Internal Audit: Provides internal audit reports to the Board Audit Committee and has the responsibility for reviewing the operational function, testing and assessing controls. Key risk management policies encompassed in the overall risk management framework include:-

- Market risk
- Liquidity
- Credit risk management
- Operations risk management including data risk
- Management

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

A. MARKET RISK

The objective of the Credit Union's market risk management is to manage and control market risk exposures in order to optimise risk and return. Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the Credit Union's financial condition or results. The Credit Union is not exposed to currency risk, and other price risk. Financial instruments held by the Credit Union are not traded. The Credit Union is exposed to interest rate risk arising from changes in market interest rates. Net interest rate gaps between assets and liabilities are maintained by offering variable interest rate products. Term deposits are the only fixed interest rate products the Credit Union offers on statement of financial position. The Credit Union manages its interest rate risk by the use of interest rate sensitivity analysis.

B. LIQUIDITY RISK

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

The Credit Union manages liquidity risk by:

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

The Credit Union has a long standing arrangement with the industry liquidity support scheme with Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support to the Credit Union should it be necessary at short notice. The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential Standards. The Credit Union policy is to apply 12% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level, the management and board are to address the matter and ensure that the liquid funds are obtained from new deposits and/or borrowing facilities available.

C. CREDIT RISK

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

(I) CREDIT RISK – LOANS

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

The Credit Union has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment, security requirements;
- Limits of acceptable exposure over the value to individual borrowers considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the
- Impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies;
- A regular review of compliance is conducted as part of the internal audit scope.

PAST DUE AND IMPAIRED

A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a member enters into a lending agreement with the Credit Union that requires interest and a portion of the principle to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past due.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Past due does not mean that a counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds 90 days the loans is regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

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

If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, is recognised in the statement of comprehensive income.

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

BAD DEBTS

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

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

COLLATERAL SECURING LOANS

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

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

CONCENTRATION RISK – INDIVIDUALS

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

Concentration exposures to counterparties are closely monitored with annual reviews being prepared for all exposures over 5% of the capital base.

The Credit Union's policy on exposures of this size is to insist on an initial Loan to Valuation ratio (LVR) up to least 80% and bi-annual reviews of compliance with this policy are conducted.

CONCENTRATION RISK – INDUSTRY

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

(II) CREDIT RISK – LIQUID INVESTMENTS

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

The credit policy is that investments are only made to institutions that are credit worthy. Directors have established policies that a maximum of 30% of liquid assets can be invested with any one financial institution at a time, as long as they do not exceed 50% of the capital base as required by APRA prudential standard APS 221.

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the limits to concentration on one financial institution.

Under the liquidity support scheme at least 3.1% of the total assets must be invested in the Credit Union's Austraclear account, to allow the scheme to have adequate resources to meet its obligations if needed.

EXTERNAL CREDIT ASSESSMENT FOR INSTITUTION INVESTMENTS

The Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA Prudential Standard APS 112. The credit quality assessment scale within this standard has been complied with.

D. OPERATIONAL RISK

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

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

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

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

FRAUD

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

IT SYSTEMS

The worst case scenario would be the failure of the Credit Union's core banking and IT network suppliers, to meet customer obligations and service requirements. The Credit Union has outsourced the IT systems management to an Independent Data Processing Centre (IDPC) which is owned by a collection of credit unions. This organisation has the experience in-house to manage any short term problems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf of the Credit Union by the industry body CUSCAL to service the settlements with other financial institutions for direct entry, ATM & Visa cards, and BPAY etc.

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

E. CAPITAL MANAGEMENT

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

- Credit risk
- Market risk (Trading Book)
- Operations risk.

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

CAPITAL RESOURCES

TIER 1 CAPITAL

The vast majority of Tier 1 capital comprises of retained earnings.

TIER 2 CAPITAL

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by APRA.

Tier 2 capital generally comprises:

- Available for sale reserve which arises from the revaluation of financial instruments categorised as available for sale and reflects the net gains in the fair value of those assets in the year. This is included within upper Tier 2 capital.
- A subordinated loan remitted from the Credit Union's ultimate parent. The principal amount has been amortised on a straight line basis over the last 5 years to maturity of the loan in accordance with the requirements of APRA Prudential Standard APS 111.
- A general reserve for credit losses.

TIER 1 COMMON EQUITY	*2018 - $*	*2017 - $*
Retained earnings	**8,753,352**	8,442,723
Less prescribed deductions	**(218,529)**	(229,846)
NET TIER 1 COMMON EQUITY	**8,534,823**	8,212,877
TIER 1 ADDITIONAL EQUITY	**-**	-
NET TIER 1 CAPITAL	**8,534,823**	8,212,877

TIER 2		
Reserve for credit losses	**261,351**	252,158
Less prescribed deductions	**-**	-
NET TIER 2 CAPITAL	**261,351**	252,158
TOTAL CAPITAL	**8,796,174**	8,465,035

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

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

	RISK WEIGHTING	CARRYING VALUE 2018 - $	RISK WEIGHTED VALUE 2018 - $	CARRYING VALUE 2017 - $	RISK WEIGHTED VALUE 2017 - $
Cash	0%	208,763	-	215,097	-
Deposits in highly rated ADI's	20%	6,284,207	1,256,842	4,565,154	913,031
Deposits in highly rated ADI's	50%	2,102,528	1,051,264	-	-
Negotiable certificates of deposit	20%	3,987,922	797,584	3,988,734	797,747
Bonds	20%	5,045,574	1,009,115	4,051,848	810,370
Bonds	50%	2,013,302	1,006,651	4,113,802	2,056,901
Standard loans secured against eligible residential mortgages up to 80% LVR, no mortgage insurance	35%	76,610,207	26,813,572	76,604,158	26,811,455
Standard Loans secured against eligible residential mortgages up to 90% LVR, with mortgage insurance	35%	8,586,856	3,005,400	8,112,406	2,839,342
Standard Loans secured against eligible residential mortgages greater than 90% LVR, with mortgage insurance	50%	3,550,448	1,775,224	2,469,438	1,234,719
Other assets	100%	8,682,943	8,682,943	7,695,522	7,695,522
TOTAL		117,072,750	45,398,595	111,816,159	43,159,087

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

2018	2017	2016	2015	2014
Basel III	Basel III	Basel III	Basel III	Basel II
16.24%	16.48%	16.75%	16.99%	16.55%

The level of capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. To manage the Credit Union's capital the Credit Union reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the board and the regulator if the capital ratio falls below a minimum level determined by the Credit Union's Internal Capital Adequacy Assessment Process (ICAAP).

Further a 2 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Pillar 2 Capital on Operational risk

This capital component was introduced as from the 1 January 2008 and coincided with changes in the asset risk weightings for specified loans and liquid investments. Previously no operational charge was prescribed. The Credit Union uses the Standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams. The Operational Risk Capital Requirement is calculated by mapping the Credit Union's three year average net interest income and net non-interest income to the Credit Union's various business lines.

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

- Operational risk capital $7,323,009 (2017: $6,795,646)

It is considered that the Standardised approach accurately reflects the Credit Union's operational risk.

Internal capital adequacy management

The Credit Union manages its internal capital levels for both current and future activities through the Audit Committee. The outputs are reviewed by the board in its capacity as the primary governing body. The capital required for any change in the Credit Union's forecasts for asset growth, or unforeseen circumstances, are assessed by the board. The finance department then updates the forecast capital resources models and the impact upon the overall capital position of the Credit Union is reassessed. In relation to the operational risks, the major measurements for additional capital is strategic risk, which concerns the risk to the viability of the Credit Union from unexpected adverse changes in the business environment.

27. CORPORATE INFORMATION

The Credit Union is an Australian public company limited by shares, and is registered under the Corporations Act 2001.

The address of the registered office is:

522 – 550 Wellington Road, Mulgrave VIC 3170

The address of the principal place of business is:

522 – 550 Wellington Road, Mulgrave VIC 3170

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

Woolworths Employees' Credit Union

522-550 Wellington Road,
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1 Woolworths Way,
Bella Vista, NSW 2153
Phone: 1300 665 553
Website: www.wecu.com.au

wecu
Woolworths Employees' Credit Union
good value, good sense banking