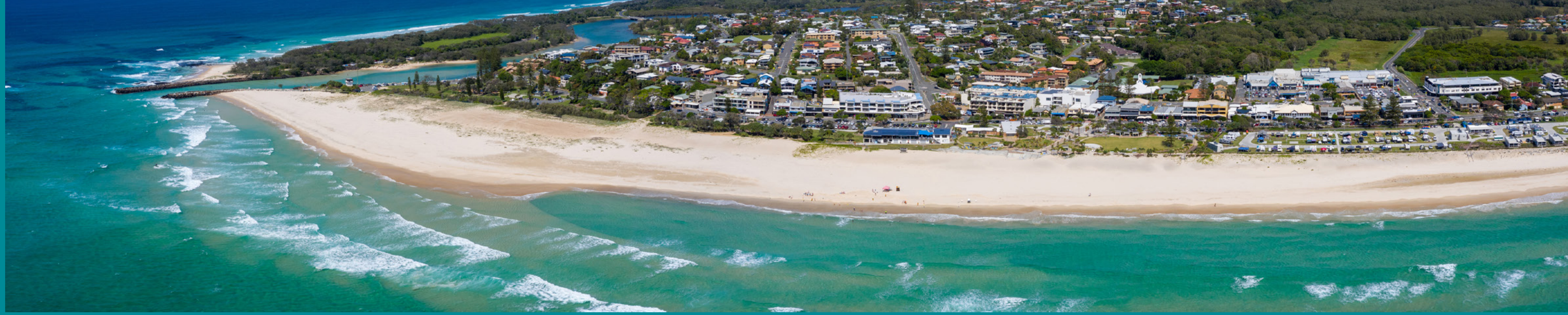
SOUTHERN CROSS
CREDIT UNION

Banking that works for you through the good times and the tough

Annual Report 2020

2019/20 Highlights



Vision

To be the First Choice for Easy to Understand Banking

Mission

To help our Customers, People and Community Realise Their Dreams

Recognition

Named Australian Mutual Lender of The Year

Inducted into the NSW Business Chamber Hall of Fame

For providing Excellence in Professional Service, recognising our unprecedented three consecutive year win in this category

Awarded Excellence in Business

At the NSW Business Chamber, Northern Rivers Regional Business Awards

Value Created

$2.730M

Achieved strong profit in times of uncertainty of $2.730M, allowing us to continue our investment in your Credit Union

859

Launched new initiatives to strengthen customer services and celebrated with families, entrepreneurs, individuals and groups with 859 loans funded

$85,000

Partnered with over 50 local organisations and gave over $85,000 back to community groups across the Northern Rivers to make a real difference in the places we call home

▼ 88%

Reduced landfill waste consumption by 88%

▼ 77%

Reduced paper waste consumption by 77%

173

Supported 173 individuals, families, businesses and communities through COVID-19 Relief Packages and was successful in our application to participate in the Australian Governments Coronavirus SME Guarantee Scheme

Contents

Opening Statement

At the heart of our strategy remains our focus on delivering a better experience for our customers, businesses and communities.

Never before has this been so meaningful and timely in the unprecedented times in which we now find ourselves, and as we continue our journey to invest in our systems, team, services and online technologies to be more responsive, relevant and digitally enabled.

It is all the more important that we work towards an environment that is more flexible, fosters stronger relationships, while staying committed to the worldwide credit union philosophy of "People Helping People" and building on the model that has made us successful in the past.

We remain acutely aware that change is inevitable and that this year has only accelerated the need to do so. Our resolve to continue the transformation of our business is by conscious choice, ensuring that we are delivering on our customers' evolving expectations while continuing to be a trusted financial partner that they can rely on, with services that reflect their needs.

We have delivered an exemplary profit result for the last 12 months in a very challenging environment and we would like to thank our team, customers and community for their support of our Credit Union. The coming year will see our profit impacted, particularly as a result of COVID-19, as well as slowing economic growth, weak consumer sentiment, increased competition, and as larger organisations in particular try to protect their market share.

We are prepared for the challenges that lie ahead and are confident in our strategic approach as we look to utilise our recent and planned technology advancements to drive sustainable cost efficiencies, expand our business via new third party distribution channels and challenge both core and non-core services to further differentiate ourselves from others. We know we need to remain nimble, and that we have an important role to play as everyone works through what has happened and what is to come.

Responding to a Global Pandemic

Regionally we once again experienced hardship and challenges with flooding and fires impacting customers throughout our community and beyond. However, the global COVID-19 pandemic brought about an unparalleled test of our resilience, as a business, team and for many of our customers. As the situation rapidly unfolded, we recognised the need to respond quickly and the responsibility we had to support each other more than ever before. As a customer-owned institution, the pandemic for us meant being visible, vocal and rethinking 'business-as-usual', to stay true to our mutual ethos and offering meaningful support for those facing an uphill battle.

Our coordinated approach to the crisis focused on the safety of our team, support for customers and helping our community and the economy. We have remained open for business throughout the pandemic, implementing a number of health and safety measures to ensure the wellbeing of our team and customers, following government and health authorities' advice. This included acting quickly to mobilise our teams where possible to work from home, communicating more regularly and directing resources to our online channels. This specifically focused on our Customer Service Centre and Financial Hardship teams who responded to the anticipated increase in requests for assistance and over the phone service. Our goal being to stay connected, while staying apart.

We supported our customers with packages including a 6-month repayment deferral on home, business and personal lending and made available a range of government support packages designed to assist Australian businesses, consumers and the economy get to the other side of the pandemic. This included successfully applying to the Australian Government to participate in the Coronavirus SME Guarantee Scheme, and being able to offer eligible business customers unsecured loans and overdrafts as part of that scheme which incorporates a 6-month repayment holiday and loans of up to $250k. With many local businesses forced to temporarily close their doors or experiencing a downturn in income, being able to offer support like this to help those business who may be struggling was important to us.

> *Amidst all the fear and uncertainty, it was so comforting to know there is kindness, empathy and generosity which we have witnessed and seen first-hand through our team, customers and community.*
>
> *At the close of our financial year, we had provided relief to 173 customers with approved arrangements totalling $65.4M and we continue to work closely with those customers to help them through the situation they find themselves in.*
>
> *This represents 13% of our loan book which is broadly in line with market insights together with projections for the unemployment rate, which range between 7-15%.*

However, since 30 June 2020, and as reported in the Directors Report to Members, as at 30 September 2020, $22.709M of loans have voluntarily come off the COVID-19 assistance package and have resumed their loan obligations under the Credit Union's standard terms and conditions of its loan contracts.

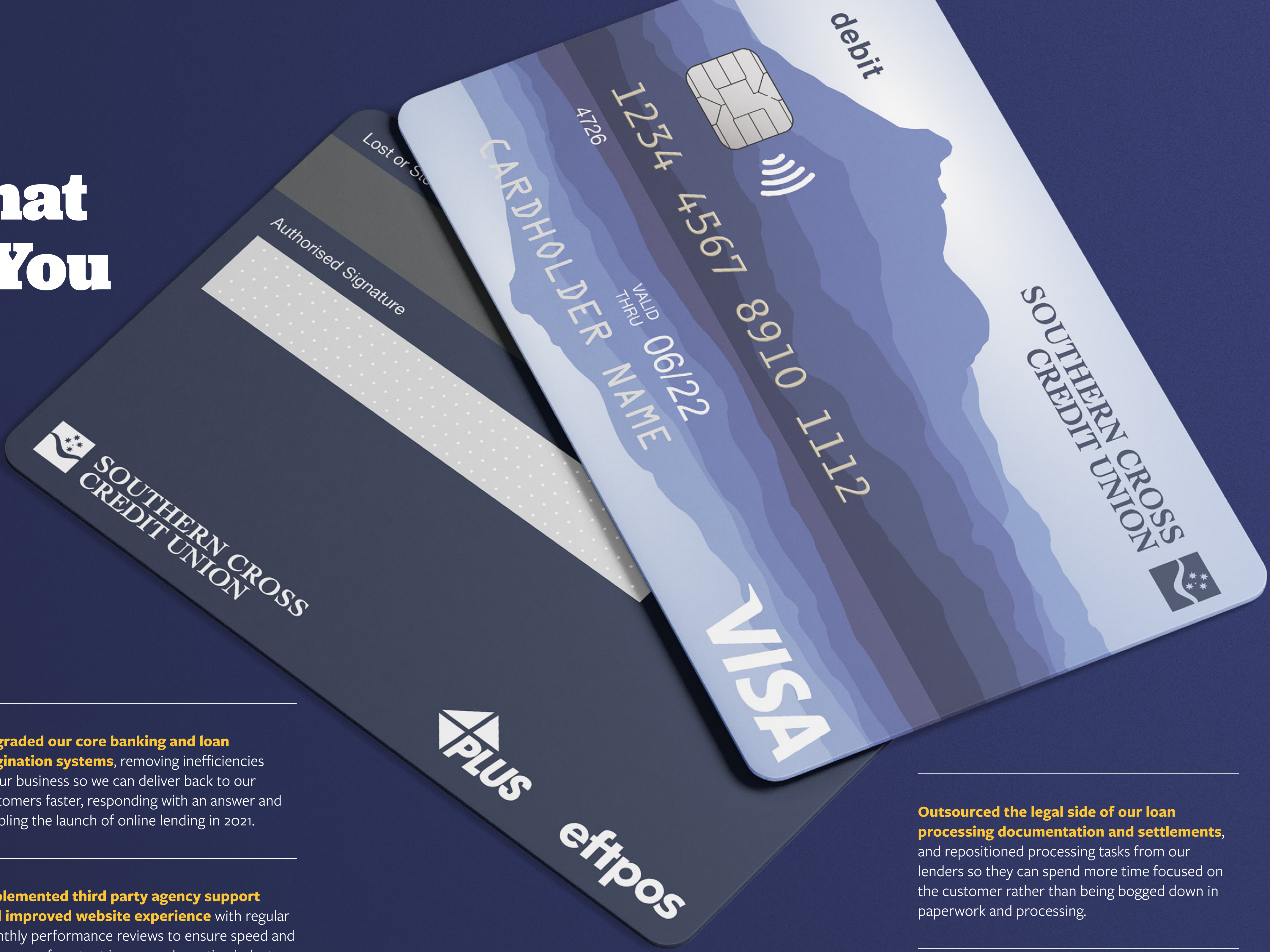
While the situation continues to evolve, it has highlighted the need to be technology enabled and provide customers with greater choice in how they interact with us. Having additional channels outside of the Financial Service Centre (FSC) environment has been crucial and that investment in our digital capabilities remains key. We have already strengthened our online solutions in response to changing behaviours in some areas and have brought many projects forward to speed up their delivery. We are continually assessing what changes may be needed to adapt to this new normal and ensure we remain competitive, successful and supportive, now and well into the future.

As a business, our continuity plans were also tested and we were overall very pleased with the result having minimal disruption to business operations. Our response team remains vigil and are prepared for any further potential disruptions that may present themselves. We know the industry post COVID-19 won't go back to the exact same environment where we have been in the past and we are working through what transformation may be needed, from operational efficiencies and rhythm to increased flexible work arrangements and reprioritising our resources. Our efforts in this space will focus on keeping up with shifting customer behaviour as more people align to digital banking and intermediated channels, however there it is still an unknown on what the impact will be on our revenue margin and provisioning in these uncertain times and once the situation normalises.

Economic reports show the likelihood of the pandemic to have "long-lasting effects on the economy" and despite the RBAs renewed optimism, the outlook remains "highly uncertain". The outlook for housing finance and residential property prices remains somewhat unclear which will no doubt hinder demand for housing if market conditions deteriorate and unemployment continues to rise, curbing the ability of prospective buyers to take on debt, which would ultimately affect future mortgage demand.

> We continue to navigate our way through what is most likely to be for many of us once in a lifetime health and economic crisis, and we are committed to assisting as many of our customers as possible. Whilst the year ahead will be challenging, we remain determined and are well placed to continue to support customers through this difficult time.

Banking That Works for You



We Continue to Invest in Your Credit Union

Our strong position over the past several years has allowed our investment in your Credit Union to continue and we are not slowing down. More importantly, it helped us weather the COVID-19 storm as a business.

Being ready and able to respond to the demands of a rapidly changing environment is one of the most important attributes we need to possess. This is reflected in our strategy, which continues to propel our business forward, and receives recognition at a national level. In the last 12 months some of our key investments included:

Streamlined and simplified our home loan offering, with the introduction of a Premium Home Loan product, which combined the better of two offerings and reduces complexity for customers when deciding which home loan may be right for them.

Restructure of our transaction accounts to make them more accessible and affordable for more customers, and reduce confusion with 'tap and go' changes.

Introduced new technology to start our journey in becoming a digital enabled organisation, able to provide an offering that's competitive with new online entrants and other payment provider options. With the rise of payment methods like Apple Pay and Zip Pay, the changes we have made this year will help to facilitate various new payment methods for our customers in 2021.

Upgraded our core banking and loan origination systems, removing inefficiencies in our business so we can deliver back to our customers faster, responding with an answer and enabling the launch of online lending in 2021.

Implemented third party agency support and improved website experience with regular monthly performance reviews to ensure speed and discovery of content is easy and meeting industry benchmarks.

Reviewed and refined supplier networks to improve efficiencies and rollout of new branded materials across our network including the launch of a new card design at the end of 2020.

Outsourced the legal side of our loan processing documentation and settlements, and repositioned processing tasks from our lenders so they can spend more time focused on the customer rather than being bogged down in paperwork and processing.

Expanded our network through our third party channels, which is now approaching more than 30% in new volume and continues to help us grow outside of our traditional area. The introduction of a white labelled lending solution will open new doors for third party networks which we hope to launch in 2021 if pilots are successful.

Our Financial Performance

Our holistic Net Profit result is a testament to being focused on our costs, being measured in our investment and continuing to deliver to our customers, community and team.

It also reflects our need to continually improve operational efficiencies and keep the business relevant to meet the ongoing expectations of our customers, competition and the market.

We are operating in a market, that has the lowest deposit and lending rates that have ever been recorded in the history of the RBA, which remains front of mind.

Our cash rate remains at an all-time low and is now a reality with the RBA Governor publicly commenting that he would not want to move into zero or negative territory with some economist predicting rates would remain on hold for "at least the next three years".

He also reiterated that the central bank would not consider changes to the cash rate until progress is being made towards full employment, and it is confident that inflation will be sustainably within the 2-3% target band.

The RBAs mandate is to do what it can to support jobs, incomes and businesses during this difficult period and to make sure that Australia is well placed for the expected recovery.

As one would expect, this low interest rate environment is going to provide a number of short and medium term challenges due to our reliance on a retail funding base, low risk and low yielding housing loans, no viable alternative investment strategies in the current environment, a largely fixed cost base due to our network and people investment and our ability to grow quickly.

However, one fundamental aspect of our Balance Sheet that many other similar financial institutions do not have, is a strong capital base. A capital base that was built over many years to safeguard against the current economic shocks that we are now facing.

Due to the ongoing low interest rate environment caused by the economic recession, performance is expected to be negatively impacted over the next three year period, particularly in 2021, with all key measures such as Return on Assets, Cost to Income and Net Interest Margin to move in the reverse direction.

While we have been transparent in passing on cash rate decreases in the past together with decreasing rates outside of cycle to remain competitive, further cash rate movement will require serious consideration.

Capital, the true measure of the safety and stability of the Credit Union, continues to be high and provides a buffer for the economic downturn in the medium term.

To have maintained our profitability in these times is a credit to all involved in our business and testament to the support we continually receive from our team, customers and community.

The challenge will be to maintain our profitability and growth in the current environment while continuing to enhance the customer experience. Understanding what matters most to our customers remains one of our core strategies for the coming year and we believe that by investing in technology and our team we can achieve this.

Non-Interest Income of particular note is expected to decline significantly over the next 2 years driven by competitive pressures, royal commission outcomes, transaction consumer behaviour, and regulation.

To compensate for margin pressures and decline in Non-Interest Income, we will continue to make further enhancements to our operations, cost control, deepening customer relationships, deriving new revenue streams and gaining access to new markets.

We have seen relatively flat loan growth over the year, which is considerably lower than our previous year's performances.

This has been driven by various interest rate decreases over the year. These decreases drove wholesale funding markets lower, quicker than retail funding, thus providing a pricing advantage to many of our larger competitors. This increasing market competition was particularly driven by the number of new online fintechs and neobanks entering the market.

In addition, real estate in the locales that many of our customers reside or invest in, have increased in value significantly, buoyed by the low interest rate environment and investor demand. With many taking the opportunity to sell and realise the gain on the investment property or upgrade their own home.

The actions we have taken to protect profitability and provide additional capital rather than grow our loan book at the bottom of the interest rate market positions us well for continued investment and growth in our business, and to weather the storm financially in the current environment we find ourselves in.

Impairment charges:

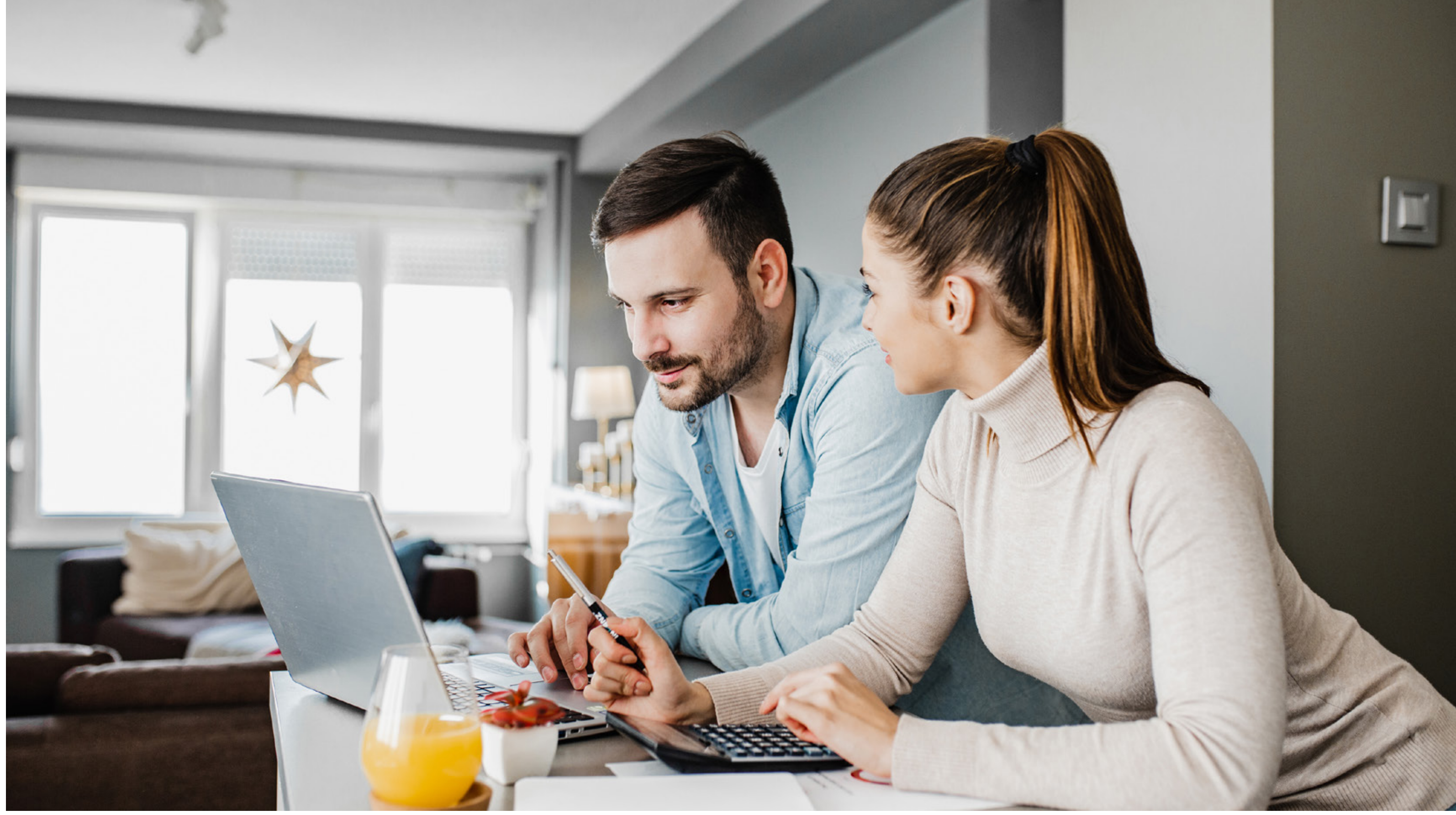
Given the COVID-19 pandemic and its future uncertainty, we will continue to reassess our provisioning to account for any future impacts of the crisis. This includes considerations on lower economic growth, higher unemployment, lower investment and a fall in residential and commercial property prices and the probability that economic conditions could deteriorate further.

In light of the changed economic outlook, we provided for expected credit losses to $731,000 for which the majority, $454,000, is related to COVID-19 impacts.

Having a strong capital position above regulation requirements, we are well positioned to absorb expected losses and respond to future developments in the environment. Despite the challenging period, our Balance Sheet remains strong. We have maintained our capital position and our liquidity ratios remain comfortably above regulatory requirements.

We are prepared operationally to manage growing risks with adequate capital buffers. We are also in the process of taking advantage of the RBA's new initiative on cheaper funding in defence of COVID-19 impact and establishing a securitisation pool to provide liquidity support as our reliance on wholesale funding grows. While the pandemic continues to challenge at a global scale, we were strong going into the crisis and the hard work we have been doing behind the scenes puts us in good shape to emerge stronger.

Risk, Regulation, Compliance & Governance



While there have been very few legislative changes following the Royal Commission into Banking, Finance and Insurance the past year, there has been increased focus by our regulators in driving a stronger and more proactive approach to risk management and capital requirements across the industry.

With a series of new prudential standards being introduced over the coming year, we have invested in the right level of resources and systems capability to meet these requirements and to ensure we keep up with the increased speed of change that is expected.

Due to the prevalence of COVID-19 there has understandably been an increased focus on maintaining the strength and resilience of the banking sector and with this has seen additional reporting to regulators, deeper stress testing, and more sophisticated management of our capital. Resultantly we have invested a significant amount of time and resources to ensure we are remaining compliant, vigilant and can respond proactively to the challenges of remaining simple and regulatory focused.

We have taken considerable steps to improve our digital security and strengthen our cyber security resilience. This is especially important given the frequency and scale of the attempts we are seeing in our community and across the country more broadly and as we observe the trend of more people taking to using digital channels as a flow on of COVID-19. To meet consumer expectations, we have increased our range of digital identification methods while at the same time ensuring we are protecting our business from attack by ensuring a defence in depth strategy.

Improving our compliance culture has therefore been a key focus area across the past year, particularly as we enter a new era of banking, exploring new technologies and the changing landscape of how customers want to interact with their financial provider. As we continue to deepen our exposure to the digital and online environments, there comes increased risk for potential cyber threats. We have continued to take steps to improve our security controls to protect us, including the application of the NIST framework, the engagement of specialist partners and investment in the training of our employees to help strengthen our resolve.

At the core of our compliance culture is the attitude and understanding from our employees around their responsibility and obligations while delivering on customer expectations. This is underpinned by a top-down commitment from leaders across the business encouraging compliance first thinking. Supported by empowering our employees with the right tools and processes to get things right from the onset we have built ownership of compliance across the entire organisation.

This year has also seen us undertake a review of our internal audit function and move from our previous partner, Grant Thornton to KPMG. With a local presence and broad reach of expertise, we have developed a three-year audit plan to ensure we have an independent review of the activities we undertake and our governance effectiveness.

Fraud continues to grow locally and globally and we remain focussed on implementing strategies to detect potential fraud and through our card provider Indue. We introduced an additional layer of security to accompany our other monitoring programs to protect us from attack and make it more difficult for fraud to occur. This year we have also invested significantly in our Anti Money Laundering Program to ensure we are not victim to this type of illegal activity.

In the coming year we will start participating in 'Open Banking' which essentially enables the sharing of data across authorised institutions, aimed to provide more transparency and empowering customers to be able to have more control over their banking. The scheme is regulated and managed by the ACCC with the first stages relating to product data only and do not contain any personal customer information. From there we move to being able to participate in sharing customer data and will provide our customers with additional information around consent to participate and what controls are in place to manage the security of personal information.

During the Royal Commission there have been many case studies which has highlighted the disconnect between the larger banks and their customers in particular.

While it is essential that we are all held to the same principles of fairness, quality and customer service, what must be queried is what value should be placed on customer-owned institutions and our contribution back to our communities. In the form of reinvestments, support for local people and businesses and more spent creating long-term relationships over generating profits and, how this can be factored in to mitigating the burden of regulation.

We have therefore explored opportunities on our how we can take the lead on sustainability initiatives to encourage positive behaviour within our business and community and influence for good. Our commitment to customer and community will never waiver and the focus on our responsibilities across social and environmental platforms will be an evolving part of our strategy.

Investing in Our People

Our vision, purpose and values shape our strategy, inform all of our business decisions and underpin our success. However, it is our people that bring this to life and reflect what it means to be a part of the SCCU community, as a customer and team member.

This year we progressed with our employee-training program and have successfully embedded a bespoke, micro-behaviour framework to empower our teams to have customer centric, high quality conversations. By learning how to communicate in different ways to truly understand the needs of our customers first, our teams have been able to continue to define what it means to deliver award-winning customer service. With the support of their leaders through a structured daily observational and coaching model, we are already achieving exceptional results.

Our increased focus on the health and wellbeing of our team through training and education programs continued throughout the year and proved advantageous, as the global pandemic continues to test the resilience of all people, not just our employees. In addition our existing framework, we engaged Assure Programs, one of Australia's leading mental health organisations and the only national EAP provider that exclusively uses registered psychologists, for bespoke sessions. This included topics on *Managing Mental Health* and *Critical Incidents and Mental Health for Employees,* provided to our leaders and front line team.

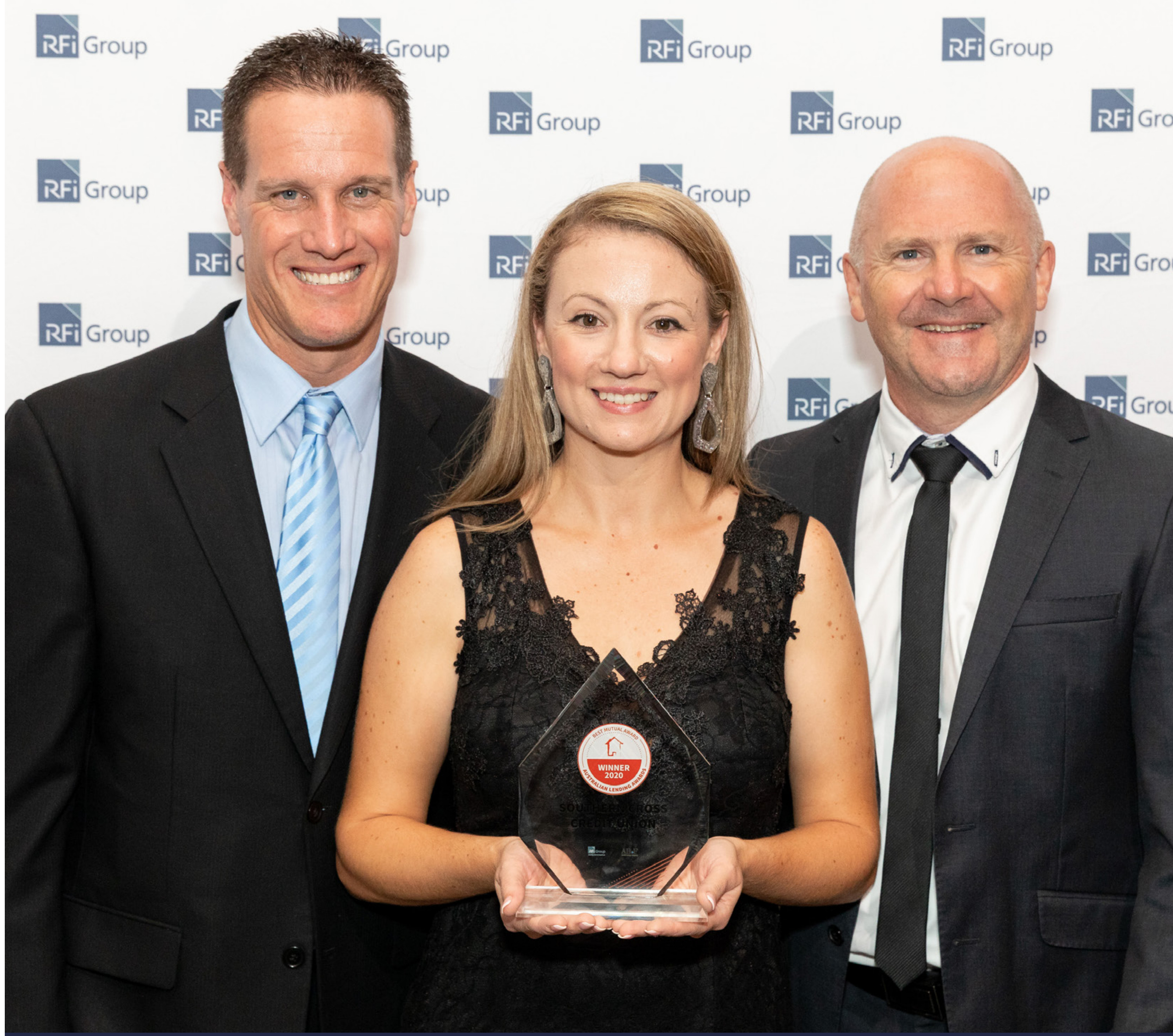
Programs like these along with our comprehensive employee benefits program, employee assistance program and our enduring efforts in creating a workplace where everyone feels empowered and motivated, are seeing a positive result. This year we had a 100% completion rate through our Employee Survey, maintaining strong result with score of 82.

Recognition

Our efforts and emphasis on customer-centricity and service was once again recognised this year and saw us receive accolades on both the regional and national stage. These results show that we are doing things the right way and that our transparent and easy-to-understand approach to banking works.

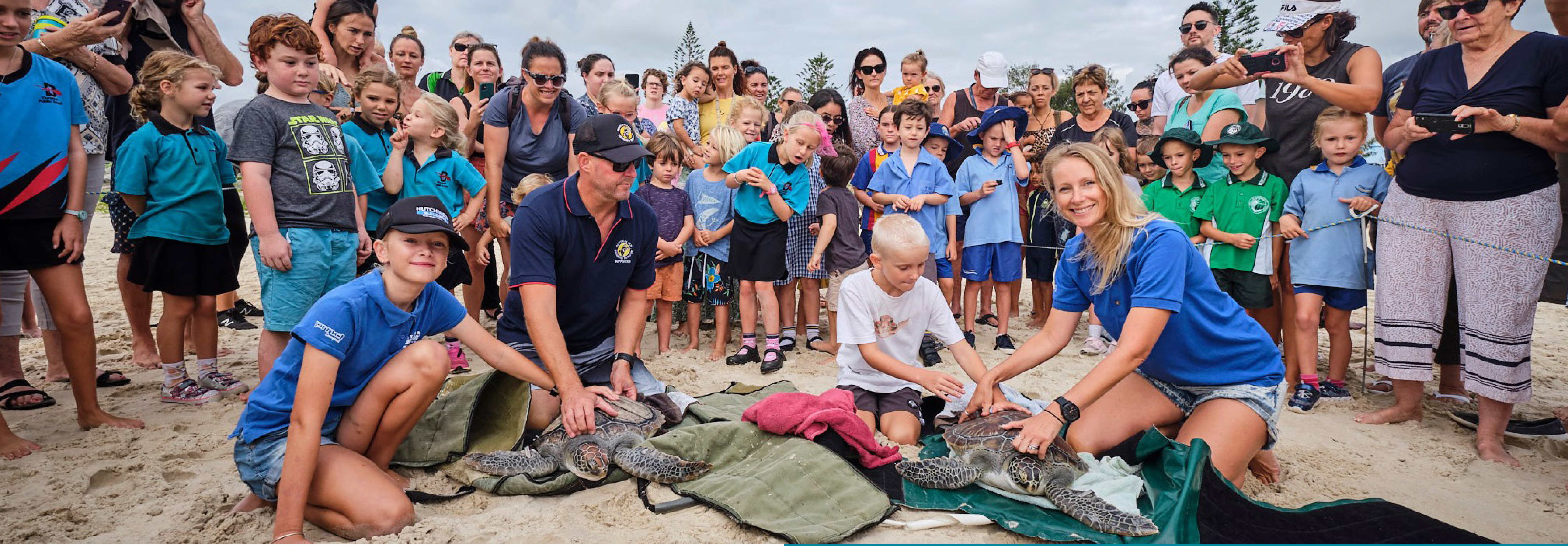
Having been awarded for Excellence in Professional Services at the Northern Rivers Business Excellence Awards held by NSW Business Chamber three years in a row - which has never been achieved before - we were honoured to be the inaugural inductee into the NSW Business Chamber Hall of Fame. This recognition is a tribute to our team's relentless dedication and tireless effort to improve our business and provide exceptional support for our customers and community; especially at a time where our industry is experiencing unprecedented change. Additionally, we received the award for Excellence in Business, reflecting our continual improvement across the full spectrum of customer needs from the individual and family right through to business and community groups.

> *One of our biggest achievements was being named Australian Mutual Lender of the Year at the Australian Lending Awards hosted by the RFi group where we have been a finalist for the previous three years.*



"It's been a very big year for SCCU as we continue to show that local, customer-owned banking can make a real difference to our customers and our community. The accolades we've received are the result of our drive to deliver a truly customer centric experience where our customers choose to advocate for us; where we are socially responsible and involved in our community; where trust, values and culture really mean something; and where our entire team is engaged in the success of our business and the financial wellbeing of our customers."

Stuart Edwards, CEO, Southern Cross Credit Union



Investing in Our Community

The year has seen us strengthen our support to the Northern Rivers Community seeing us invest $85,972 directly through our Community Grants, Partnerships, Major Sponsorships and New Customer Donations programs.

In addition to our long-term support of Ballina's Food and Wine Festival and Cabarita's Charity Cup, we secured four new major sponsorship with Cudgen Headland Surf Life Saving Club, Life Education, Tweed Netball Association and Kingscliff Netball Club.

We also formed 29 new partnerships with local organisations through our Community Partnerships and New Customer Donations programs. Combined with our Community Rewards program, we now work with 52 local Community Organisations, which is set to grow in the coming year with continued investment to strengthen and diversify our support.

To be supporting and actively involved in the communities where we live especially in a challenging year for many, is vitally important and continues our mutual ethos of giving and reflects who we are as a business, where we're going and why we're different for all the right reasons.

Some of Our Partnership Highlights

Positive Change for Marine Life, River Warriors Project

Created in northern NSW, the River Warriors project was initiated by Positive Change for Marine Life to address, monitor marine debris and water quality in waterways were rubbish, and debris is known to accumulate. Working with local business like us as well as schools, residents and community groups, the River Warriors kayak-based surveys are now monthly and take a hands-on approach to connecting people with the issue at hand.

Our support has allowed the project to secure essential equipment to help assess and remove marine debris from our rivers as well as observe other ecosystem impacts, as part of the projects new direction in 2020. The project has since expanded to cover four regional waterways and has allowed our own team get their hands- dirty, fostering a sense of stewardship around the environmental, social and economic importance of these vital natural places. We have been extremely proud to work alongside the team and continue to grow our partnership, with a shared vision to make a real difference in our local community with measurable results that everyone can be proud of.

Pottsville Neighbourhood Centre

The Pottsville Beach Neighbourhood Centre provides services and support based on identified need to improve the quality of life of the community. The volunteers work countless hours to give back and help others, and we are proud to support their incredible work as like us, the centre supports the small, the big and the even bigger with programs to provide support to children, young people, families and seniors.

> "People who are experiencing financial hardship, domestic violence and other challenges accessing our Assisted Referral and Material Aid service will be very happy to receive the food and other products that your donation will buy, in order for us to distribute accordingly."

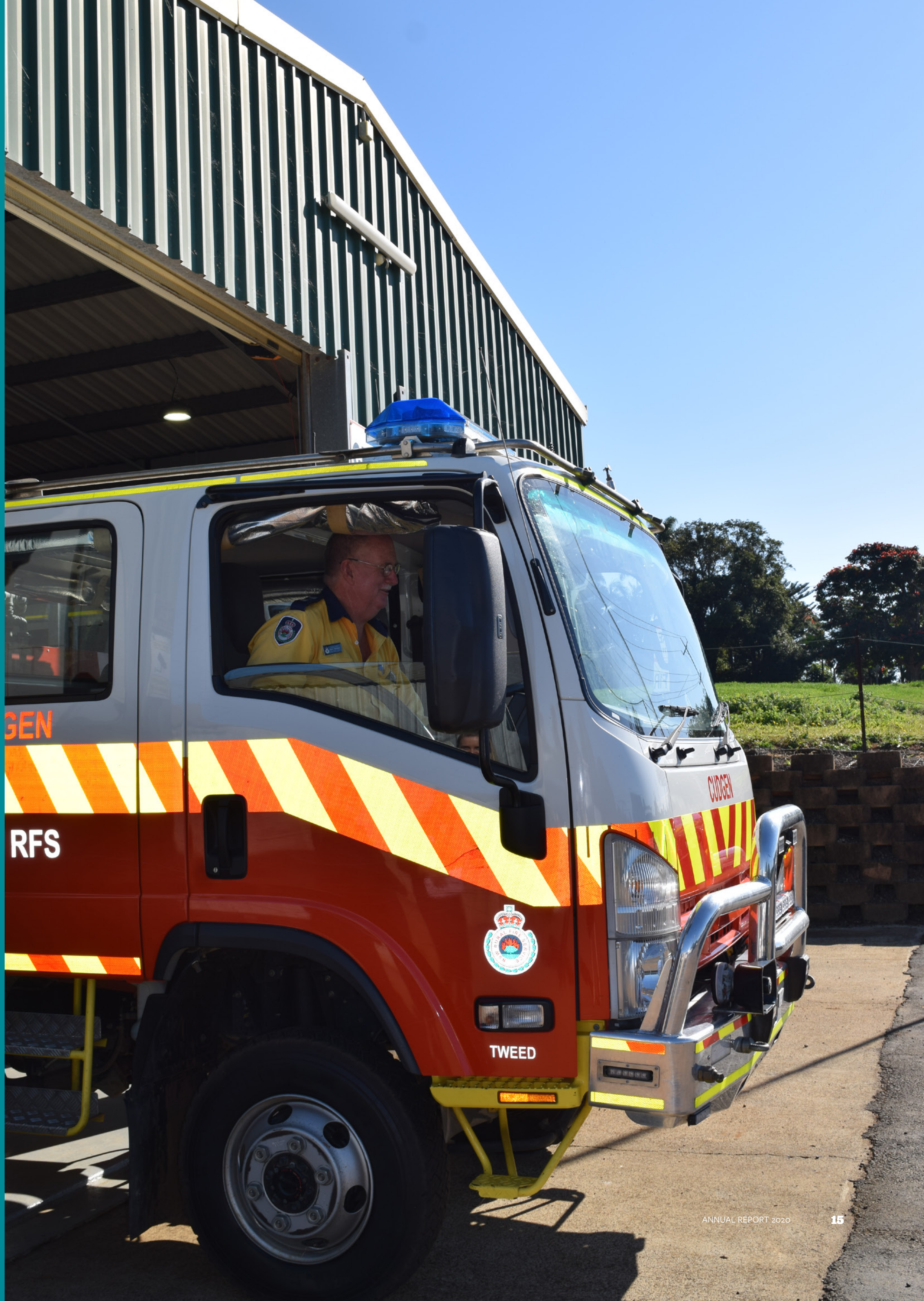
Pottsville Beach Neighbourhood Centre

Cudgen Rural Fire Brigade

The NSW Rural Fire Service (NSW RFS) is the lead combat agency for bush fires in NSW, working closely with other agencies to respond to a range of emergencies. At a time when our country was in the grip of natural disasters, the team at Cudgen Rural Brigade stepped up and risked their lives to save ours. Their courage, commitment to community and spirit through tough times is inspiring and vital for so many people.

> "On behalf of the members of the Cudgen Rural Fire Brigade a sincere thanks to the Southern Cross Credit Union for their recent generous donation. The funds will be put towards the costs of fitting map lights and hard wiring in a GPS, an iPad, and accessory charging sockets in the Cudgen Cat 7 Fie appliance. These items will greatly assist in our firefighting duties. Your support is very much appreciated. Many thanks!"

Judy Eglington, Secretary / Treasurer



Grants Recipients

As a customer-owned financial institution, it is important to us to make a meaningful contribution to our local communities and provide a platform that stimulates future development and prosperity throughout the Northern Rivers region. The Community Grants initiative is just one part of our wider community engagement strategy, designed to reflect our commitment to and appreciation of the communities in which we operate and be actively involved in the betterment of the world around us.

This year our Community Grants initiative was again well supported producing three exceptional recipients. Looking ahead, we are proud to be tripling our contribution for the coming year to support our communities when they need us most, continuing our resolve to invest in the place we call home and reflecting who we are as a business, where we're going and why we're different for all the right reasons.

ReForest Now

A non-profit organisation based in Byron Bay, ReForest Now grows and plants trees to combat climate change and restore ecosystems. The ReForest Now nursery is located in the Mullumbimby Community Gardens, and grows 23,000 native Australian trees each year however had reached maximum capacity with three misting house tunnels. Using our Community Grant to build a 4th, the team aimed to increase their capacity by 100% and meet the growing demand for trees to be replanted in our region.

Since receiving our Grant, the ReForest Now story has been one that is both evolving and immensely rewarding. With initial plans to use our contribution to produce 20,000 trees, they instead were able to combine additional grant funds, bringing this up to 60,000 trees per year with increased tunnel capacity.

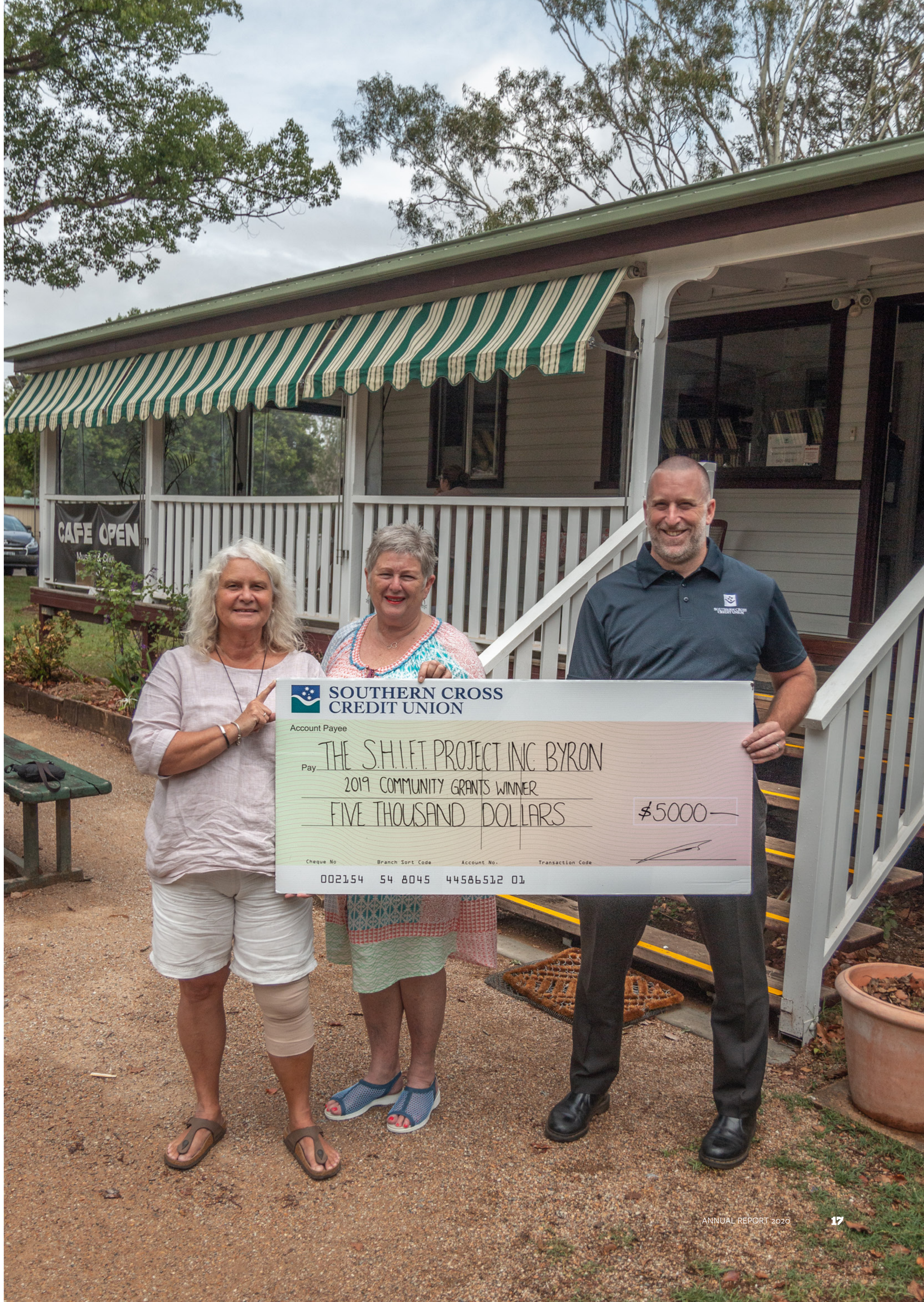
The tunnel is now in its final stages of completion and the team continue to share how the contribution is being put to good use, replenishing the surrounds of the Northern Rivers region.

Shedding Community Workshop

The Shedding Community Workshop aims to provide a unique, supportive and 'hands-on' workshop environment for members of the community to come together and develop sustainable skills in carpentry, building and everything in between. With growing demand for workshops, our Community Grant was used to help provided an additional 20 free community workshops, held every Friday over 5 months, inclusively benefitting all members of our community - young and old, men and women, parents and families.

The S.H.I.F.T. Project

The S.H.I.F.T Kitchen at Bangalow Heritage House is a community initiative that supports women experiencing homelessness and disadvantage in the Byron Shire. It aims to increase the health and wellbeing of women by increasing their knowledge and skills in healthy cooking, and increasing their employability. Our Community Grant was used to introduce a hospitality employment path that provides professional training for project participants, including Food Safety Supervisor and Barista Training courses, along with skills to return to the workforce.



Corporate Social Responsibility

At SCCU, we have been entrusted to support, protect and provide easy to understand banking to customers for generations. A responsibility we take seriously.

Bringing together our core values, sustainable business practices, mutual ethos, responsible investment practices and good governance enables us to focus on delivering long-term benefit for our customers and community.

Corporate Social Responsibility (CSR) is important to us, now more than ever, we are conscious of our social license to operate, and the care we provide throughout challenging times. Whether you visit us in person, speak to us over the phone or communicate online, we acknowledge our success relies on our sustained commitment in responsibly managing customer finances and the safekeeping of assets and securities.

We continue to encourage our team to be actively engaged in fostering a culture that is customer focused as well as ethically and socially responsible in its attitudes and actions.

As always, we continuously work to improve on our CSR practices to meet community expectations and a changing social landscape. This includes reviewing business practices to ensure we have a positive effect on customers and society more broadly.

"Real change could not be achieved without the support, dedication and diversity of thought from our own team."

Jessica Jackson, People and Culture Manager

A commitment to caring for our environment is an important part of our CSR statement and as a socially responsible organisation, reducing our carbon footprint and supporting sustainability initiatives is imperative in today's environment. We don't support the fossil fuel industry and recognise the importance of protecting the environment, introducing many initiatives over the past 12 months to minimise our environmental impact.

As a customer-owned institution, it is important that we aim to take the lead on sustainability initiatives to influence and encourage sustainable behaviour within our organisation and community. With the introduction of our Reduce Recycle-Reuse initiative, we have educated our teams on the different aspects of recyclable materials and have been able to dramatically reduce the volume of waste sent to landfill.

To encourage more sustainable living we are constantly developing products and services that help our customers make long-term sustainable choices that have a positive impact on the environment. The new financial year will see us introduce new products to do exactly that as we take another active step towards supporting sustainable change and environmental responsibility in our product offerings.

We have never been more committed to our Corporate Social Responsibilities. By practicing environmental stewardship means we are contributing to a more secure and sustainable future and we are committed to supporting sustainability efforts and reducing our carbon footprint within our community.

Landfill waste

▼ 88%

Paper consumption

▼ 77%

We have reduced our landfill waste by a mammoth 88% and through our digital transformation initiatives, have reduced our paper consumption by an incredible 77%.

We have plans in place to improve on this even further as we continue to review our processes to identify areas where we can continue to become more sustainable in every facet of what we do.

Looking to the Future

Investment in new Information Systems and Fintech

We are well into our journey as our technology roadmap and existing investments are all on track to increase productivity, improve our customer experience and foster greater returns as the business grows. Our ongoing success will be increasingly dependent on the scale and delivery of our investment to allow better meeting of regulatory reporting requirements, delivery of services more efficiently and to expand our reach through digital banking platforms and payment systems. Customers have more options than ever before, with online lending, new payment services and digital wallets to name a few, we need to keep up with the pace of change. While these platforms and systems often require ongoing additional funds for maintenance, updates, security and the rollout of new features, they allow us to deliver more through automated means, at speed and engage with customers on channels that they choose.

The effective use of data, insights and automation will be a key in preparing us for the future, particularly as we respond to the challenges presented by COVID-19. Our strategic use of data to improve the customer experience, respond to trends and automate the process to be smooth, fast and relevant will be paramount. This will be done in part through the use of Application Programming Interfaces (API) to improve the speed and flow of information from one place to another. This will also make it possible to more easily integrate with fintech companies who can offer radically improved customer banking experience, rather than doing it ourselves or solely through our core system provider.

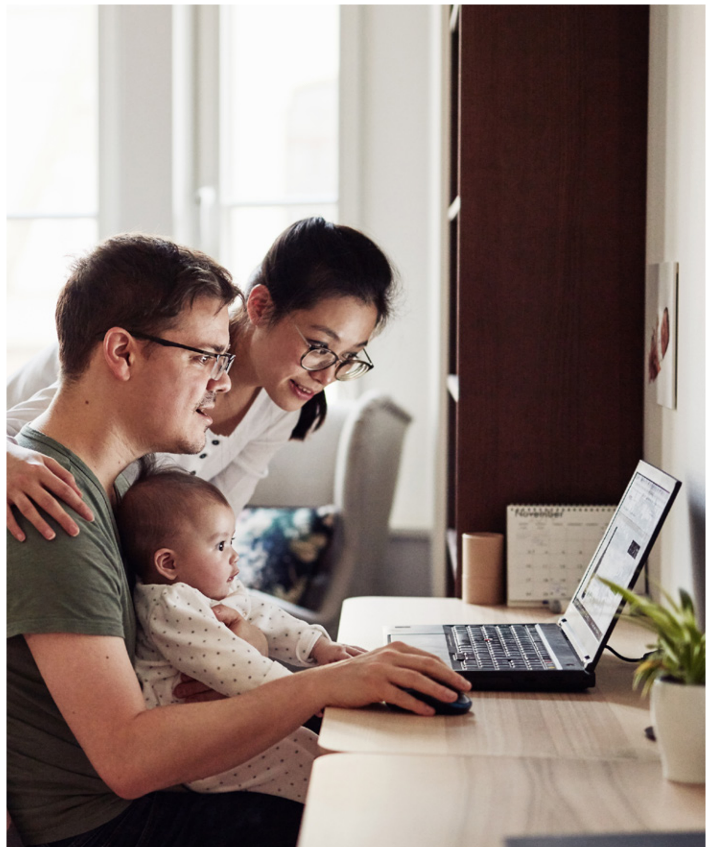
Partnering with the right business when the time comes will be critical to success but requires us to be able to provide full access to the data we hold to benefit our customers, without sacrificing our rigorous governance, security and privacy practices.

COVID-19 may not have started the need for increased digitalisation, but it certainly has quickened the change and needed evolution of our industry. It isn't going away and we need to continue our investment to be flexible for our customers and give them the options that they both demand and expect in today's world.

Bringing the market, customers and solutions together for greater personalisation

We will be taking a heightened approach in all of our marketing and communication through a consistent multi-channel, considered approach. This will include greater market research to better identify the needs and wants of current and potential customers, the role we play and where we can join the conversation to provide a more relevant and personalised experiences.

Intrinsically linked with our plans for data-driven decision-making powered by technology, our new content and marketing strategies also includes expanding our reach through intuitive relationship models via our community, sponsorship, sustainably, customer and team advocacy programs.



Customer Relationship Management (CRM)

Data is the undeniable currency of the new economy and will become increasingly powerful and essential for us to compete with institutions whose business models are built around a data-driven growth strategy. However, to benefit from the intelligent rich information, we need to both surface insights quickly, react thoughtfully and connect one point to another for it all to make sense.

How each aspect, from customer experience to supply chain and back offices, will need to interact seamlessly and connect across our customers journey to help address expectations of the future, alleviate pain points and offer relevant and timely solutions that tie back to actual needs.

We are building upon our CRM to incorporate a system to pull all of this together to help:

- Improve the quality of customer relationships with increased personalisation and understanding with the aim of becoming our customers main financial institution, providing a suite of well-suited products
- Nurturing our customers to help improve their financial wellbeing and understanding, bringing to life what it means to be 'easy to understand banking'
- Giving customers choice on how they would like to interact with us and assist our team with the tools, information and help they need to build on our strong customer service reputation.

Changing the way in which we originate Loans and attract new customers

We can no longer solely operate in our traditional markets of the Northern Rivers of NSW and the lower end of SE Queensland. We will be expanding our reach through newly established third party relationships and online channels that have removed boarders and better reflect how people choose to engage with their financial intuition today. Echoing our desire to help customers more than ever before, and understanding that communities are better connected with borderless technologies, that remove friction. As a result we are excited to launch online lending in 2021.

Information Technology Infrastructure

A significant investment to replace our core banking servers' is currently being undertaken with an additional investment to replace the windows environment and firewalls over the next twelve months. However, we are not in the business of being an infrastructure owner and we know we need to be thinking ahead and planning for what could come and consider the cloud, outsourcing and de-risking IT infrastructure.

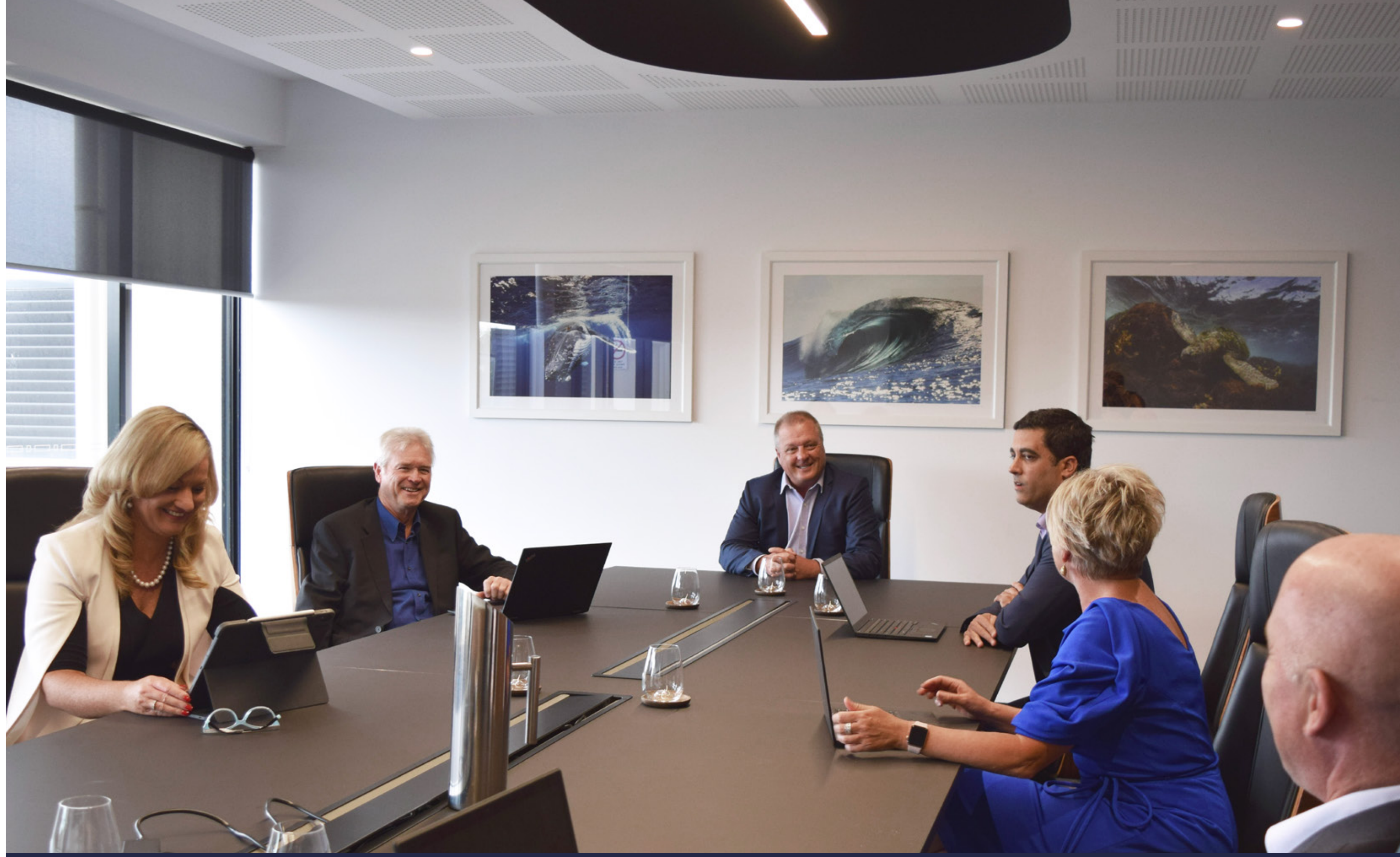
The market is already showing signs of a continual shift to cloud technology especially as a trend towards using RegTech to manage the increasingly complex regulatory compliance environment. We are beginning our journey to look at automation to provide us with resilience and better accuracy, across all areas of the business.

At this stage our approach is to move to a cloud based model over the next five years to increase scalability and future flexibility.

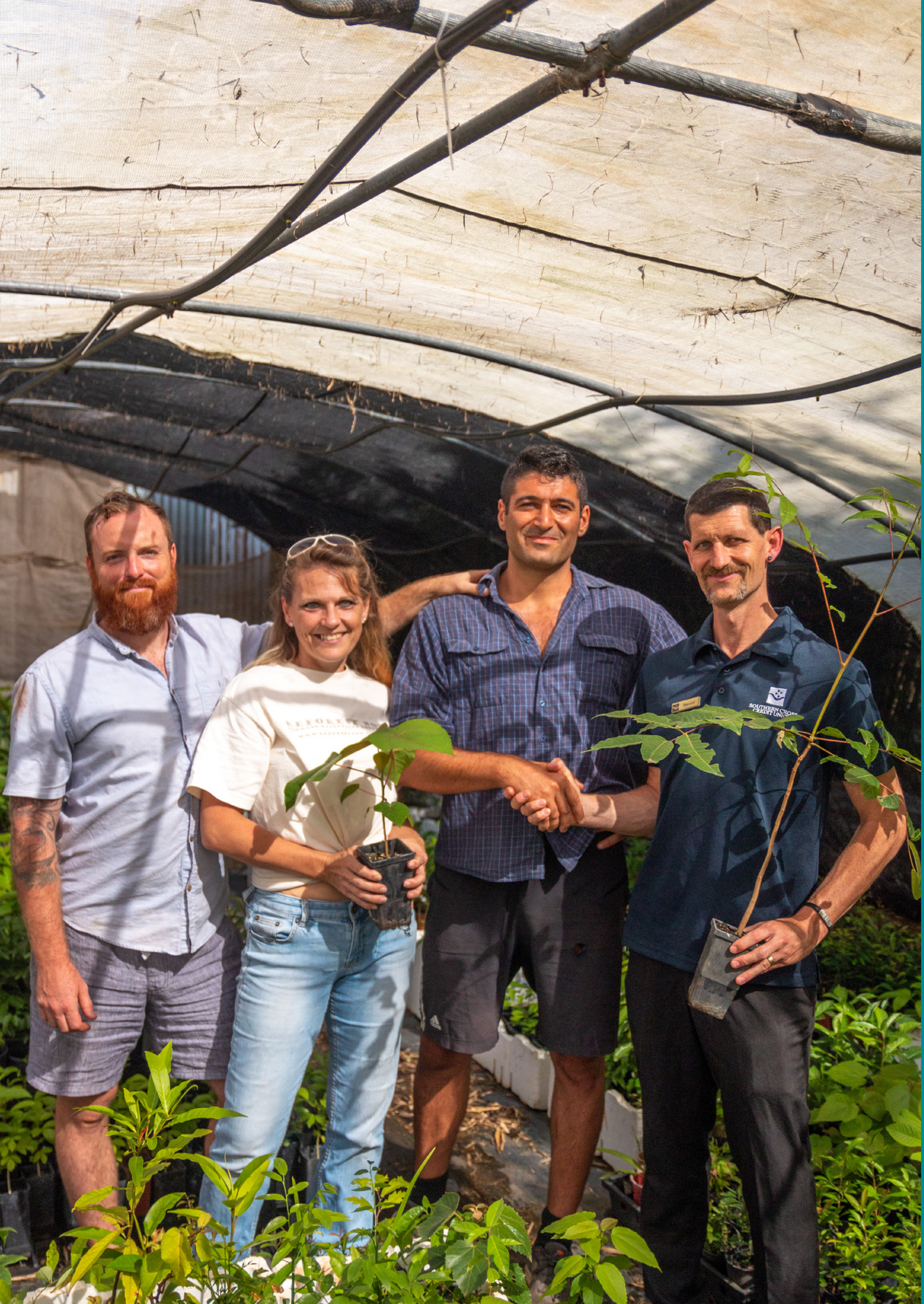
Continued transformation of our Financial Service Centre (FSC) Network

While COVID-19 saw a drop in foot traffic and transactions, we still see an important role for this network in the future. The year ahead will see both our Mullumbimby and Lismore refurbishments completed, showcasing and finalising our new look and retail strategy – putting people and conversations at the heart of the SCCU experience with the design focused around becoming a conversation hub, rather than the transactional aspects.

While the move towards online channels grows, our FSC's remain a key touchpoint for many. Particularly during moments of uncertainty, we saw our customers seek out trusted spaces like these where they could interact with our team who know the intricacies of their financial needs and personal situations. The refurbishments reflect our reinvestment back into those customers, who continue to advocate and choose a more intimate experience and needs based conversation.



After over 16 years of dedication and leadership we this year farewell John Rutledge, Director and Former Chairperson. John has been a pivotal member of the Board, championing numerous changes to improve governance outcomes on behalf of customers, showing great leadership and a commitment to deliver a contemporary customer-owned banking experience. We thank John for his hard work, passion and stewardship that has helped SCCU continue to be successful. We wish John and his family the best for the future.



Closing Statement

The decisions and actions we take now, in the face of a pandemic, will have a lasting effect on you, our customers and communities, and will be remembered for years to come.

We're proud of what we have achieved and how we have responded, staying true to our purpose and remain confident in our future plans. It is all the more important and clear to us that we must continue to invest in the success of our customers, community and people, as they invest in us.

We thank you for your ongoing advocacy, trust and belief in Southern Cross Credit Union and passion for supporting customer-owned banking.

Your Directors

The names of Directors in office at any time during the year and at the date of this report and their qualifications, experience and special responsibilities are as follows:

Guy Bezrouchko

Qualifications

- Bachelor of Business
- Certified Practising Accountant
- Diploma in Financial Services
- Justice of the Peace

Experience

Board Member since 20 June 2006

Special Responsibilities

- Chairperson
- Member - Audit Committee
- Member - Risk Committee

John Rutledge

Qualifications

- Diploma in Financial Services

Experience

Board Member since 27 July 2004

Special Responsibilities

- Ex-officio Member - Audit Committee
- Ex-officio Member - Risk Committee

Belinda Henry

Qualifications

- Bachelor of Laws
- Practical Legal Training Course
- Legal Practice Management Course
- Graduate – Australian Institute of Company Directors

Experience

Board Member since 30 June 2011

Special Responsibilities

- Chair - Risk Committee
- Member - Audit Committee

Stuart Edwards

Qualifications

- Diploma in Financial Services
- Commissioner of Declarations

Experience

Board Member since 26 April 2016

Special Responsibilities

- Executive Director
- Chief Executive Officer
- Member - Audit Committee
- Member - Risk Committee

Alvaro Lozano

Qualifications

- Graduate Certificate of Project Management
- Masters of Engineering – Electronics Engineering
- Bachelor of Science - Physics

Experience

Board Member since 28 February 2017

Special Responsibilities

- Chair - Audit Committee
- Member - Risk Committee

Suzie Slingsby

Qualifications

- Graduate – Australian Institute of Company Directors
- PS146 Qualified

Experience

Board Member since 25 September 2018

Special Responsibilities

- Member - Audit Committee
- Member - Risk Committee

All Directors have held their office from 1 July 2019 to the date of this report unless otherwise stated.
Each Director holds one ordinary member share in the Credit Union

Directors' Meetings

The number of meetings of Directors (including committee meetings) held, where each Director was available during the year, and the number of meetings attended by each Director were as follows:

	Director Meetings	
No. of meetings	**Held**	**Attended**
*John Rutledge	12	10
Guy Bezrouchko	12	12
Belinda Henry	12	12
Suzie Slingsby	12	12
Alvaro Lozano Rodriguez	12	12
Stuart Edwards	12	12

	Audit Committee Meetings		Risk Committee Meetings	
No. of meetings	**Held**	**Attended**	**Held**	**Attended**
*John Rutledge	4	3	4	3
Guy Bezrouchko	4	4	4	4
Belinda Henry	4	4	4	4
Suzie Slingsby	4	4	4	4
Alvaro Lozano Rodriguez	4	4	4	4
Stuart Edwards	4	4	4	4

*Leave of absence was granted where Directors were unable to attend board meetings.

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

Name	Qualifications	Experience
Brett Myles	Bachelor of Commerce, JCU Chartered Accountant, Institute of Chartered Accountants of Australia & New Zealand Member of the Australian Institute of Company Directors	31 years' experience encompasing roles in a Big 4 accounting firm, Senior Executive Roles at Financial Institutions and Management Consulting Firms.

Directors' Benefits

No Director of the Credit Union has received or has become entitled to receive a benefit because of a contract made by the Credit Union with the Director or with a firm of which the Director is a member or with an entity in which the Director has a substantial financial interest.

Indemnity Insurance

The Credit Union has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of Directors, Secretaries, Executive Officers and employees of the Credit Union and of related bodies corporate as defined in the insurance policy.

The insurance policy grants indemnity against liabilities permitted to be indemnified by the Corporations Act 2001. The insurance policy prohibits disclosure of the nature of the liabilities insured and the premium specified.

No insurance cover has been provided for the benefit of the auditor. No indemnities have been given to the officers or auditors.

Financial Performance Disclosures

Principal Activities

The Credit Union operates as a community based Credit Union providing financial services to members in the form of deposit taking, the provision of financial accommodation and other member services as prescribed by the constitution. There were no significant changes in the nature of those activities during the financial year.

Operating Results

The net profit after income tax was $2,730,000 (2019 $3,199,000) and above budget expectations of $2,023,000. The result however represented a decrease of $469,000 in comparison to 2019.

The result affected by:

- an increase in Net Interest Income of $387,000, with a flat loan portfolio, decreasing interest rates due to RBA cash rate movements to stimulate the economy and COVID-19 resulted in a decrease in interest income of $1,131,000. This was offset with decrease in interest expense of $1,518,000 as rates reduced in a highly fluid savings and term deposit market;
- a decrease in Non-Interest Income of $131,000 due to a decrease in fees and commissions;
- an increase in Employee and Associated Expenses of $417,000 as the Credit Union continues to expand its sales channels and employ key specialist roles;
- an increase in Information Technology costs of $139,000 as the Credit Union invests in an upgrade to the core banking system including a new loan origination system to facilitate further enhancements to digital channels including on-line lending;
- an increase in General Administration costs of $279,000; to build on our branch network skills we partnered with GRIST training to enhance our customer experience and the Credit Union implemented improved card protection for our customers using internet banking and online shopping.

COVID-19 Pandemic

To assist our customers through these uncertain and uncharted times, we offered a number of options of relief. At the time of reporting, $65.152M of loans are on assistance resulting in an additional provision of $454,000 over and above that would be normally required. The additional provisioning did not have a material effect on profit due to the continued low arrears position of the Credit Union at year end.

While there remains uncertainty due to the pandemic our assistance has supported our customers through a difficult period, as at 30th of September 2020 our level of loans remaining on assistance is $42.443M. The reduction being due to customers electing to come off support early prior to the full period of granted assistance.

Review of Operations

The nature of the Credit Union's operations from its activities of providing financial services to its members did not change significantly from those of the previous year.

Dividends

In accordance with the constitution of the Credit Union, dividends are not paid to members.

Significant Changes in State of Affairs

Apart from the review of operations as detailed above, there were no significant changes in the state of the affairs of the Credit Union during the year.

Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the reporting period which have significantly affected or may significantly affect the operations, or state of affairs of the Credit Union in subsequent financial years.

As mentioned above, since the year end and as at 30 September 2020, $22.709M of loans have voluntarily come off the COVID-19 assistance package and have resumed their loan obligations under the Credit Union's standard terms and conditions of its loan contracts.

Environmental regulations

All activities have been undertaken in compliance with environmental regulations that apply to credit unions.

Likely Developments and Results

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

Corporate Governance Disclosures

Board

The Credit Union Board has responsibility for the overall management and strategic direction of the Credit Union. All non-executive Board members are independent of management. Directors are elected by members on a 3-year rotation.

Each Director must be eligible to act under the constitution as a member of the Credit Union and Corporations Act 2001 criteria. The Directors also need to satisfy the Fit and Proper criteria required by APRA.

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

Board Remuneration

The Board receives remuneration from the Credit Union agreed to each year at the AGM and out of pocket expenses. There are no other benefits received by the Directors from the Credit Union.

Board Committees

An Audit Committee exists to assist the Board by providing an objective non-executive review of the effectiveness of the SCCU's financial reporting and audit function.

A Risk Committee exists to assist the Board by providing an objective non-executive review of the effectiveness of the SCCU's risk management framework.

The Directors form the majority of these committees with executive management participation.

The Audit Committee oversees the financial reporting and audit process. Its responsibilities include:

- Financial Reporting
- External Audit
- Internal Audit and Internal Control

The Risk Committee oversees the risk management and compliance framework and associated process. Its responsibilities include:

- Risk Management
- Risk Measurement and Risk Tolerance levels
- Risk Appetite
- Regulatory, Compliance and Ethical Matters
- Insurance Program

Policies

The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union.

Key risk management policies include:

- Risk Management Framework
- Capital Adequacy Management
- Liquidity Management
- Credit Risk Management
- Data Risk Management
- Cyber Risk Management
- Information Security Policy
- Operational Risk Management
- Outsourcing Risk Management
- Bank Executive Accountability Regime Policy

Chief Risk Officer

The Credit Union has a Chief Risk Officer (CRO) who is the Executive accountable for enabling the efficient and effective governance of significant risks, and related opportunities, to a business and its various segments. The CRO reports to the Board Risk Committee for enabling the business to balance risk and reward. The CRO is responsible for coordinating the organisation's Enterprise Risk Management (ERM) approach.

External Audit

The annual audit of the Credit Union's financial report and compliance with prudential standards is performed by BDO Audit Pty Ltd (BDO), a Brisbane based firm. The firm of BDO has been auditing credit unions for over 32 years and has provided services to most of the entities in the Mutual Banking industry at some point over this period. The firm utilises sophisticated Computer Assisted Audit Software to supplement the compliance testing.

Internal Audit

An internal audit function exists using the services of an external firm, KPMG, to deal with the areas of internal control, compliance and regulatory compliance only.

The internal audit function reports directly to the Board Audit Committee, making recommendations to the committee for improvements to the Credit Unions operations and internal controls.

This role is also supplemented by other external compliance reviews performed, including security audits on the data processing systems/centres for adequacy of the back up, disaster recovery and internet security systems.

Regulation

The Credit Union is regulated by:

- Australian Prudential Regulation Authority (APRA) for the prudential risk management of the Credit Union; and
- Australian Securities and Investment Commission (ASIC) for adherence to the Corporations Act, Accounting Standards disclosures in the financial report and Financial Services Reform (FSR) requirements.

The auditors report to both authorities on an annual basis regarding compliance with respective requirements. The external auditors also report to ASIC on FSR compliance and APRA on prudential policy compliance.

Auditor's Independence Declaration

The auditor's independence declaration for the year ending 30 June 2020 forms part of this report and a copy of this declaration is attached.

Workplace Health & Safety

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

WH&S policies that comply with the Work Health and Safety Act legislation have been established for the protection of both members and staff and are reviewed six monthly for relevance and effectiveness.

Staff are trained in robbery procedures and offices are designed to detract from such acts by:

- Little or no cash being held in accessible areas;
- Cameras and counter screens in all offices to allow detection and identification of unauthorised persons.

The Credit Union has established a WH&S committee of employees that meets regularly to consider any concerns for security or safety raised by employees or the public. All matters of concern are reported to the Risk Management Committee for actioning by management.

Regulatory Disclosures

Regulatory Prudential disclosures required by APS 330 Public Disclosure issued by APRA can be located on the Credit Union's web site at the following address: https://www.sccu.com.au/get-to-know-us/our-governance/disclosures

Proceedings

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

Environmental Regulations

The Credit Union's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Rounding of amounts

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

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

Guy Bezrouchko
Chairperson

Dated this 30th day of September 2020

Alvaro Lozano Rodriguez
Audit Committee Chair

Dated this 30th day of September 2020

Declarations & Financial Report

Southern Cross Credit Union Ltd

ABN 82 087 650 682

Directors' Declaration

1. In the opinion of the Directors of Southern Cross Credit Union Limited:

   (a) The attached financial statements and notes are in accordance with the Corporations Act 2001 and:

   i) complying with Accounting Standards, Interpretations and the Corporations Regulations 2001; and

   ii) give a true and fair view of the financial position of Southern Cross Credit Union Limited as at 30 June 2020 and of its performance for the year ended on that date

2. The notes to the financial statements include an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. There are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

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

Guy Bezrouchko
Chairperson

Alvaro Lozano Rodriguez
Audit Committee Chair

Dated this 30th day of September 2020

SOUTHERN CROSS CREDIT UNION Limited
ABN 82 087 650 682

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF SOUTHERN CROSS CREDIT UNION LIMITED

As lead auditor of Southern Cross Credit Union Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 30 September 2020

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Interest income	3	20,859	21,990
Interest expense	3	(7,607)	(9,125)
Net interest income		13,252	12,865
Fee and commission income	3	2,437	2,569
Fee and commission expense	3	(1,567)	(1,568)
Net fee and commission income		870	1,001
Other income	3	361	111
Expenses			
Credit impairment losses	4	(403)	(282)
Employee benefits expense	4	(5,870)	(5,453)
Occupancy expense	4	(298)	(289)
Depreciation and amortisation expenses	4	(1,248)	(558)
Other expenses	4	(2,944)	(3,075)
Profit before income tax		**3,720**	**4,321**
Income tax expense	5	(990)	(1,122)
Profit for the year		**2,730**	**3,199**
Other Comprehensive Income, net of tax		**-**	**-**
Total Comprehensive Income for the Year		**2,730**	**3,199**

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 $'000	2019 $'000
ASSETS			
Cash and cash equivalents	8	15,832	7,189
Due from other financial insititutions	9	119,930	62,510
Other receivables	10	644	665
Loans and advances	11&12	496,567	503,211
Investment securities	13	980	980
Other assets	18	259	312
Current tax receivable	21	164	8
Plant and equipment	14	1,896	2,289
Deferred tax assets	15	338	352
Intangible assets	16	569	498
Right of use assets	17	2,111	-
TOTAL ASSETS		**639,290**	**578,014**
LIABILITIES			
Deposits	19	572,865	515,770
Payables and other liabilities	20	6,960	5,612
Provisions	22	491	389
TOTAL LIABILITIES		**580,316**	**521,771**
NET ASSETS		**58,974**	**56,243**
MEMBERS EQUITY			
Redeemed preference shares	23	428	419
Other reserves	24	3,347	3,452
Retained earnings		55,199	52,372
TOTAL MEMBERS EQUITY		**58,974**	**56,243**

The above Statement of Financial Position should be read in conjunction with the accompanying notes

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Fair Value Reserve	Capital Profits Reserve	Redeemed Preference Shares	General Reserve for Credit Losses	Retained Earnings	Total Members' Equity
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2018	**292**	**229**	**406**	**2,740**	**49,377**	**53,044**
Profit for the year	-	-	-	-	3,199	3,199
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	3,199	**3,199**
Transfers to Redeemed Preference Share Capital	-	-	13	-	(13)	-
Transfers from General Reserve for Credit Losses	-	-	-	191	(191)	-
Balance at 30 June 2019	**292**	**229**	**419**	**2,931**	**52,372**	**56,243**
Balance at 1 July 2019	**292**	**229**	**419**	**2,931**	**52,372**	**56,243**
Profit for the year	-	-	-	-	2,730	2,730
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	2,730	**2,730**
Transfers to Redeemed Preference Share Capital	-	-	9	-	(9)	-
Transfers to General Reserve for Credit Losses	-	-	-	(106)	106	-
Balance at 30 June 2020	**292**	**229**	**428**	**2,825**	**55,199**	**58,974**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Interest received		20,859	21,990
Dividends received		63	24
Other non-interest income received		2,761	2,673
Interest paid		(8,724)	(8,937)
Payments to suppliers and employees		(10,566)	(10,384)
		4,393	**5,366**
Net movement in loans and advances		6,195	(57,937)
Net movement in deposits		57,470	52,429
Net movement in due from other financial institutions		(57,420)	2,948
		6,245	(2,560)
Income taxes paid		(1,131)	(1,315)
Net cash provided by operating activities	34(c)	**9,507**	**1,491**
Cash flows from investing activities			
Payments for plant and equipment and intangible assets		(307)	(1,524)
Net cash used in investing activities		**(307)**	**(1,524)**
Cash flows from financing activities			
Principle portion of lease liability paid		(557)	-
Net cash used in financing activities		**(557)**	**-**
Net increase/(decrease) in cash and cash equivalent assets held		8,643	(33)
Cash and cash equivalents at the beginning of the financial year		7,189	7,222
Cash and cash equivalents at the end of the financial year	34(a)	**15,832**	**7,189**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers Southern Cross Credit Union Ltd as a single for-profit entity which is a public company limited by shares, incorporated and domiciled in Australia. The principal activities of the Credit Union during the year comprised the raising of funds by deposit and the provision of loans and associated services to the members, as prescribed by the Constitution. The financial report was authorised for issue on 30 September 2020 by the directors of the Credit Union.

Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 and the prudential standards set down by the Australian Prudential Regulation Authority (APRA).

The financial statements of Southern Cross Credit Union comply will all International Financial Reporting Standards (IFRS) in their entirety.

The financial statements have been prepared on an accruals basis and are based on historical costs except for financial assets at FVOCI that have been measured at fair value. The presentation currency of the financial statements is Australian Dollars.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Credit Union under ASIC Corporations Instrument 2016/191. The Credit Union is an entity to which this instrument applies.

This is the first set of annual financial statements in which *AASB 16 Lease* has been applied.

The following is a summary of the material accounting policies adopted by the Credit Union in the preparation of the financial report. Except where stated, the accounting policies have been consistently applied.

(a) Adoption of new accounting standards during the year

A number of new or amended standards became applicable for the current reporting period and Southern CrossCredit Union had to change its accounting policies as a result of adopting the standards. The most relevant to Southern CrossCredit Union follows:

- AASB 16 Leases
- Interpretation 23 Uncertainty over Income Tax Treatment

AASB 16 Leases

This standard and its consequential amendments were applied from 1 July 2019, replacing the accounting requirements applicable to leases in AASB 117 Leases and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. This mean that for most leases, a right-of-use asset and a lease liability will be recognised, with the right-of-use asset being depreciated and the lease liability being unwound in principal and interest components over the life of the lease.

The Credit Union transitioned to AASB 16 using the modified retrospective approach, where the right-of-use asset is recognised at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments relating to the lease recognised in the Statement of Financial Position immediately before the date of initial application, using the Credit Union's incremental borrowing rate at the date of initial application. Comparative figures have not been restated.

The Credit Union elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 July 2019. Instead, the Credit Union applied the standard only to contracts that were previously identified as leases applying AASB 117 and IFRIC 4 at the date of initial application. The Credit Union also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). The Credit Union further applied the other practical expedients as permitted by the standard as follows:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The use of hindsight in determining the lease term where the contract contains options to extend of terminate the lease;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

At 1 July 2019, the Credit Union recorded a lease liability and right-of-use asset amounting to $2,730,000 using a weighted incremental borrowing rate of 5.4%. There was no impact on retained earnings upon adoption of AASB 16.

Reconciliation of operating lease commitments disclosed as at 30 June 2019 to initial measurement of lease liability at 1 July 2019

	$'000
Operating lease commitments disclosed as at 30 June 2019	3,097
Less: Short-term leases	(14)
Less: Impact of discounting using Southern Cross Credit Union's incremental borrowing rate at 1 July 2019	(352)
Lease liability as at 1 July 2019	2,730

AASB Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

Upon adoption of the Interpretation, the Credit Union considered whether it has any uncertain tax positions. The Credit Union determined, based on its tax compliance, it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

(b) Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted, or substantively enacted, at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

(c) Revenue

Interest income and interest expense

Interest income and interest expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Credit Union estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating interest income and interest expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Fees and commissions

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Loan fees that are recognised using the effective interest method are included with loan balances in the statement of financial position.

Other fee and commission income – including account servicing fees, loan discharge and administration fees are recognised as the related services are performed. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received

Dividend income

Dividend income is recognised on an accruals basis when the Credit Union's right to receive the dividend is established.
All revenue is stated net of the amount of goods and services tax (GST).

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held in banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risks of changes in their value, and are used by the Credit Union in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the Statements of Financial Position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

(e) Impairment of Loans and Advances

A provision for losses on impaired loans and advances is recognised in accordance with AASB 9. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower.

The Credit Union applied a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost and loans and advances. Assets migrate through the following three stages based on the change in credit quality

Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision).

Assessment of significant increase in credit risk

At each reporting date, the Credit Union assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting assets since initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the Credit Union uses its internal credit risk grading system and forecast information to assess deterioration in credit quality of a financial asset. The Credit Union assess whether the credit risk on financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into accounts instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

Measuring ECL

The amount of ECL is measured as the probability weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the contractual cash flows that are due to the Credit Union and all the cash flows that are expected to be received. The difference between all amount of the loss is recognised using a provision for impairment account.

The Credit Union considers its historical loss experience and adjusts this for current observable data. In addition, using reasonable and supportable forecasts of future economic conditions including experienced judgment to estimate the amount of an expected impairment loss. The Credit Union uses macroeconomic factors which include, but is not limited to, unemployment, interest rates and inflation and requires an evaluation of both current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including forecasts of future economic conditions are reviewed regularly.

Forward thinking economic information and assumptions relating to the COVID pandemic have been included recognising uncertainity exists in relation to the duration of the pandemic and current restrictions. Consistent with industry guidance the Credit Union has customer pandemic support and has allocated individual customer loan facilities to a Stage based on the number of days since the inception of indivdual customer support, Stage 2 < 90 days, Stage 3 >= 90 days.

If, in the subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for impairment reverts from lifetime ECL to 12-months ECL.

(f) Receivables

Due from other financial institutions

Due from other financial institutions are primarily negotiable certificates of deposit, floating rate notes or term deposits with other financial institutions which have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity and is brought to account in the Statement of Profit or Loss and Other Comprehensive Income when earned. All deposits are in Australian currency.

Other Receivables

Other receivables are accrued income for Commissions and Transaction Fees from customers and other sundry clearing accounts.

(g) Plant and equipment

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation any impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows, which will be received from the assets employment and subsequent disposal.

The decrement in the carrying amount is recognised as an expense in the profit or loss in the reporting period in which the recoverable amount write-down occurs.

Depreciation

The depreciable amount of all property, plant and equipment is depreciated over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of the estimated useful life of the improvements and the lease term.

Plant and equipment is depreciated on a straight line basis in accordance with the following rates:

Plant & Equipment 10-33%
Leasehold improvements 10-33%
Assets under $300 are not capitalised.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

(h) Intangible assets

Computer software held as intangible assets are amortised over the expected useful life of the software. These lives range from 3 to 8 years resulting in a straight line depreciation base of 33.3% to 12.50% respectively.

(i) Leases

Southern Cross Credit Union has changed its accounting policy for leases. The impact of the change is described in Note 1 (a).

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by Southern Cross Credit Union.

Lease liabilities

At the commencement date of the lease, the lease liability is measured at the present value of the lease payments to be made over the term of the lease. These payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Southern Cross Credit Union's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.
To determine the incremental borrowing rate, Southern Cross Credit Union uses it own published commercial loan rate as at the 1st of July 2019.

Lease payments comprise of the following:

- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments

On the statement of financial position, lease liabilities have been included in other liabilities.

Short-term leases

Southern Cross Credit Union has elected to account for short-term leases using the practical expedient. The payments in are recognised as an expense in profit or loss on a straight-line basis over the lease term instead of recognising a right-of-use asset and lease liability.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

(j) Deposits

Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method. Interest on deposits is recognised on an accrual basis. Interest accrued at the end of the reporting date is shown as part of deposits.

(k) Employee Benefits

Provision is made for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to wholly settle within one year, have been measured at their nominal amount. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made.

Present values are discounted using rates on high quality corporate bonds having terms to maturity that match, as closely as possible, the terms of the related liabilities. Future increases in remuneration rates are taken into account in estimating future cash outflows.

Contributions are made by the Credit Union to employee superannuation funds and are charged as expenses when incurred.

(l) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with the changes in the presentation of the current year.

(m) Goods and Services Tax (GST)

As a financial institution the Credit Union is input taxed on all income except other income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on purchase cannot be recovered on a proportionate basis. In addition certain prescribed purchases are subject to Reduced Input Tax Credits, of which 75% of the GST paid is recoverable.
Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of the GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included where applicable GST is collected. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Credit Union.

Significant Accounting Estimates

Recoverability of deferred tax assets

Deferred tax assets have been recognised on the Statement of Financial Position as management considers that it is probable that future taxable profits will be derived to utilise these assets.

Estimation of the useful lives of assets

Management's estimation of the useful lives of property, plant and equipment is based on historical experience, manufacturers information and valuers estimates. Details of depreciation rates and useful lives is provided at Note 1(g).

Impairment of loans and advances and other financial assets

The measurement of impairment losses under AASB 9 on loans and advances requires judgement. Based on the current ecomonic conditions the Credit Union is not estimating any significant changes.

Estimation of COVID related assistance

The measurement of the impact of COVID 19 on loans and advances requires judgement and is fundimentially based on AASB 9. In an ever changing uncertain environment the Credit Union is not estimating any significant additional risk.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

(o) Fair Values

Fair values may be used for financial and non-financial asset and liability measurement as well as sundry disclosures.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the Credit Union.

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

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.
In measuring fair value, the Credit Union uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.
For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.
The fair value of liabilities may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed into the respective note to the financial statements.

(p) Impairment of Assets (other than financial assets)

At each reporting date, the Credit Union reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(q) Accounting Policy for Leases before 1 July 2019

Leases of property where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the Credit Union are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Credit Union will obtain ownership at the end of the lease term.
Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Credit Union as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(r) Australian Accounting Standards Issued But Not Yet Effective

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 30 June 2020. They have not been adopted in preparing the financial statements for the year ended 30 June 2020 and the Credit Union intends to apply these standards from application date as indicated in the table below.

	Application date
Amendments to AASB 3 - Definition of a Business • Clarifies the definition of a 'business' in AASB 3 Business Combinations to assist in determining whether a transaction should be accounted for as a business combination or as an asset acquisition.	1 January 2020
Amendments to AASB 101 and AASB 108 - Definition of Material • AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors include a definition of 'materiality' which must be applied when judging whether information should be included, or amounts adjusted, in the financial statements. • Consequential amendments have also been made to ensure that the definition of 'material' is consistent across all IFRS Standards, as well as the Revised Conceptual Framework (2018) and IFRS Practice Statement 2 Making Materiality Judgements.	1 January 2020
Amendments to AASB 7, AASB 9 and AASB 139 - Interest Rate Benchmark Reform • These amendments were issued by the Australian Accounting Standards Board in October 2019 and modify some of the hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by interest rate benchmark reform. • The amendments also require disclosure of additional information about hedging relationships that are directly affected by the uncertainties caused by interest rate benchmark reform.	1 January 2020
Amendments to AASB 1054 - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia • Added a new paragraph 17 to AASB 1054 Australian Additional Disclosures which clarifies that, in complying with paragraph 30 of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, entities intending to assert compliance with IFRS must also disclose the potential effect of IFRS standards that are yet to be issued by the AASB.	1 January 2020

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2 - RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Market Risk

Market risk is the potential adverse change in the Credit Union's income or the value of its net assets arising from the movement in interest rates or other market prices.

The Credit Union is not exposed to currency risk and other price risk. The Credit Union does not trade in the financial instruments it holds on its books.

The Credit Union is exposed to interest rate risk arising from changes in market interest rates due to the mismatches between the repricing dates of assets and liabilities. The Board monitors these risks through monthly reporting and a review of the risk management profile is conducted by internal audit.

Details of the interest rate risk profile are set out in Note 28.

Managing Interest Rate Risk

The Credit Union manages its interest rate risk using the following methods:

(i) Hedging

To mitigate interest rate risk the Credit Union has entered into interest rate swaps. The Credit Union hedges its exposure to interest rate risk on fixed rate loans/assets by entering into pay fixed/receive floating interest rate swaps.

(ii) Value at Risk (VaR)

The policy of the Credit Union is to maintain a balanced 'on book' hedging strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. This is measured and monitored using the Value at Risk methodology (VaR). The Credit Union's policy limit in respect of VaR is to keep this measurement below 3% of capital. The VaR is measured monthly to identify any large exposures to interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets and term deposits liabilities to rectify the imbalance to within acceptable levels.

Based on the Value at Risk (VaR) calculations as at 30 June 2020, the VaR is $101,133 or 0.18% of capital (30 June 2019 $209,802 or 0.39% of capital).

Credit Risk – Loans

Credit risk is the risk of financial loss as a result of a default by counterparties to satisfy contractual obligations. The Credit Union's credit risk largely arises from its lending activities and off-balance sheet financial instruments such as loan commitments.

The credit risk associated with loans and advances to members has been minimised through the implementation of credit assessment policies and procedures before these loans and advances are approved. The Credit Union's Board of Directors has delegated responsibility for the management of credit risk to the Risk Committee. The Board has developed policies and procedures designed to ensure strong lending practices which comply with credit legislation. Policies and procedures reduce the risk of credit loss by providing clarity and guidance relating to:

- Credit assessment and approval of loans and facilities;
- Compliance with regulatory and statutory requirements;
- Security requirements in respect to the acceptable types of security and maximum loan to security value ratios;
- Limiting concentrations of exposures to individual borrowers, industry groups and geographic locations;
- Establishing and maintaining lending approval delegations for new and renewing credit facilities;
- Reassessment of and review of credit exposures and facilities;
- Establishment of appropriate provisions to recognise the impairment of loans and advances; and
- Debt recovery procedures.

The risk of losses from loans to members is primarily reduced by the nature and quality of the security taken. The Board Policy is to maintain at least 65% of the loans in well secured residential mortgages which carry an 80% Loan to Valuation ratio or less.

The Credit Union manages its exposure to credit risk by adhering to its lending policies which require assessment of the quality of security offered and the capacity of the member to repay the loan in accordance with the terms and conditions of the loan.

Concentration Risk

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 per cent) 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 per cent 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) of no more than 80 per cent and ongoing hindsight compliance reviews of this policy are conducted.

Credit Risk – Liquid Investments

Credit risk in relation to liquid investments 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 Liquidity Management policy is that investments are only made to Authorised Deposit Taking Institutions (ADIs). The Board has established policies that a maximum of 40% of its capital can be invested in any one ADI at a time.

The risk of losses from the liquid investments undertaken is reduced by the limits to concentration on one entity. Also the relative size of the credit union compared to the industry is relatively low such that the risk of loss is reduced.

Under the Credit Union liquidity support scheme at least 3.2% of the total assets must be invested in an approved ADI to allow the scheme to have adequate resources to meet its obligations.

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2 - RISK MANAGEMENT OBJECTIVES AND POLICIES (Con't)

External credit assessment for institutional investments

The credit union uses the ratings of reputable rating agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APRA Prudential Practice Guide APG 112. The credit quality assessment scale within this standard has been complied with.

The exposure values associated with each credit quality step for the credit union are as follows:

Actual Rating (S&P Rating)	2020 $'000 Balance	2019 $'000 Balance
A and above	102,400	50,952
Below A	12,019	6,035
Others / Unrated	5,511	5,523
TOTAL	**119,930**	**62,510**

Credit Risk – Equity Investments

All investments in equity instruments are solely for the benefit of service to the Credit Union. The Credit Union invests in an entity, being CUSCAL, set up for the provision of services such as IT solutions, treasury services etc where specialisation demands quality staff which is best secured by one aggregated entity. Further details of these investments are set out in Note 13.

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 credit facilities so as to meet the member withdrawal demands when requested.

The credit union manages liquidity risk by:

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

The credit union has a long standing arrangement with the industry liquidity support scheme, Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support to the credit union should this be necessary at short notice. Additional disclosure is provided at Note 25.

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within two business days under 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. This ratio is checked daily. Should the liquidity ratio fall below this level, management and the Board are to address the matter and ensure that the liquid funds are obtained from new deposits or borrowing facilities available.

Maturity profile of the financial assets and financial liabilities based on the contractual repayment terms is set out in Note 26.

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

Liquid funds to total adjusted liabilities:	**2020**	**2019**
- As at 30 June	22.64%	12.98%
- Average for the year	17.19%	14.77%
- Minimum during the year	12.82%	12.79%
Liquid funds to total member deposits:		
- As at 30 June	23.70%	13.51%

The Credit Union maintained liquidity levels in excess of APRA prudential requirements at all times during the year.

Operational Risk

Operational Risk is the risk of loss to the Credit Union resulting from inadequate or failed internal processes, people and systems or from external events.

The Credit Union maintains a risk register that identifies all material risks the Credit Union is exposed to. This register rates risks on their likelihood and consequence and risks above the Board's desired risk appetite are actioned by strengthening controls designed to reduce these risks.

The main Operational Risks the Credit Union is exposed to include internal fraud, external fraud, employment practices and workplace safety risks, business continuity, compliance risks, business disruption and information technology failure, employee errors and outsourced supplier failure.

Controls in place to reduce Operational Risks include business continuity plans, including comprehensive information technology disaster recover plans to limit the impact of major business disruptions, adequate insurance cover, sound human resource policies, policies and systems designed to reduce errors and segregation of employee duties, including approval and processing duties.

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2 - RISK MANAGEMENT OBJECTIVES AND POLICIES (Con't)

Capital Management

The Credit Union is required to hold a minimum level of capital compared to calculated risk weighted assets, as prescribed by APRA regulations. Credit Union internal policies at reporting date require 13% capital to be held which is a ratio that is higher than the minimum required by APRA. To manage the Credit Unions capital the Credit Union reviews the ratio monthly and monitors major movements in asset levels.
The level of the capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets.
The capital ratios as at the end of each reporting period, for the past 5 years follow:

2020	2019	2018	2017	2016
18.4%	19.0%	19.3%	19.6%	20.4%

The Credit Union maintained capital in excess of the Board and APRA prudential requirements at all times during the year.

Capital resources
(i) Tier 1 Capital
The vast majority of Tier 1 capital comprises:
- Retained profits; and
- Realised reserves

(ii) Tier 2 Capital
Tier 2 capital generally comprises:
- A general reserve for credit losses that records amounts previously set aside as a general provision for impaired loans is maintained to comply with the Prudential Standards as set down by APRA.

Capital is made up as follows:

	2020 $'000	2019 $'000
Tier 1 capital		
Share capital	428	419
Capital reserve	229	229
Retained Profit	53,310	50,539
Net Tier 1 capital	**53,967**	**51,187**
Tier 2 capital		
Credit losses reserve	2,825	2,931
Net Tier 2 capital	**2,825**	**2,931**
Total capital	**56,792**	**54,118**

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020 $'000	2019 $'000
NOTE 3 - REVENUE		
Interest Income		
Cash and cash equivalents	5	27
Due from other financial institutions	1,196	1,652
Loans and advances	19,658	20,311
Total Interest Income	20,859	21,990
Interest Expense		
Payable to other financial institutions	(2)	(4)
Member deposits	(7,605)	(9,123)
Total Interest Expense	(7,607)	(9,125)
Net Interest Income	13,252	12,865
Fee and Commission		
Fee and commission income	2,437	2,569
Fee and commission expense	(1,567)	(1,568)
Net Fee and Commission	870	1,001
Other Income		
Dividends	63	24
Bad debts recovered	32	5
Other	266	83
Total other income	361	111
Total Revenue	14,483	13,977
NOTE 4 - EXPENSES		
Credit impairment losses		
Gross credit impairment charges	403	282
Total credit impairment losses	403	282
Employee benefit expense		
Wages, salaries and other employee benefits	5,360	4,986
Superannuation	510	467
Total employee benefit expense	5,870	5,453
Occupancy expenses (excluding rental expenses on operating leases)	298	289
Depreciation and amortisation expense		
Depreciation of plant & equipment	476	425
Amortisation of intangible assets	152	133
Depreciation right to use assets - properties	619	-
Total depreciation and amortisation expense	1,247	558
Other Expenses		
General administration	966	687
Employee related on-costs expense	335	388
Rental expense on operating leases	17	681
Finance cost interest right to use assets	111	-
Information technology expenses	886	747
Marketing and promotion expenses	343	325
Telephone and communication expenses	221	193
Other expenses	65	54
Total other expenses	2,944	3,075
Total Expenses	10,763	9,657

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 5 - INCOME TAX EXPENSE

		2020 $'000	2019 $'000
(a)	**The income tax expense comprises:**		
	Provision for income tax - current year	974	1,103
	Under / (over) provision for income tax in prior years	-	(88)
	Increase / (decrease) in the deferred tax liability account	-	111
	(Increase) / decrease in the deferred tax asset account	16	(4)
		990	1,122
(b)	**The prima facie tax on operating profit is reconciled to the income tax expense as follows:**		
	Prima facie tax expense on profit before income tax at 27.5%	1,023	1,188
	Add tax effect of:		
	Non-deductible items	(6)	4
	Non-assessable income (fully franked dividends)	(27)	(10)
	Other sundry items	-	28
	Under / (over) provision for income tax in prior years	-	(88)
	Total income tax expense	990	1,122
	Applicable weighted average effective tax rate	26.61%	25.97%
(c)	**Components of income tax expense in profit or loss**		
	Current tax		
	Current tax expense	974	1,103
	Adjustments for previous years	-	(88)
	Total current tax expense	974	1,015
	Deferred tax		
	Origination and reversal of temporary differences	16	107
	Total deferred tax expense	16	107
	Total income tax expense in profit or loss	990	1,122
(d)	Balance of the franking account at year end adjusted for franking credits arising from payment of the provision for income tax, payment of dividends payable or receipts of dividends receivable at reporting date	22,478	21,324

NOTE 6 - AUDITOR'S REMUNERATION

	2020 $	2019 $
Amounts received or due and receivable by the auditor for:		
Auditing the financial report	61,000	61,000
Auditing and reviewing of APRA compliance and regulatory returns	26,770	26,770
	87,770	87,770

These figures exclude the non-refundable component of the GST.

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 7 - RELATED PARTY AND KEY MANAGEMENT PERSONNEL

(a) Key Management Personnel (KMP) Compensation

KMP are those persons having the 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 the Credit Union. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits for the Credit Union.

KMP has been taken to comprise the Directors and members of the Executive Management team responsible for the day to day financial and operational management of the Credit Union. The Executive Management Team for 2020 comprises the Chief Executive Officer, Chief Financial Officer, Executive Manager Sales & Distribution and Executive Manager Risk & Compliance.

The total compensation paid to KMP during the year, comprising amounts paid or payable or provided for, was as follows:

	2020 $	2019 $
Short-term employee benefits	1,204,124	1,129,625
Post-employment benefits	113,769	100,751
Other long-term benefits	21,673	15,125
Total compensation	1,339,566	1,245,501

In the table directly above for remuneration shown as short-term benefits means (where applicable) salary and wages, director fees, superannuation, paid annual leave and paid sick leave, profit sharing and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements. All remuneration to non-executive Directors was approved by the members at the previous Annual General Meeting of the Credit Union. Post employment benefits include vesting payments upon termination as disclosed in note 22.

(b) Loans to KMP and close family members

		2020	2019
(i)	The aggregate value of loans as at balance date amounted to:		
	- secured loans	8,935,902	6,307,684
(ii)	The total value of revolving credit facilities available, as at balance date amounted to:	5,000	5,000
	Less amounts drawn down and included in (i)	-	-
	Net balance available	5,000	5,000
(iii)	During the year the aggregate value of loans disbursed amounted to:		
	- secured loans	3,427,000	2,056,000
	- unsecure loans / overdrafts	-	-
	Interest and other revenue earned on loans and revolving credit facilities amounted to:	223,928	182,068

The Credit Union's policy for lending to KMP and close family members is that all loans are approved on the same terms and conditions which applied to Members for each class of loan, however, all employees (including KMP) are entitled to an employee discount from the standard loan rate. There are no loans which are impaired in relation to the loan balances with KMP.

NOTE 7 - RELATED PARTY AND KEY MANAGEMENT PERSONNEL (Cont'd)

	2020	2019
(c) Deposits from KMP and close family members	**$**	**$**
Total value of term and savings deposits	1,131,077	875,378
Interest paid on deposits	7,026	8,110

The Credit Union's policy for receiving deposits from KMP and close family members is that all deposits are accepted on the same terms and conditions which applied to members for each type of deposit. This policy has been adhered to for the full financial year.

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

Other transactions with related parties

The Credit Union's related parties consist of KMP and the close family members of KMP and entities that are controlled or significantly influenced by those KMP, individually or collectively with their close family members.

Other transactions between related parties include loans and deposits from the 'close family members' of KMP and the exchange of assets or services from time to time on a commercial, arms length basis.

The Credit Union's policy for lending to related parties is that all loans are approved on the same terms and conditions which applied to members for each class of loan. This policy has been adhered to for the full financial year. There are no loans which are impaired in relation to the loan balances with 'close family members' of KMP.

The Credit Union's policy for accepting deposits from related parties is that all deposits are accepted on the same terms and conditions which applied to members for each class of deposit. This policy has been adhered to for the full financial year. There are no benefits paid or payable to the 'close family members' of KMP. There are no service contracts to which KMP or their 'close family members' are an interested party.

	2020	2019
NOTE 8 - CASH AND CASH EQUIVALENTS	**$'000**	**$'000**
Cash on hand	868	783
Deposits with ADIs	14,964	6,406
	15,832	7,189

NOTE 9 - DUE FROM OTHER FINANCIAL INSTITUTIONS

Deposits with ADIs	119,930	62,510

AASB 9 impairment requires the implementation of an expected credit losses (ECL) model. The Credit Union assesses on a forward looking basis the ECL associated with financial assets at amortised cost. Impairment losses are measured as the difference between the carrying amount and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the investment's original effective interest rate. Impairment losses are recognised in profit or loss. The Credit Union measures a 12-month ECL for its deposits with ADIs that are determined to have low credit risk at the reporting date.

The Credit Union considers investments to have low credit risk when their credit rating is equivalent to the globally understood definition of 'investment grade'. No impairment loss is recognised on due from other financial institutions as at reporting date.

NOTE 10 - OTHER RECEIVABLES

Accrued income	23	49
Sundry receivables	621	616
	644	665

	2020 $'000	2019 $'000
NOTE 11 - LOANS AND ADVANCES TO MEMBERS		
Overdrafts	7,648	7,778
Term loans	489,400	496,031
Gross loans and advances	497,048	503,809
Broker upfront commission	250	156
Allowance for ECL impairment losses	(731)	(754)
Net loans and advances	496,567	503,211
Credit Quality - Security held against loans		
Secured by mortgage over real estate	487,879	493,058
Secured by bill of sale over motor vehicle	5,954	7,530
Secured by other assets	424	681
Secured by funds lodged with the credit union	632	129
Unsecured	2,159	2,410
	497,048	503,809

Where collateral is held, it is in the form of mortgage interests over property, other registered securities over assets, mortgage insurance and guarantees. The fair value of the collateral is measured at the time of providing the loan or advance and is required to be no less than 100% of the loan or advance. The fair value of the collateral is generally not updated except when a loan or advance is individually assessed as impaired. Collateral is usually not held over loans and advances to, or deposits with, other financial institutions. The value of the collateral for residential mortgage loans is based on the collateral value at origination. For credit-impaired loans the value of collateral is based on the most recent appraisals.

NOTE 12 - IMPAIRMENT OF LOANS AND ADVANCES

Accounting policy

A three-stage approach is applied to measuring expected credit losses (ECLs) for loans and advances to members.

No impairment loss is recognised on equity investments.

Stage 1 - The portion of lifetime ECL associated with the probability of default event occuring within the next 12 months. Exposures are assessed on a collective basis. Loans 30 days or under past due date.

Stage 2 - Associated with the probablity of default event occuring throughout the life of an impairment. Exposures are assessed on a collective basis. Loans with a past due days arrears of 31-89 days.

Stage 3 - Lifetime ECL - credit impaired. Exposures are assessed on a individual basis. Loans 90 days or more past due date.

At each reporting date, the Credit Union assesses the credit risk of exposures in comparison to the risk at initial recognition, to determine the stage that applies to the associated ECL measurement. If the credit risk of an exposure has increased significantly since initial recognition, the loan will migrate to Stage 2. If no significant increase in credit risk is observed, the loan will remain in Stage 1. Should a loan be 90 days or more past due date it will transferred to Stage 3.

Embedded into the model are all loans on COVID pandemic support, these loans are allocated to a Stage based on the number of days since the inception of support, Stage 2 <90 days; Stage 3 >=90 days.

The Group considers reasonable and supportable information that is relevant and available without undue cost or effort, for this purpose. This includes quantitative and qualitative information and also forward looking analysis.

Credit Quality of financial assets

Internally developed credit rating system utilises historical default data drawn from a number of sources to assess the potential default risk of lending, or other financial services products, provided customers.

In assessing the impairment of financial assets under the expected credit loss model, the Credit Union defines default in accordance with its Credit Policy and Procedures, which includes defaulted assets and impaired assets. Retail facilities use the number of days past due (DPD) or the relative change in probability of default at account level, to determine significant increase in credit risk. The Credit Union considers that significant increase in credit risk occurs when an asset is move that 30 days past due (DPD).

Write off

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

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 1 (e). A number of significant judgement are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk.
- Choosing appropriate models and assumptions for the measurement of ECL.
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL.
- Establishing groups of similar financial assets for the purposes of measuring ECL.

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 12 - IMPAIRMENT OF LOANS AND ADVANCES (Con't)

Refer below for details of ECL allowance for loans and advances at amortised cost:

	2020 $'000	2019 $'000
Stage 1 - 12 month ECL collectively assessed	114	115
Stage 2 - Lifetime ECL collectively assessed	146	91
Total collective provision for impairment	260	206
Stage 3 - Lifetime ECL individually assessed	471	548
Total ECL allowance	731	754

Allowance for impairment

The following tables show reconciliations from the opening to the closing balance of the ECL allowance on loans and advances. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 1 (e).

	Stage 1 - 12 month ECL collectively assessed	Stage 2 - Lifetime ECL collectively assessed	Stage 3 - Lifetime ECL individually assessed	Total
ECL allowance as at 1 July 2019	115	91	548	754
Transfers to Stage 1 - 12 month ECL collectively assessed	(2)	-	-	(2)
Transfers to Stage 2 - Lifetime ECL collectively assessed	-	56	-	56
Transfers to Stage 3 - Lifetime ECL individually assessed	-	-	349	349
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Amounts written off, previously provided for	-	-	(426)	(426)
ECL allowance as at 30 June 2020	114	146	471	731

Impact of movements in gross carrying amount on provision for impairment

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

Minimal loan book movement throughout the year resulting to slight movements in the loss allowance measured on a 12-month basis due to a favour loan product mix change to lower risk loan assets, reduction in personal loans.

The number of loans not on Covid assistance in Stage 3 increased from 19 to 26; $4,421,000 to $4,062,000, although this resulted in an decrease in the carrying amount by $359,000. In Stage 2 the volume of loans not on Covid assistance has decreased from 25 to 11; from $2,371,000 to $1,135,000 with the carrying amount decreasing by $1,236,000.

Impact has resulted in loans with a total gross carrying amount of $65,152,000 being placed on assistance, of which $60,234,000 relates to home loans, $4,358,000 commercial loans and $560,000 personal loans. A total COVID related provision of $454,000, split Stage 2 $140,000 and Stage 3 $314,000 has been applied.

The write-off of a home loan with a gross loan carrying amount of $323,000 and 5 personal loans with a total gross loan carrying amount of $97,000 resulted in the reduction of the Stage 3 loss allowance by the same amount

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 12 - IMPAIRMENT OF LOANS AND ADVANCES (Con't)

The table below shows the credit quality and the exposure to credit risk based on the Credit Union's credit rating system and the year end stage classification. COVID pandemic support has been the driver of movement between stages. The amounts are presented gross of impairment allowances.

	2020 $'000	2019 $'000
Stage 1 - 12 month portion of lifetime ECL collective		
Residential - Owner Occupied	276,933	311,786
Residential - Investor	104,038	121,822
Commercial	32,881	46,169
Personal Secured	7,096	9,370
Personal Unsecured	41	158
Other/Overdrafts	5,709	7,713
	426,698	497,017
Stage 2 - Lifetime ECL collective		
Residential - Owner Occupied	38,997	1,604
Residential - Investor	6,721	589
Commercial	3,117	-
Personal Secured	519	168
Personal Unsecured	15	4
Other/Overdrafts	3	7
	49,372	2,372
Stage 3 - Lifetime individual specific credit impairment		
Residential - Owner Occupied	14,434	2,924
Residential - Investor	4,545	365
Commercial	1,733	1,019
Personal Secured	235	96
Personal Unsecured	11	10
Other/Overdrafts	20	8
	20,978	4,421
Total		
Residential - Owner Occupied	330,364	316,313
Residential - Investor	115,304	122,776
Commercial	37,731	47,187
Personal Secured	7,850	9,634
Personal Unsecured	67	172
Other/Overdrafts	5,732	7,728
	497,048	503,809

NOTE 13 - INVESTMENT SECURITIES

	2020 $'000	2019 $'000
Investment Securities		
Shares in unlisted entities - Cuscal Limited (Cuscal)	980	980

The shareholding in Cuscal is measured at net tangible assets per share fair value which approximates its fair value as at 30 June 2020, the value has been updated in accordance with AASB9. This company was created to supply services to the member ADIs and originally did not have an independent business focus. These shares were originally held to enable the Credit Union to receive essential banking services. These shares are not publicly traded and are not redeemable.

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020 $'000	2019 $'000
NOTE 14 - PLANT & EQUIPMENT		
Plant and equipment		
Plant and equipment at cost	1,761	1,852
Less accumulated depreciation	(1,184)	(1,138)
	577	714
Leasehold improvements		
Leasehold improvements at cost	1,810	1,856
Less accumulated depreciation	(593)	(396)
	1,217	1,460
Work in Progress - Capital Additions	102	115
Total Plant and Equipment	1,896	2,289

Movement in carrying amounts:

2020	Plant & Equipment $'000	Leasehold Improvements $'000	WIP $'000	Total $'000
Balance at beginning of the financial year	714	1,460	115	2,289
Additions	95	2	212	309
Transfers to P&E and Lease improvements	-	-	(225)	(225)
Depreciation	(232)	(245)	-	(477)
Carrying amount at the end of the financial year	577	1,217	102	1,896

2019	Plant & Equipment $'000	Leasehold Improvements $'000	WIP $'000	Total $'000
Balance at beginning of the financial year	644	779	15	1,438
Additions	329	853	1,366	2,548
Transfers to P&E and Lease improvements	-	-	(1,266)	(1,266)
Disposals	(5)	-	-	(5)
Depreciation	(254)	(172)	-	(426)
Carrying amount at the end of the financial year	714	1,460	115	2,290

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020 $'000	2019 $'000
NOTE 15 - DEFERRED TAX ASSETS		
Deferred tax assets	338	352
Deferred tax assets reconciliation:		
Opening Balance	352	459
Transfer from deferred tax liabilities	-	(111)
Current year charge	(16)	4
Closing balance	338	352
Closing balance comprised of the following:		
Leave provisions	262	221
Other provisions	285	267
Financial assets	(94)	(111)
Written down value of assets	(650)	(735)
Tax base of assets	535	711
	338	352

	2020 $'000	2019 $'000
NOTE 16 - INTANGIBLE ASSETS		
(a) Computer Software	1,138	916
Less provision for amortisation	(569)	(417)
	569	498
(b) Movements in carrying amounts		
Balance at beginning of the financial year	498	388
Additions	223	243
Amortisation Expense	(152)	(133)
Carrying amount at the end of the year	569	498

NOTE 17 - LEASES

The Credit Union leases a number of properties for offices and branches. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security.

Right of use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Notes	2020	2019
As at 1 July 2019	1(a)	2,730	-
Additions			
Amortisation expense	4	(619)	-
Carrying amount at the end of the year		2,111	-

Lease Liabilities

Set out below are the carrying amounts of lease liabilities (included under payables and other liabilities and the movements during the year:

	Notes	2020	2019
As at 1 July 2019	1(a)	2,730	-
Additions		-	-
Interest expense	4	111	-
Lease payments		(668)	-
As at 30 June 2020	20	2,173	-

The maturity analysis of lease liabilities are disclosed in Note 28.

Amounts recognised in profit or loss

	Notes	2020	2019
Depreciation charge of right-of-use assets	4	619	-
Interest expense (included in finance cost)	4	111	-
		730	-

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020 $'000	2019 $'000
NOTE 18 - OTHER ASSETS		
Deferred Premium Expense on Floating Rate Notes	57	151
Prepayments	202	161
	259	312
NOTE 19 - DEPOSITS		
Customer at call deposits (including withdrawable shares)	289,605	209,148
Customer term deposits	283,260	306,622
	572,865	515,770
NOTE 20 - PAYABLES AND OTHER LIABILITIES		
Accrued interest payable	1,330	2,449
Accrued expenses	555	685
Annual leave	503	415
Deferred Income	190	235
Member clearing	2,209	1,829
Lease liabilities	2,173	-
	6,960	5,613
NOTE 21 - TAX LIABILITIES/RECEIVABLE		
Current income tax liability/(receivable)	(164)	(8)
	(164)	(8)
NOTE 22 - PROVISIONS		
Long-term Employee benefits		
Long service leave	448	389
End of Lease make good		
Make good	43	-
Total Provisions	491	389
NOTE 23 - REDEEMED PREFERENCE SHARE CAPITAL		
Opening balance	419	406
Transfers from retained profits for redeemable preference shares	9	13
Closing Balance	428	419

Under the Corporations Act 2001 member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits. The value of the shares that have been paid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated.

NOTE 24 - OTHER RESERVES

Capital profits reserve

The capital profits reserve records non-taxable profits on sale of investments.

General Reserve for credit losses

The reserve for credit losses records amounts previously set aside as a general provision and is maintained to comply with the Prudential Standards as set down by APRA.

	2020 $'000	2019 $'000
Capital reserve	229	229
Fair value reserve	292	292
The fair value reserve relates to the fair value adjustment of the Cuscal shareholding at net tangible assets per share.		
General reserve for credit losses		
Opening balance	2,931	2,740
Add increase / (decrease) transferred from retained earnings	(106)	191
	2,825	2,931
Total Other Reserves	3,347	3,452

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020 $'000	2019 $'000
NOTE 25 - FINANCIAL COMMITMENTS		
a) Outstanding loan commitments		
Loans and credit facilities approved but not funded or drawn down at the end of the financial year:		
- Loans approved but not funded	18,500	13,357
- Undrawn overdraft, line of credit and VISA	3,457	4,483
	21,957	17,840

NOTE 26 - CONTINGENT LIABILITIES

Credit Union Financial Support System

The Credit Union is a participant in the Credit Union Financial Support System (CUFSS). The purpose of the scheme is to protect the interests of credit union members, increase stability in the industry and to provide emergency liquidity support. As a participant in CUFSS, the Credit Union:

(a) May be required to advance funds of up to 3% of total assets to another credit union requiring financial support;
(b) Agrees, in conjunction with other members, to fund the operating costs of CUFSS.
The value of any calls made and permanent loans advanced during the year was nil (2019 - nil).

NOTE 27 - MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The tables below set out the assets that are expected to be recovered more than 12 months after the reporting date and liabilities expected to be settled more than 12 months after the reporting date.

AS AT 30 JUNE 2020	Less than 12 months	Over 12 months	Total
	$'000	$'000	$'000
ASSETS			
Cash and cash equivalents	15,832	-	15,832
Due from other financial institutions	82,872	37,058	119,930
Other receivables	644	-	644
Loans and advances	67,141	429,426	496,567
Investment securities	-	980	980
Other assets	259	-	259
Derivatives	-	-	-
Property, plant and equipment	-	1,896	1,896
Current tax assets	164	-	164
Deferred tax assets	338	-	338
Intangible assets	-	569	569
Right of use assets	-	2,111	2,111
Total Assets	167,250	472,041	639,291
LIABILITIES			
Deposits	571,133	1,731	572,864
Payables & other liabilities	6,923	38	6,960
Current tax liabilities			
Provisions	127	364	491
Total Liabilities	578,184	2,132	580,316

AS AT 30 JUNE 2019	Less than 12 months	Over 12 months	Total
	$'000	$'000	$'000
ASSETS			
Cash and cash equivalents	7,189	-	7,189
Due from other financial institutions	29,533	32,977	62,510
Other receivables	665	-	665
Loans and advances	70,278	432,933	503,211
Investment securities	-	980	980
Other assets	312	-	312
Property, plant and equipment	-	2,289	2,289
Current tax assets	8	-	8
Deferred tax assets	352	-	352
Intangible assets	-	498	498
Total Assets	108,338	469,677	578,014
LIABILITIES			
Deposits	512,159	3,611	515,770
Payables & other liabilities	5,474	138	5,612
Current tax liabilities			
Provisions	101	288	389
Total Liabilities	517,734	4,037	521,771

NOTE 28 - INTEREST RATE RISK

The Credit Union's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

30 June 2020

	Floating Interest Rate	Fixed Interest Rate Maturing In:-			Non Interest Sensitive	Total Carrying Amount per the Financial Statements	Weighted Average Interest Rate
		1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	$'000	$'000	%
Financial Assets							
Cash and cash equivalents	14,965	-	-	-	868	15,833	0.00%
Receivables	-	-	-	-	644	644	
Due from other financial institutions	37,058	82,872	-	-	-	119,930	0.80%
Loans and advances	336,905	87,463	72,199	-	-	496,567	3.71%
Investment securities	-	-	-	-	980	980	
Total Financial Assets	388,928	170,335	72,199	-	2,492	633,953	
Financial Liabilities							
Deposits	130,322	397,370	45,172	-	-	572,865	1.23%
Payables and other liabilities	-	-	-	-	6,960	6,960	
Total Financial Liabilities	130,322	397,370	45,172	-	6,960	579,826	

30 June 2019

	Floating Interest Rate	Fixed Interest Rate Maturing In:-			Non Interest Sensitive	Total Carrying Amount per the Financial Statements	Weighted Average Interest Rate
	$'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	$'000	$'000	%
Financial Assets							
Cash and cash equivalents	6,406	-	-	-	783	7,189	0.12%
Receivables	-	-	-	-	665	665	
Due from other financial institutions	39,003	23,507	-	-	-	62,510	2.31%
Loans and advances	314,158	70,708	118,345	-	-	503,211	4.35%
Investment securities	-	-	-	-	980	980	
Total Financial Assets	359,567	94,214	118,345	-	2,428	574,554	
Financial Liabilities							
Deposits	94,117	386,669	34,984	-	-	515,771	1.95%
Payables and other liabilities	-	-	-	-	5,612	5,612	
Derivatives	-	-	-	-		-	
Total Financial Liabilities	94,117	386,669	34,984	-	5,612	521,383	

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 29 - CREDIT RISK

(a) Credit risk exposure

The Credit Union's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated on the Statement of Financial Position plus undrawn facilities as disclosed at Note 26.

(b) Concentrations of credit risk

The following groups represent concentrations of loans and advances in excess of 10% of capital.

	2020 $'000	2019 $'000
Geographic Locations		
New South Wales	345,053	365,425
Queensland	145,698	131,891
Customer or Industry		
Southern Cross Credit Union Ltd Employees	13,017	13,021
Public Health	11,975	12,179

NOTE 30 - EVENTS SUBSEQUENT TO END OF REPORTING DATE

No matters or circumstances have arisen since the end of the reporting period which have significantly affected or may significantly affect the operations, or state of affairs of the Credit Union in subsequent financial years.

Since the year end and as at 30 September 2020, $22.709M of loans have voluntarily come of the COVID assistance package and have resumed their loan obligations under the Credit Union's standard terms and conditions of its loan contracts

SOUTHERN CROSS CREDIT UNION LIMITED
ABN 82 087 650 682
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 31 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value estimates were determined by the following methodologies and assumptions:

Liquid assets and receivables from other financial institutions

The carrying values of cash, liquid assets, and receivables due from other financial institutions approximate their fair value as they are short term in nature or are receivable on demand.

Loans and advances

The carrying value of loans, advances and other receivables is net of provisions for impairment. For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of the fair value.

The fair value for fixed rate loans is calculated by utilising discounted cash flow models based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio as at reporting date.

Investment securities

The Credit Union's unquoted equity instruments represent the investment in Cuscal Ltd shares which is stated at fair value and is classified as Level 3 in the fair value hierarchy. The valuation of Cuscal shares occurs once a year in June and is based on Cuscal's adjusted net tangible assets. The net fair value gain on revaluation of the Cuscal shares is reflected in other comprehensive income.

	2020		2019	
	Carrying Value	Net Fair Value	Carrying Value	Net Fair Value
Assets	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	15,832	15,832	7,189	7,189
Receivables due from other financial institutions	119,930	119,930	62,510	62,510
Other receivables	644	644	665	665
Loans and advances	497,298	500,173	503,965	504,235
Investment securities	980	980	980	980
Total	634,684	637,559	575,309	575,579
Liabilities				
Deposits	572,865	573,209	515,770	516,039
Payables and other liabilities	6,961	6,961	5,613	5,613
Total	579,826	580,170	521,383	521,652

NOTE 31 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Con't)

Fair Value Hierarchy

The credit union measures fair values of assets and liabilities carried at fair value in the financial report using the following hierarchy that reflects the significance of inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market of an identical asset or liability.
Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets or liabilities valued using:

- Quoted market prices in active markets for similar assets or liabilities;
- Quoted prices for identical or similar assets or liabilities in markets that are considered less than active: or
- Other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all assets and liabilities where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset's or liability's valuation. This category includes assets and liabilities that are valued based on quoted prices for similar assets or liabilities where significant unobservable adjustments or assumptions are required to reflect differences between them. Cuscal shareholding fair value measured on net tangible assets per share.

NOTE 32 - ECONOMIC DEPENDENCY

The Credit Union has an economic dependency on the following suppliers of service:

(a) Indue Ltd.

This entity supplies the Credit Union with facilities for the use and settlement for VISA Cards, personal cheques and facilitates the earning of commission income on certain VISA transactions.

The Credit Union has invested a share of its operating liquidity with this entity.

(b) Ultradata Australia Pty. Ltd.

Ultradata Australia Pty. Ltd. provides and maintains the application software utilised by the Credit Union.

(c) First Data Resources Australia Limited

This company operates the switching computer used to link VISA to the Credit Union's computer systems.

NOTE 33 - COMPANY DETAILS

Southern Cross Credit Union Ltd. is a company limited by shares and incorporated in Australia. The registered office of the company is Southern Cross Credit Union Ltd, Level 2, 38-42 Pearl Street, Kingscliff, NSW 2487.

NOTE 34 - CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with other financial institutions. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the Statement of Financial Position as follows:

	2020 $'000	2019 $'000
Cash and cash equivalents	15,832	7,189

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the cash flow statement:
(a) customer deposits and withdrawals from savings, money market and other deposit accounts;
(b) placement and redemption of term deposits;
(c) short-term borrowings;
(d) provision of member loans and the repayment of such loans.

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

	2020 $'000	2019 $'000
Profit after income tax	2,730	3,199
Non-cash flows in profit from continuing operations:		
Credit impairment losses	403	282
Amortisation	152	133
Depreciation	476	425
Depreciation on right to use asset	618	-
Net loss/(profit) on sale of property, plant & equipment		-
Changes in operating assets and liabilities:		
Increase / (decrease) in interest payable	(1,117)	188
Increase / (decrease) in income tax liabilities	(155)	(299)
Decrease / (increase) in deferred tax assets	15	107
Decrease / (increase) in fees and commissions receivables	26	16
Increase / (decrease) in accrued expenses	(130)	15
Decrease / (increase) in other assets	53	(23)
Increase / (decrease) in employee benefits	191	10
Increase / (decrease) in deposits	57,469	52,429
Decrease / (increase) in member loans	6,241	(58,012)
Decrease / (increase) in receivables due from other financial institutions	(57,420)	2,948
Increase / (decrease) in Deferred Income	(45)	76
Net cash provided by operating activities	6,245	(2,559)
	9,507	1,491

(d) Reconciliation of movements of net debt to cash flows arising from financing activities

Lease liabilities	2020 $'000	2019 $'000
Net debt opening balance	-	-
Cashflow repayments	(668)	-
Recognition of lease liabilities on adoption of AASB 16	2,730	-
Accretion of interest	111	-
Net debt closing balance	2,173	-

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Southern Cross Credit Union Limited

Report on the Audit of the Financial Report

Opinion

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

In our opinion the accompanying financial report of Southern Cross Credit Union Limited, is in accordance with the *Corporations Act 2001*, including:

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

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the 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 has 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 (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

P A Gallagher
Director

Brisbane, 30 September 2020

Southern Cross Credit Union Ltd

ABN: 82 087 650 682
AFSL: 241000

Level 2, 38-42 Pearl Street, Kingscliff
Tel 1300 360 744