Annual Report
2017 – 2018

Dnister Ukrainian Credit Co-operative Limited

ABN 59 087 651 394 | AFSL 240673

Contents

Chairman’s Report

On behalf of the Board of Directors, Management and Staff of Dnister Ukrainian Credit Co-operative Ltd (Dnister), I am pleased to present our Annual Report for the year ended 30 June 2018.

The Co-operative achieved a strong profit before tax result of $606,000. Strong loan growth was a key contributing factor along with improvements in the commercial property leasing market, which resulted in our properties being almost fully tenanted at year end. The strong loan growth occurred despite continuing low interest rates, competitive market pressures on margins, and members paying off their loans at an accelerated rate.

The Co-operative's financial position continues to strengthen, with total assets increasing by $2.4m to $173.4m and our Members’ equity increasing by $2.0m to $24.1m.

Strong loan demand resulted in our loan portfolio increasing by $11m to $114.3m. Our deposit portfolio remained at a very sound level, having reduced only marginally by $1.3m to $144.8m. We also achieved pleasing Membership growth with 276 new members joining Dnister during the year.

Dnister continued its strong support for our members and their community to the tune of $279k for the financial year:

- $220k in fees and charges through our member loyalty fee rebate program.
- $41k to our Members’ communities supporting schools and other organisations through a variety of sponsorships.
- $18k to Community Access accounts as beneficiary contributions. These accounts provide community groups with annual beneficiary contributions and fee free transactional banking. Beneficiary contributions represent a further significant investment by Dnister in our Members.

These amounts mean that since June 2007, Dnister has provided a total of $2.92m through absorbed fees/charges, sponsorships, other community support and beneficiary payments to our members and their community.

Corporate governance continues to be a priority with our strategic plan being continually reviewed and updated by the Board.

Board reporting has been enhanced over the past year to ensure risk areas are subject to an ongoing review. This process will ensure our governance is strong and member assets are safeguarded.

We have continued to satisfy our regulatory and compliance obligations. We have also maintained a very strong focus on risk management. To assist in this regard, Philip Timewell was appointed to the new position of Chief Risk Officer in January 2018.

Consistent with the Board’s strategy, the Board and Management delivered on a number of significant strategic projects during 2017/18 as follows-

- Invested in new banking technologies such as New Payments Platform (NPP) functionality, known as Osko. This enables payments using the recipient’s email or phone number rather than having to know BSB and account numbers; with monies transferred almost instantaneously. This project, led by the Reserve Bank of Australia, demonstrated our capacity to deliver modern banking products to our members. Some of the larger banks have still not enabled this technology which Dnister has offered since the NPP system went live in February 2018.
- Launched our new digital internet banking portal and our new digital Mobile App for smartphones, giving our members access to their accounts 24/7 on their phone or via a web browser.
- We continue to review our structure and look to improve our efficiency in delivering services to our members. During the year we restructured our Corporate Services Department, including the appointment of a new Corporate Accountant.

We will continue to invest in new products and services to deliver quality products and services to our members.

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry began earlier this year and has revealed what can only be considered immoral, unethical and potentially illegal conduct on the part of a number of organisations. Your Board is proud of the fact that none of the behaviours or conduct would be tolerated at Dnister. Unfortunately, however, it is likely that responses to the activities revealed will increase the regulatory pressures and compliance costs of Dnister in the coming years.

On behalf of the Board, I would like to thank our CEO Liam Tiernan, the Executive team and staff for their hard work and dedication to achieve these results and for continuing to serve the needs of our Members.

I would like to thank my fellow Directors for their valuable contribution during the year.

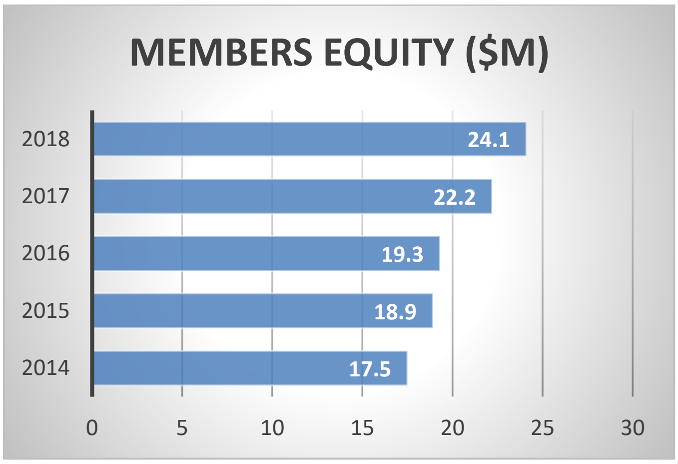
Most importantly, I would like to thank you, our Members, for your continued loyalty and support. I encourage you to fully utilise the products and services that Dnister offers to continue building the strength of your Co-operative. You can help Dnister grow and prosper by making Dnister your main financial services provider.

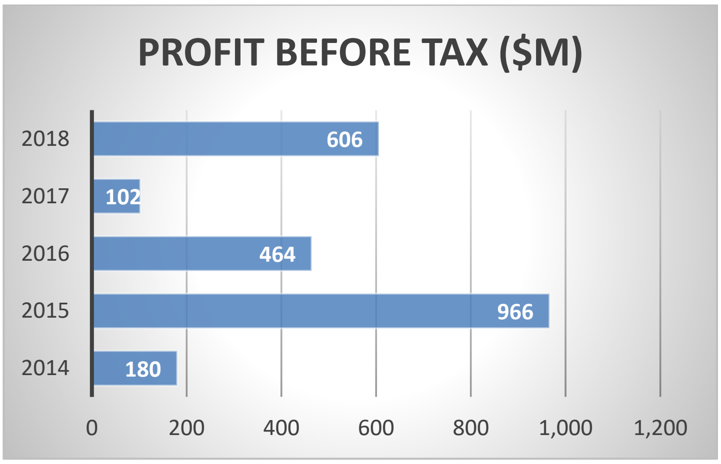
As a Member-owned financial institution, Dnister is committed to providing value for our Members.

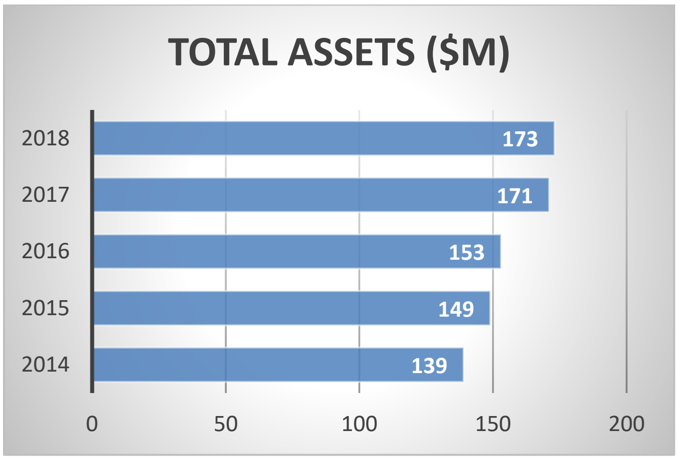
Strength in Unity!

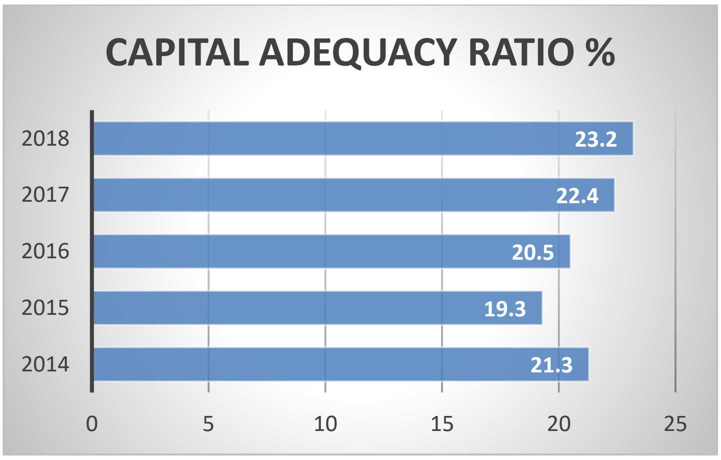
David Hassett
Chairman

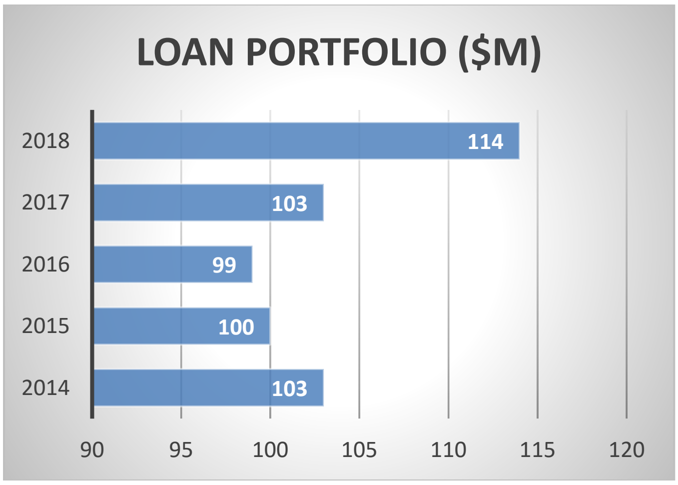
Highlights

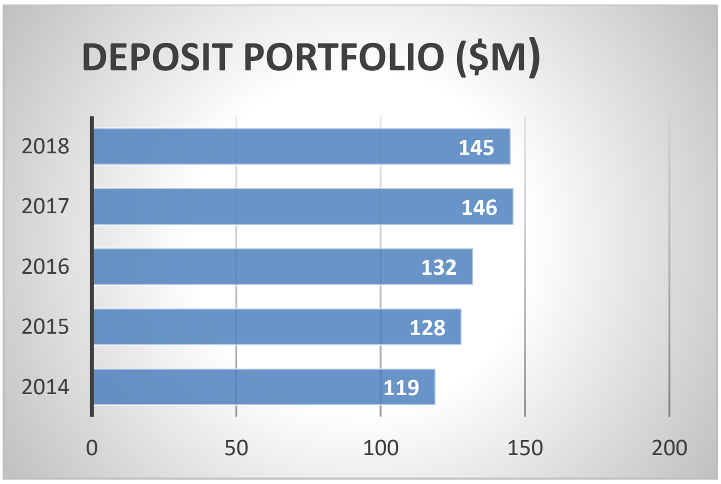

MEMBERS EQUITY ($M)
2018
2017
2016
2015
2014
24.1
22.2
19.3
18.9
17.5
0
5
10
15
20
25
30


PROFIT BEFORE TAX ($M)
2018
2017
2016
2015
2014
606
102
464
966
180
0
200
400
600
800
1,000
1,200


TOTAL ASSETS ($M)
2018
2017
2016
2015
2014
173
171
153
149
139
0
50
100
150
200


CAPITAL ADEQUACY RATIO %
2018
2017
2016
2015
2014
23.2
22.4
20.5
19.3
21.3
0
5
10
15
20
25


LOAN PORTFOLIO ($M)
2018
2017
2016
2015
2014
114
103
99
100
103
90
95
100
105
110
115
120


DEPOSIT PORTFOLIO ($M)
2018
2017
2016
2015
2014
145
146
132
128
119
0
50
100
150
200

Directors' Report

Your Directors submit their report for the year ended 30 June 2018:

DIRECTORS

The names and details of the Co-operative's Directors in office during the financial year or until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

DAVID HASSETT (Chairman)

B.Sc (Hons), Ph D, Grad Dip App Sci (Comp Sci) MAICD.
Non-Executive Chairman, Corporate Governance Committee Chairman
David trained as a scientist and worked for Universities in Australia and the United States before co-founding an IT and Business Services Consultancy in 1997. A key focus of David's work is the smooth integration of IT systems with business processes and aiding clients to streamline and improve existing business processes. David has served as Parish Treasurer for the Cathedral of Ss Peter and Paul, has been on the state Committee of Plast Ukrainian Scouts in Victoria since 2005 and served as Chairperson of the Dnister Community Advisory Committee from 2003-2008.
David has been a Non-Executive Director of the Co -operative for three years.

MICHAEL KORNITSCHUK (Deputy Chairman)

MBA, B.Sci., Grad Cert . Mgt., Dip Mgt., Dip.App.Bio., MAICD.
Non-Executive Deputy Chairman, Audit Committee Chairman and Risk Committee Member
Michael combines his work as a Managing Director of a leading Australian supplier of medical goods and services with his role as Non- executive Director of the Co-operative.
Michael has been a Non-Executive Director of the Co-operative for twenty-four years, including nine as Chairman. During the past thirteen years he has also served as Chairman of the Ukrainian Orthodox Church- Essendon.

MARKO MISKO (Director)

LL B (Hons 1), B.Com., MAICD.
Non-Executive Director, Corporate Governance Committee Member.
Marko combines his work as a Partner at Clayton Utz in the national infrastructure and major projects group with his role as Non- executive Director of the Co-operative. Marko was responsible for the negotiation and finalisation of the project contracts for the redevelopment of the Kalyna Care facilities (and continues to provide Kalyna Care with ongoing legal advice). Marko was also responsible for preparing documents for the redevelopment of the C Y M property in Healesville and will be responsible for the project development agreements for the redevelopment of the A U V properties in Essendon. Marko is also the chair of DOFUS and has been a Non-Executive Director of the Co-operative for nine years.

MICHAEL KWAS (Director)

B.Bus (Acc), MAICD.

Non-Executive Director, Audit and Risk Committees Member.

Michael is a retired Accountant and has well over forty years' experience in the industry. Michael has been involved in numerous community organisations such as: a Scout Leader for over twenty-seven years for the Plast Ukrainian Scouts Association (State and Federal Executive), a member of the Ukrainian Golf Club, a member of the Association of Ukrainians in Victoria and Sunshine and the Ukrainian Church in Ardeer.

Michael has been a Non-Executive Director of the Co-operative for seven years.

ANDREW PAVUK (Director)

B.Arts, Dip of Ed, B Law, Solicitor and Member of the Law Society of NSW MAICD.

Non-Executive Director, Risk and Corporate Governance Committees Member

Andrew established Pavuk Legal in 2007 and with over 25 years' experience is a specialist in the areas of Financial Services, Corporate Law, Taxation, Life Insurance, Superannuation, Managed Funds, Estate Planning and Succession. Andrew has acted for Plast K P S Executive, the Ukrainian Catholic Church in Australia, various parishes, priests and Charitable Funds.

Andrew has been a Non-executive Director of the Co-operative for three years.

WALENTYN MYKYTENKO (Director)

B.E., Post Grad Dip. Eng.Mgt., Dip. Elec.Eng., Dip. Financial Services, AMP (MUBS), FAMI and MAICD.

Non-Executive Director, Audit and Corporate Governance Committees Member.

Wal is a retired General Manager of a multi-national aviation company and is a Non-executive Director of the Co-operative.

Wal has been a Non-Executive Director of the Co-operative for fourteen years, including nine years as Chairman.

BOHDAN WOJEWIDKA (Director)

B.App. Sc (Comp. Sci), MBA, GAICD.

Non-Executive Director, Risk Committee Chairman and Audit Committee Member

Bohdan is an experienced executive leader having led transformational and change initiatives through technology within the resources, agribusiness, utility services and, more recently, the banking sectors. This broad industry experience has provided him with a high degree of knowledge and practical experience in addressing the day to day operational challenges, strategic issues and regulatory framework requirements facing these sectors. Bohdan's specific focus has been on strategy planning and implementation, day-to-day operations, budgeting and financial management, vendor management, risk management, and organisational and change management. His experience has also included leading technology due diligence and integration during mergers and acquisitions. Bohdan has served as President of Plast Ukrainian Scouts in South Australia and is presently Vice-President of the Association of Ukrainians in South Australia. He served as Chairperson of the Dnister Community Advisory Committee in South Australia in 2008.

Bohdan was a Non-Executive Director of the Co-operative between 2011 and 2015, having recently rejoined the Board and is currently Chairman of the Risk Committee.

Directors' Report

Continued . . .

COMPANY SECRETARY

LIAM TIERNAN
B.Bus (Acc), CPA
Liam was appointed Chief Executive Officer of the Co-operative on 17 September 2012 and was appointed the Company Secretary on 16 October 2012.

TONY O'BRIEN
B.Bus (Acc), BA (Politics), CA
Tony was appointed Chief Financial Officer of the Co-operative on 16 January 2017 and was appointed an alternative Company Secretary on 27 June 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Co-operative during the financial year were the provision of retail financial services, which includes receiving funds on deposits, advancing loans, providing insurance products, and the leasing of Dnister property.

OPERATING AND FINANCIAL REVIEW

The Co-operative`s net profit before income tax for the year ending 30 June 2018 is $606,000 (2017: $102,000). The net profit included a valuation increase for 2018 of $480,000 before tax (2017: $0 as no independent valuation undertaken).

Total Assets increased by $2.4m to $173.4m with Members' Equity increasing by $1.9m to $24.1m. Our loan portfolio increased by $11.0m to $114.3m and our deposit portfolio reduced marginally by $1.3m to $144.8m.

DIVIDENDS

In accordance with the constitution, no dividend is paid in respect of any shares.

BOARD MONITORING OF PERFORMANCE

Management and the Board monitor the Co-operative's overall performance from the implementation of the mission statement and strategic plan through to the performance of the company against budget. The Board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Management monitors KPIs and reviews performance against them monthly. Directors receive KPIs for review prior to each Board meeting allowing all Directors to actively monitor the Co-operative's performance.

LIQUIDITY AND FUNDING

The Co-operative has a short-term overdraft facility of $350,000 (2017: $350,000). The Co-operative has sufficient funds to finance its operations and maintains these facilities primarily to allow the Co-operative to take advantage of favourable credit union financing opportunities. The Co-operative also has a $13.0m wholesale funding facility with IOOF.

RISK MANAGEMENT

The Co-operative takes a pro-active approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Co- operative's objectives are aligned with those risks and opportunities.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks and opportunities identified by the Board. These include the following:

- Board approval of the Strategic Plan, which encompasses the Co-operative's vision, mission and goals, designed to meet Members' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against budget, including the establishment and monitoring of KPIs of both a financial and non-financial nature.
- The establishment of committees to report on specific business risks.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Total Equity has increased from $22.2m to $24.1m, an increase of $1.9m while Loans and Advances increase from $103.3m to $114.3m. Member Deposits decreased from $146.1m to $144.8m.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There were no significant events after balance date to be brought to the attention of Members for the financial year ended 30 June 2018.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The operations of the Co-operative are expected to continue in line with current objectives and strategies.

INDEMNITY AND INSURANCE

To the extent permitted by law and that the officer or auditor is not indemnified by Directors' and Officers' Liability Insurance maintained by the Co-operative (2018: $5,156 in premiums), the Co-operative indemnifies every person who has been an officer or auditor of the Co-operative against any liability.

Directors' Report

Continued . . .

DIRECTORS' MEETINGS

The number of Directors' meetings attended by each Director and the number of meetings Directors were eligible to attend for the financial year were as shown in the table below:

	Board Meetings	Meetings of Committees Audit Committee	Risk Committee	Corporate Governance
Number of meetings held:	10	6	7	4
Number of meetings attended:				
W Mykytenko	9	4 (of 4)	-	4
M Kornitschuk	8	6	7	-
M Misko	4	-	-	3
M Kwas	10	6	7	-
D Hassett	10	2 (of 2)	3 (of 3)	3 (of 3)
A Pavuk	9	-	5	4
B Wojewidka	10	5	6	-

COMMITTEE MEMBERSHIP

As at the date of this report, the Co-operative had an Audit Committee, Risk Committee and Corporate Governance Committee.

Members of the Board acting on the committees of the Board at the end of the year were:

AUDIT COMITTEE

M Kornitschuk (Chairman)
M Kwas
W Mykytenko
B Wojewidka

RISK COMMITTEE

B Wojewidka (Chairman)
M Kwas
M Kornitschuk
A Pavuk

CORPORATE GOVERNANCE COMMITTEE

D Hassett (Chairman)
W Mykytenko
M Misko
A Pavuk

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC CO 98/100. The Co-operative is an entity to which the Class Order applies.

PUBLIC PRUDENTIAL DISCLOSURE

In accordance with APS330 Public Disclosure requirements, the Co-operative is to publicly disclose certain information in respect of:

- Details on the composition and features of capital and risk weighted assets; and
- Both qualitative disclosure and quantitative disclosures for Senior Managers and material risk-takers.

These disclosures can be viewed on the Co-operative's website:
https://www.dnister.com.au/wp-content/uploads/2018/08/Prudential-Disclosure-APS330-Jun-2018-Remuneration.pdf

Auditor’s Independence Declaration

Crowe Horwath Melbourne
ABN 41 099 415 845
Member Crowe Horwath International

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Melbourne VIC 3000 Australia
GPO Box 4324
Melbourne VIC 3001 Australia
Tel +61 3 9258 6700
Fax +61 3 9258 6722

www.crowehorwath.com.au

Auditor Independence Declaration under Section 307C of the *Corporations Act 2001* to the Directors of Dnister Ukrainian Credit Co-operative Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2018 there have been no contraventions of:

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

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

This declaration is in respect of Dnister Ukrainian Credit Co-operative Limited during the financial year ended 30 June 2018.

Crowe Horwath

CROWE HORWATH MELBOURNE

David Munday

Partner

26 September 2018

Melbourne, Victoria

Crowe Horwath Melbourne is a member of Crowe Horwath International, a Swiss verein. Each member firm of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

Non-Audit Services

The following non-audit services were provided by the entity`s auditor Crowe Horwath. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Crowe Horwath received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services	$6,500

The report is signed in accordance with a resolution of the Directors of the Co-operative.

On behalf of the Board

David Hassett
Chairman of the Board
25 September 2018

Michael Kornitschuk
Chairman of the Audit Committee
25 September 2018

Corporate Governance Statement

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

The key responsibilities of the Board include:

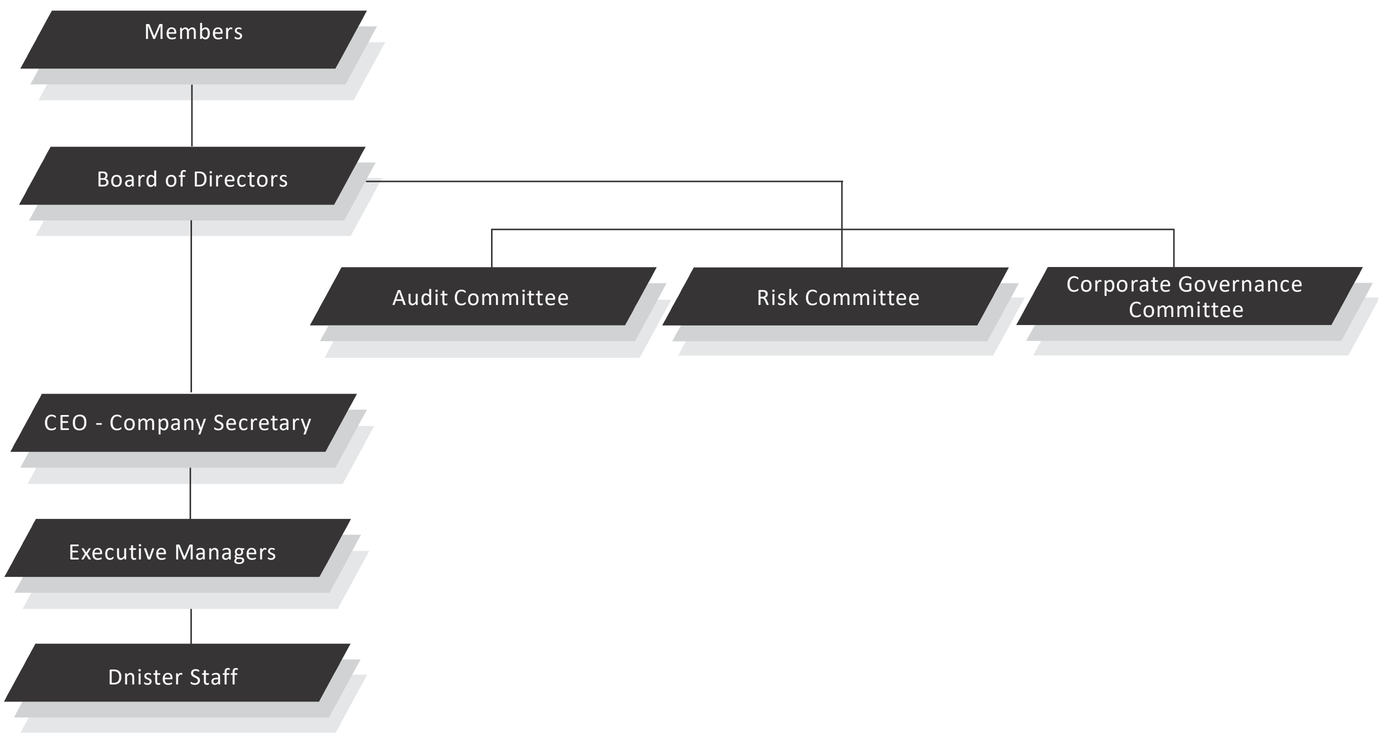
- Approving the strategic direction and related objectives and monitoring management performance in the achievement of these objectives.
- Adopting an annual budget and monitoring the financial performance of the Co-operative.
- Overseeing the establishment and maintenance of internal controls and effective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

The Board of Directors undertook the annual Board performance assessment for the year ended 30 June 2018. The key outcomes of this review are:

- Identification of skill enhancements
- Further training requirements for the Board Members

STRUCTURE OF THE BOARD

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



Corporate Governance Statement

Continued . . .

AUDIT AND RISK COMMITTEES

The Board has both an Audit Committee and Risk Committee, which operate under charters approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists in the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information.

The Audit Committee provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The Board has delegated the responsibility for the establishment and maintenance of a risk framework to the Risk Committee.

The Members of the Audit Committee and Risk Committee at the end of the year were:

AUDIT COMMITTEE	RISK COMMITTEE
M Kornitschuk (c)	B Wojewidka (c)
B Wojewidka	M Kornitschuk
M Kwas	M Kwas
W Mykytenko	A Pavuk

CORPORATE GOVERNANCE COMMITTEE

The Board has a Corporate Governance Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that there is sound and prudent management of the Co-operative. The Board has delegated the responsibility for the establishment and maintenance of principles of Good Corporate Governance and Best Practice to the Corporate Governance Committee.

It is the Co-operative's objective to provide maximum stakeholder benefit through the retention of an Executive team by remunerating key executives fairly and appropriately with reference to employment market conditions. To assist in achieving this objective, the Corporate Governance Committee links the nature and amount of the executive's emoluments to the company's financial and operational performance.

The Members of the Corporate Governance Committee at the end of the year were:

D Hassett (c)
W Mykytenko
M Misko
A Pavuk

No Director, since the end of the previous financial year, has received or become entitled to receive a benefit (other than a benefit in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the accounts) by reason of a contract made by the company with a Director or with a firm of which he is member or with a company in which he has a substantial financial interest.

The term in office held by each Director at the date of this report is as follows:

M Kornitschuk	24 years
W Mykytenko	14 years
M Misko	9 years
M Kwas	7 years
D Hassett	3 years
A Pavuk	3 years
B Wojewidka	1 year

Financial Statements

Notes

NOTES TO THE FINANCIAL STATEMENTS

Directors' Declaration

for the year ended 30 June 2018

In accordance with a resolution of the Directors of Dnister Ukrainian Credit Co-operative Limited, we state that:

1. In the opinion of the Directors:

   (a) the financial statements and notes of the Co-operative are in accordance with the Corporations Act 2001 including:

   - giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
   - complying with Accounting Standards in Australia and the Corporations Regulations 2001;

   (b) there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they become due and payable; and

   (c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

2. This declaration has been made after receiving the declarations required to be made by the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2018.

On behalf of the Board

David Hassett
Chairman of the Board
26 September 2018

Michael Kornitschuk
Chairman of the Audit Committee
26 September 2018

Independent Auditor's Report

Crowe Horwath Melbourne
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Independent Auditor's Report

To the Members of Dnister Ukrainian Credit Co-operative Limited

Opinion

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

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

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

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

Basis for Opinion

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

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

Other Information

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

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

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

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

Independent Auditor's Report

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Crowe Horwath.
PART OF FINDEX

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

Crowe Horwath

CROWE HORWATH MELBOURNE

David Munday

Partner

26 September 2018

Melbourne, Victoria

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
INCOME			
Interest and similar income	3	5,800	5,798
Interest and similar expense	4	(2,519)	(2,802)
Net interest income		3,281	2,996
Fees and commission income	5	119	103
Net fees and commission income		119	103
Other operating income	6	1,599	1,120
Total operating income		4,999	4,219
Credit loss expense	7	(12)	(53)
Net operating income		4,987	4,166
Salaries and associated costs		2,218	1,996
Depreciation	14.1 & 14.2	170	105
Community sponsorships, support and beneficiary contributions	22	59	40
Other operating expenses	8	1,934	1,923
Total operating expenses		4,381	4,064
Profit before tax		606	102
Income tax benefit/(expense)	9(a)	(170)	(20)
NET PROFIT ATTRIBUTABLE TO MEMBERS		436	82
OTHER COMPREHENSIVE INCOME			
Fair value revaluation of land and buildings		1,995	-
Fair value revaluation of available for sale investments		(38)	518
Adjustment to deferred tax due to timing differences on revalued assets		(549)	(155)
Other comprehensive income for the period, net of tax		1,408	363
Total comprehensive income for the period		1,845	445

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

Statement of Financial Position

as at 30 June 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Cash and cash equivalents	10	6,533	13,244
Financial investments - held to maturity	11.1	10,837	15,532
Financial investments - available for sale	11.2	26,533	26,562
Loans and advances to Members	12	114,273	103,306
Investment properties	13	3,454	2,974
Property & equipment	14.1	10,894	8,737
Intangibles	14.2	502	181
Other financial investments	15	20	20
Other assets	16	361	403
Total Assets		173,407	170,959
LIABILITIES AND EQUITY			
Member deposits	17	144,811	146,144
Current tax liabilities		24	(74)
Other liabilities	18	2,648	1,511
Provisions - employees	19	354	351
Deferred net tax liabilities	9(d)	1,421	844
Total Liabilities		149,258	148,776
Retained earnings	20	11,637	11,113
Credit loss reserve	20	658	620
Business combination reserve	20	4,436	4,440
Asset revaluation reserve	20	7,154	5,708
Available for sale investments reserve	20	264	302
Total Equity		24,149	22,183
TOTAL LIABILITIES AND EQUITY		173,407	170,959

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

Statement of Changes in Equity

for the year ended 30 June 2018

	Retained Earnings $'000	Other Reserves see (note 20) $'000	Total $'000
TOTAL AT 1 JULY 2017	11,113	11,070	22,183
Net profit attributable to Members	436	-	436
Other comprehensive income	-	1,408	1,408
Total comprehensive income	436	1,408	1,844
Net change in Deferred Tax Assets and Deferred Tax Liability	125	-	125
Increase in general reserve for credit losses	(37)	37	-
Net change from merger	-	(3)	(3)
TOTAL AT 30 JUNE 2018	11,637	12,512	24,149

	Retained Earnings $'000	Other Reserves see (note 20) $'000	Total $'000
TOTAL AT 1 JULY 2016	11,070	8,416	19,486
Net profit attributable to Members	82	-	82
Other comprehensive income		363	363
Total comprehensive income	82	363	445
Net change in Deferred Tax Assets and Deferred Tax Liability	77		77
Increase in statutory amount set aside for potential losses on loans and advances	(115)	115	-
Net change from merger	-	2,176	2,176
TOTAL AT 30 JUNE 2017	11,113	11,070	22,183

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

Statement of Cash Flows

for the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
OPERATING ACTIVITIES			
Profit before tax		606	102
Adjustments for:			
- Changes in operating assets	21	(38)	30
- Changes in operating liabilities (including tax payable)	21	(890)	(347)
- Non-cash items included in profit before tax	21	(298)	158
- Income tax paid		96	-
- Net increase in member deposits		(1,333)	2,031
- Net decrease in loans and advances		(10,925)	581
Net cash flows from operating activities		(12,782)	2,555
INVESTING AND FINANCING ACTIVITIES			
Net negotiable certificate deposit investments sold/(purchased)		4,695	5,703
Net purchase of available for sale investments		29	(3,850)
Net cash acquired through transfer of business		-	778
Net increase/(decrease) in wholesale borrowings		2,000	-
Purchases of property and equipment and intangible assets		(653)	(235)
Net cash flows used in investing and financing activities		6,071	2,395
Net increase/(decrease) in cash and cash equivalents		(6,711)	4,950
Cash and cash equivalents at 1 July		13,244	8,294
Cash and cash equivalents at 30 June	21	6,533	13,244
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS			
Interest received		5,774	5,732
Interest and other costs of finance paid		2,463	2,867
Dividends received		-	11

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

1. CORPORATE INFORMATION

Dnister Ukrainian Credit Co-operative Limited is a company incorporated in Australia.

Dnister is a member owned Co-operative specialising in serving the financial needs of Australians of Ukrainian and Latvian descent, heritage or cultural affinity. The nature of the operations and principal activities of the Co-operative are described in the Directors' Report.

The financial report of the Co-operative for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of Directors on 25 September 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. It has been prepared as a 'for profit entity' as per AASB1054.8. The financial report has also been prepared on a historical cost basis, except for investment properties, land and buildings and available for sale investments, which have been measured at fair value.

In accordance ASIC class order 98/100, the financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

2.2 STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

2.3 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

(i) Changes in Accounting Policy

There were no new Australian Accounting Standards that have recently been issued or amended and have been adopted by the Co-operative for the annual reporting period ending 30 June 2018.

(ii) Accounting Standards issued but not yet effective

There are certain Australian Accounting Standards that have recently been issued or amended but are not yet effective or have not been adopted by the Co-operative for the annual reporting period ending 30 June 2018. The assessment of the impact of these new standards and interpretations (to the extent relevant to the Co-operative) is set out as follows:

<table>
<tr><th>AASB Reference</th><th>Nature of Change</th><th>Application date</th><th>Impact on Initial Application</th></tr>
<tr><td>AASB 9
Financial Instruments</td><td>AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement.
AASB 9 includes revised guidance on the classification and measurement of financial instruments, as well as the general hedge accounting requirements.
Furthermore, AASB 9 introduces a new ‘expected’ credit loss model for calculating impairment on financial assets. This moves away from the current ‘incurred’ loss model required under AASB 139.
Under the expected credit loss model, the Co-operative will be required to consider a broader range of information when assessing credit risk and measuring expected credit losses including past experience, historical losses for similar financial instruments and forward-looking macroeconomic information.</td><td>Annual reporting periods beginning on or after 1 January 2018 (i.e. Co-operative’s financial statements for year ended 30 June 2019).</td><td>The Co-operative has conducted an initial analysis on the impact of this standard, with the following a summary of the impact assessment:
Recognition and measurement – financial assets:
- All financial assets, with the exception of investments measured at fair value, will be held at amortised cost under AASB 9.
Recognition and measurement – financial liabilities:
- There will be no impact on the Co-operative’s accounting for liabilities, as the new requirements only affect the accounting for financial liabilities that are designed at fair value through profit or loss and the Co-operative does not have any such liabilities.
Expected credit loss model – loan impairment provision:
The move to an expected credit loss model for impairment will impact the Co-operative with earlier recognition of expected credit losses. The main impact for the Co-operative will be the impairment provision raised against its loan portfolio due from members – as detailed at Note 12.
The Co-operative has performed a detailed historical loss analysis for its loans/advances portfolio and identified minimal losses over the past 5 years. The low value of loss experienced in the past is reflective of the high quality of the loan book and risk-appetite of the Co-operative.
Based on the above, the Co-operative expects the impairment provision for loans to remain at an immaterial level under the new AASB 9 requirements.
Management have developed an implementation project to fully quantify the impact of this standard during the 2019 financial year, to be ready for the 30 June 2019 financial statements prepared under AASB 9.</td></tr>
<tr><td>AASB 15
Revenue From Contracts With Customers</td><td>AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised.
It replaces most of the existing standards and interpretations relating to revenue recognition including AASB 118 Revenue.
The standard shifts the focus from the transaction level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to, while measurement encompasses estimation by the Co-operative of the amount expected to be entitled for performing under the contract.</td><td>Annual reporting periods beginning on or after 1 January 2018 (i.e. Co-operative’s financial statements for year ended 30 June 2019).</td><td>Based upon a preliminary assessment, AASB 15 is not expected to have a material impact upon the transactions and balances recognised when it is first adopted, as most of the Co-operative’s revenue arises from the provision of financial services which are governed by AASB 9 Financial Instruments. AASB 9 continues the effective interest rate method for financial instruments carried at amortised cost. This is the method currently required under AASB 139.
There are limited revenue transactions of the Co-operative that are impacted by AASB 15. To date, the Co-operative has identified the following revenue streams that will be impacted by AASB 15:
- Insurance commission income (which is disclosed in Note 5 of the financial statements).
Management have developed an implementation project to quantify the impact of this standard during the 2019 financial year, to enable further disclosure of the impact in the 30 June 2019 financial statements.</td></tr>
<tr><td>AASB 16
Leases</td><td>AASB 16 requires all leases to be accounted for 'on-balance sheet' by lessees, other than short term and low value asset leases. It also provides new guidance on the application of the definition of lease and on sale and lease back accounting and requires new and different disclosures about leases.</td><td>Annual reporting periods beginning on or after 1 January 2019 (i.e. Co-operative’s financial statements for year ended 30 June 2020).</td><td>The Co-operative currently has a number of lease arrangements, in which it is the lessee.

Based on the Co-operative’s preliminary assessment, the Co-operative does not expect the implementation of AASB 16 to have a material effect on the financial statements.</td></tr>
</table>

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Co-operative's accounting policies, Management has used its judgements and made estimates in determining amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

RECOVERY OF DEFERRED TAX ASSETS

Deferred tax assets are recognised for deductible temporary differences as Management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

The Co-operative assesses at each Statement of Financial Position date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

There are three ways that impairment losses on loans and advances are accounted for. They are as follows:

- Prescribed Provisions, which are prescribed collectively according to category of loan and weighted according to days in arrears, and is an APRA requirement.
- Credit Loss Reserve provides for impairment based on risk weighted assets, delinquencies and an allowance for the size of the total loans portfolio. It is an APRA requirement.
- Specific Provisions are determined by Management together with the Board of Directors where they consider it prudent to put extra provisions aside for a specific loan on an individual basis.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognised in Profit or Loss.

The Co-operative assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and the group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in Statement of Profit or Loss and Other Comprehensive Income, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

PROPERTY

Some of the Co-operative's property is leased out on a commercial basis. Those buildings that are fully leased are now classified as investment properties. The main 'banking building' is still classified as owner-occupied because a significant section of the property is used by the Co-operative for its banking activities. These judgments are consistent with AASB140 Investment Property classification.

TAXATION

The Co-operative's accounting policy for taxation requires Management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on Management's estimates of future cash flows. These depend on estimates of future sales volume, operating costs, restoration costs, capital expenditure, dividends and other Capital Management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Other Comprehensive Income.

2.5.1 FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

(i) DATE OF RECOGNITION

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date i.e. the date that the Co-operative commits to purchase or sell the asset.

(ii) INITIAL RECOGNITION OF FINANCIAL INSTRUMENTS

The classification of financial instruments depends on the purpose for which the financial instruments were acquired and their characteristics.

(iii) HELD TO MATURITY INSTRUMENTS

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Co-operative has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost.

The cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount less impairment.

(iv) AVAILABLE FOR SALE INSTRUMENTS

Available for sale (AFS) financial assets include debt securities. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income and credited in the AFS reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the effective interest rate method.

(v) LOANS AND ADVANCES TO MEMBERS

Assets, such as loans and advances, are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Profit or Loss when the loans and advances are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current. Loan interest is calculated on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month. All housing loans are secured by registered mortgages. The remaining loans are assessed on an individual basis.

2.5.2 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

(i) FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Co-operative has transferred its rights to receive cash flows from the asset or has assumed the obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and
- either:
  a) the Co-operative has transferred substantially all the risks and rewards of the asset, or
  b) the Co-operative has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

2.5.3 IMPAIRMENT OF FINANCIAL ASSETS

(i) LOANS AND ADVANCES TO MEMBERS

Loans and advances are measured at amortised cost after assessing required provisions for impairment. Loans are considered bad and written off when all avenues of legal and other action to recover the debt have been exhausted. All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described as follows:

- Impaired loans are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful and hence provisions for impairment are recognised.

- Restructured Loans arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms and revised terms are not comparable to new facilities. Loans with revised terms are included in past due or impaired loans.

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

- Past Due Loans are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected.

2.5.4 RECOGNITION OF INCOME AND EXPENSES

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Co-operative and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) INTEREST AND SIMILAR INCOME

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(ii) FEE AND COMMISSION INCOME

The Co-operative earns fee and commission income from a diverse range of services it provides to its Members. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time are accrued over that period
Fees earned for the provision of services over that period.
Spread Fees earned for servicing and administrating securitised loans.

Fee income from providing transaction services
Fees arising from negotiating or participating in the negotiation of a transaction or with a third party are recognised on the completion of the underlying transaction.

(iii) DIVIDEND INCOME

Revenue is recognised when the Co-operative's right to receive the payment is established.

(iv) RENTAL INCOME

Rental income arising from investment and other properties is accounted for on a straight line basis over the lease terms on ongoing leases and is recorded in the Profit or Loss in 'other operating income'.

2.5.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The amounts included in cash are held for the purpose of meeting short term cash deposits.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above and net of outstanding bank overdrafts.

2.5.6 INVESTMENT PROPERTIES

The Co-operative holds certain properties as investments to earn rental income, for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the Statement of Financial Position date. Gains or losses arising from changes in the fair values of investment properties are included in 'other operating income' in the year in which they arise. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Co-operative, and to market based yields for comparable properties.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in Profit or Loss in the year of retirement.

2.5.7 PROPERTY, EQUIPMENT & INTANGIBLE ASSETS

(i) COST

Equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Land and buildings are measured at fair value less any impairment losses recognised after the date of revaluation.

Under Australian Accounting Standards, items of computer software which are not integral to the computer hardware owned by the Co-operative are classified as intangible assets.

(ii) IMPAIRMENT

The carrying values of equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying amount may be impaired.

(iii) REVALUATIONS

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in Other Comprehensive Income.

Any revaluation decrease is recognised in Profit or Loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Independent valuations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from the assets' fair values at the Statement of Financial Position date.

(iv) DERECOGNITION AND DISPOSAL

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Profit or Loss in the year the asset is derecognised.

(v) DEPRECIATION

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

- Furniture and equipment - 6.7 years
- Computer hardware - 4 years

(vi) AMORTISATION

Computer software held as intangible assets is amortised over the expected useful life of the software on a straight-line basis over 3 years.

2.5.8 RECEIVABLES

Receivables are carried at amortised cost using the effective interest method. Gains and losses are recognised in Profit or Loss when the receivables are derecognised or impaired.

Expected future payments are discounted.

2.5.9 PAYABLES

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Co-operative prior to the end of the financial year that are unpaid and arise when the Co-operative becomes obliged to make future payments in respect of these goods and services. The payables are not secured and are generally paid within 30 days of recognition.

(i) PROVISIONS

Provisions are recognised when the Co-operative has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Such provisions include:

WAGES, SALARIES AND ANNUAL LEAVE

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

LONG SERVICE LEAVE

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

2.5.10 CUSTOMER DEPOSITS AND SHORT-TERM BORROWINGS

(i) MEMBER DEPOSITS

Member deposits are classified under the categories of: at call and fixed term. The rate of interest offered on member deposits is dependent on the amount, the period invested/availability of funds and the nature of the deposit facility used. Member deposits are available for withdrawal subject to the advertised constraints of the facility.

For example, at call accounts can be accessed at any time, whereas no withdrawals can be made from a standard fixed term deposit without penalties.

(ii) BORROWING COSTS

Borrowing costs are recognised as an expense when incurred.

(iii) MEMBERSHIPS

Members must purchase shares to the value of $10 in the Co-operative to open their account. Once a member has purchased shares they may open multiple accounts. When a member cancels or resigns their Membership they are entitled to be refunded their initial $10 investment. No interest or dividends are payable on the shares issued because they are withdrawn on the closure of Membership. They are therefore recorded as a liability in the financial accounts as part of deposits at call, rather than as equity.

2.5.11 TAXES

(i) CURRENT TAX

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Statement of Financial Position date.

(ii) DEFERRED TAX

Deferred income tax is provided on all temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from an asset or liability transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the Statement of Financial Position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in Profit or Loss.

(iii) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred from the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost acquisition of the asset or part of the expense item as applicable.

- Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

	Notes	2018 $'000	2017 $'000
3. INTEREST AND SIMILAR INCOME			
Loans and advances to Members		4,526	4,552
Deposits with other financial institutions		1,197	1,216
Regulatory deposits		77	30
		5,800	5,798
4. INTEREST AND SIMILAR EXPENSE			
Member deposits		2,508	2,798
Other		11	4
		2,519	2,802
5. NET FEES AND COMMISSION INCOME			
Other fees received		119	103
		119	103
6. OTHER OPERATING INCOME			
Dividend income		-	11
Rental income		984	817
Change in fair value of investment property	13	480	-
Gain on sale of shares (Cuscal)		-	163
Other		135	125
		1,599	1,120
7. CREDIT LOSS EXPENSE			
Bad & doubtful debts to Members		12	53
		12	53
8. OTHER OPERATING EXPENSES			
Marketing, printing & postage		121	128
Other tenancy expenses		396	380
Corporate governance, audit & compliance		311	359
Subsidised member transaction expenses		220	174
Data & communications		526	553
Other		360	329
		1,934	1,923

9. INCOME TAX

	2018 $'000	2017 $'000
(a) Income tax expense/(benefit)		
The major components of income tax expense are:		
Statement of Profit or Loss and Other Comprehensive Income		
Current Income Tax		
Current Income tax charge	(382)	(6)
Adjustments in respect of current income tax of previous years	(26)	32
Deferred Income Tax		
Relating to origination and reversal of temporary differences	578	(6)
Adjustment to income tax expense for recognition of deferred tax	-	-
Income tax expense/(benefit) reported in the Statement of Profit or Loss and Other Comprehensive Income	170	20
(b) Amounts charged or credited directly to equity		
Deferred income tax related to items charged or credited directly to equity		
Unrealised movement on land and buildings	-	-
Unrealised movement on available for sale investments	489	(55)
Income tax expense reported in equity	489	(55)
(c) Reconciliation between aggregate tax expense recognised in the Statement of Profit or Loss and Other Comprehensive Income and tax expense calculated per the statutory income tax rate.		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows:		
Accounting profit before income tax	606	102
At the Company's statutory income tax rate of 27.5% (2017:27.5%)	167	30
Income not assessable for income tax purposes	3	4
Adjustment in respect of current income tax of previous year	-	(9)
Franking credit rebate	-	(5)
Aggregate income tax expense	170	20
(d) Recognised deferred tax assets and liabilities		
Tax expense in Statement of Profit or Loss and Other Comprehensive Income		
Amounts recognised in the Statement of Financial Position:	170	32
Deferred tax asset	161	165
Deferred tax liability	(1,583)	(1,009)
Deferred Net Tax Liabilities	(1,421)	(844)

9. INCOME TAX
(Continued)

Deferred income tax	2018 $'000	2017 $'000
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Rent receivable	(11)	(10)
Depreciable assets	11	(136)
Investment properties	(858)	(622)
Land and buildings	(652)	(112)
Financial Investments – available for sale	(73)	(129)
Deferred tax liabilities	(1,583)	(1,009)
Deferred tax assets		
Allowance for doubtful debts	4	16
Rent received in advance	22	5
Provisions and accruals	122	126
Merger Costs	13	18
Land and Buildings	-	-
Deferred tax assets	161	165

10. CASH AND CASH EQUIVALENTS

Cash on hand	269	309
Current account with banks	764	1,570
Overnight deposits with banks	5,500	11,365
	6,533	13,244

11.1. FINANCIAL INVESTMENTS – HELD TO MATURITY

Term and negotiable certificates of deposits with banks (fully redeemable), not Longer than 3 months	8,653	8,388
Term and negotiable certificates of deposits with banks (fully redeemable), Longer than 3 months and not Longer than 12 months	2,184	7,144
	10,837	15,532

11.2. FINANCIAL INVESTMENTS – AVAILABLE FOR SALE

Fixed Interest Bonds and Floating Rate Notes (fully redeemable), Longer than 12 months	26,161	26,190
Shares	372	372
	26,533	26,562

12. LOANS AND ADVANCES TO MEMBERS

	2018 $'000	2017 $'000
Overdraft and revolving credit	3,748	3,828
Term loans	110,540	99,532
Gross loans and advances	114,288	103,360
Less: Allowance for impairment losses	(15)	(54)
	114,273	103,306
(a) BY MATURITY		
Overdrafts	3,748	3,829
Not longer than 3 months	-	951
Longer than 3 months and less than 12 months	1,545	1,247
Longer than 12 months and less than 5 years	11,328	7,993
Longer than 5 years	97,667	89,340
	114,288	103,360
(b) BY PRODUCT TYPE		
Residential mortgages	105,240	99,651
Consumer lending	2,248	2,058
Corporate & small business lending	6,800	1,651
	114,288	103,360
(c) BY CONCENTRATION		
Loans in Victoria	88,612	79,158
Loans in South Australia	16,840	17,796
In other states	8,836	6,406
	114,288	103,360
(d) BY SECURITY		
Secured by mortgage	112,090	100,607
Secured by Other	1,600	2,235
Unsecured	598	518
	114,288	103,360
(e) BY LVR		
Less than 80%	110,309	100,683
Greater than 80% with LMI	1,485	223
Greater than 80% no LMI	2,494	2,454
	114,288	103,360
IMPAIRMENT ALLOWANCE FOR LOANS AND ADVANCES TO MEMBERS A reconciliation of the allowance for impairment losses for loans and advances is as follows:		
(I) Total Provision	15	54
(II) Movement in total provision		
Balance at the beginning of the year	54	3
Charge for the year (Note 7)	12	53
Amounts written off already provided for	(50)	(2)
Balance at the end of the year	15	54

* At 30 June 2018 there were 5 loans totaling $10.7m which exceeded 10% of the Co-operative's capital base (2017: 1 loan totaling $2.3m)

12. LOANS AND ADVANCES TO MEMBERS

(Continued)

	2018	2017
(III) The loans provision consists of:	$'000	$'000
Collective provision	15	28
Specific provision	-	26
	15	54
(IV) Impaired loans written off:		
Charge/(recovery)	50	2
Total impaired loans written off	50	2

	2018 Past Due	2018 Impaired	2018 Collateral Held	2017 Past Due	2017 Impaired	2017 Collateral Held
	$'000	$'000	$'000	$'000	$'000	$'000
HOUSING LOANS						
30 days and less than 60 days	1,137	-	1 ,954	653	-	1 ,045
60 days and less than 90 days	372	-	810	780	-	2 ,015
90 days and less than 182 days	681	-	1,825	1,526	-	5,195
182 days and less than 273 days	412	-	580	-	-	-
273 days and less than 365 days	-	-	-	-	-	-
365 days and over	7	-	1,250	8	-	1,250
	2,609	-	6 ,419	2,967	-	9 ,505
PERSONAL AND COMMERCIAL LOANS						
30 days and less than 60 days	9		-	12		-
60 days and less than 90 days	-	-	-	12	-	-
90 days and less than 182 days	13	-	-	-	56	-
182 days and less than 273 days	-	-	-	-	10	-
273 days and less than 365 days	9	-	-			
365 days and over	-	-	-	-	-	-
	31	-	-	24	66	-
OVERDRAFTS						
less than 14 days	17	-	-	41	-	-
14 days and less than 90 days	2	-	-	-	3	-
90 days and less than 182 days	-	-	-	-	-	-
182 days and over	2	-	-	-	-	-
	21	-	-	41	3	-
Total Loans Past Due or impaired	2,661	-	6,419	3 ,032	69	9,505

Key Assumptions in determining the provision for impairment:

The Co-operative has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other objective evidence of potential impairment such as industrial restructuring, job losses or economic circumstances.

The Loans and advances are determined to be past due or impaired by the amount of days that they are overdue. Per APRA provisioning a housing loan is determined to be past due at 30 days or greater. Personal and commercial loans are determined to be past due between 30 days and less than 90 days, and impaired after 90 days. Overdrafts are past due at one day to less than 14 days overdue and impaired if greater than 14 days overdue. The loans and advances past due or impaired are secured by collateral, as described in Note 24.2, that exceeds the value of loans and advances outstanding.

13. INVESTMENT PROPERTIES

	2018 $'000	2017 $'000
At 1 July	2,974	2,974
Net change from fair value adjustment	480	-
	3,454	2,974

14.1 PROPERTY AND EQUIPMENT

	Land & Buildings	Computer Hardware	Other Furniture & Equipment	Total
	$'000	$'000	$'000	$'000
Cost or Fair value:				
At 1 July 2017	8,551	190	1,395	10,136
Additions	-	120	115	235
Disposals	-	-	-	-
Net change from revaluation	1,995	-	-	1,995
At 30 June 2018	10,546	310	1,510	12,366
Accumulated depreciation:				
At 1 July 2017	-	156	1,243	1,399
Disposals	-	-	-	-
Depreciation charge for the year	-	32	40	73
At 30 June 2018	-	188	1,283	1,472
At 30 June 2018				
Cost or fair value	10,546	309	1,510	12,366
Less: Accumulated depreciation	-	188	1,283	1,472
Net carrying amount	10,546	121	227	10,894

	2018 $'000	2017 $'000
If land and buildings were measured using the cost model, the carrying amounts would be:	3,894	3,894

14.1 PROPERTY AND EQUIPMENT
(Continued)

	Land & Buildings	Computer Hardware	Other Furniture & Equipment	Total
	$'000	$'000	$'000	$'000
Cost or Fair value:				
At 1 July 2016	8,551	167	1,275	9,993
Additions	-	23	89	112
Disposals	-	-	-	-
Net change from revaluation	-	-	-	-
At 30 June 2017	8,551	190	1,364	10,105
Accumulated depreciation:				
At 1 July 2016	-	116	1,185	1,301
Disposals	-	-	-	-
Depreciation charge for the year	-	40	27	67
At 30 June 2017	-	156	1,212	1,368
At 30 June 2017				
Cost or fair value	8,551	190	1,395	10,105
Less: Accumulated depreciation	-	156	1,243	1,368
Net carrying amount	8,551	34	152	8,737

14.2 INTANGIBLES

	2018	2017
	$'000	$'000
a. Intangible Assets Comprise:		
Asset at cost	870	452
Amortisation	(368)	(271)
	502	181
b. Movement in the intangible asset balances during the year was:		
Opening balance	181	96
Additions	418	123
Less: Write-downs	-	-
Less: Amortisation charge	(97)	(38)
	502	181

15. OTHER FINANCIAL INVESTMENTS

	2018 $'000	2017 $'000
Shares – Shared Services	20	20
	20	20

16. OTHER ASSETS

	2018 $'000	2017 $'000
Accrued interest receivable	296	269
Prepayments	63	108
Other receivables	2	26
	361	403

The maximum exposure to credit risk is the fair value of the receivables. Collateral is not held as security, nor is it policy to transfer (on-sell) receivables to special purpose entities.

17. MEMBER DEPOSITS

	2018 $'000	2017 $'000
Current accounts	62,881	58,988
Term deposits	81,930	87,156
	144,811	146,144
Deposits in Victoria	116,572	114,605
Deposits in South Australia	16,430	19,145
In other states	11,809	12,124
	144,811	146,144

18. OTHER LIABILITIES

	2018 $'000	2017 $'000
Interest payable on deposits	575	631
Rent received in advance	48	18
Trade creditors and accruals	25	862
Wholesale Borrowings	2,000	-
	2,648	1,511

19. PROVISIONS - EMPLOYEES

	2018 $'000	2017 $'000
Current provisions for employee entitlements		
Long service leave	153	63
Annual leave	168	159
	321	222
NON-CURRENT PROVISION FOR EMPLOYEE ENTITLEMENTS		
Long service leave	33	129
	33	129

A reconciliation of the provisions is as follows	Annual Leave	Long Service Leave	Total
As at 1 July 17	159	192	351
Payments Made	(108)	(18)	(125)
Additional Provisions	117	12	129
As at 30 June 18	168	186	354
As at 1 July 16	154	162	316
Payments Made	(8)	(6)	(108)
Additional Provisions	91	36	143
As at 30 June 17	159	192	351

20. RETAINED EARNINGS AND RESERVES

	Retained Earnings $'000	Credit Loss Reserve $'000	AFS Reserve $'000	Business Combination Reserve $'000	Asset Revaluation Reserve $'000	Total Reserves $'000
As at 1 July 2017	11,113	620	302	4,440	5,708	11,070
Increase in statutory amount set aside for potential losses on loans & advances	(37)	37	-	-	-	38
Net change from merger (Latvian CU)	-	-	-	(3)	-	(3)
Net profit attribute to Members	436	-	-	-	-	-
Net change from revaluation of AFS	-	-	(38)	-	-	(38)
Net change in DTA and DTL	125	-	-	-	-	-
Net change from revaluation of asset	-	-	-	-	1,446	1,446
As at 30 June 2018	11,637	657	264	4,437	7,154	12,512
As at 1 July 2016	11,070	466	(61)	2,303	5,708	8,416
Increase in statutory amount set aside for potential losses on loans & advances	(115)	115		-	-	(115)
Net change from merger (Latvian CU)	-	39	-	2,137	-	2,176
Net change in DTA and DTL	77	-	-	-	-	-
profit attribute to Members	81	-	-	-		-
Net change from revaluation of AFS		-	363	-		363
As at 30 June 2017	11,113	620	302	4,440	5,708	11,070

CREDIT LOSS RESERVE

The credit loss reserve is used to record the Co-operative's required provisioning (under the Standard) for setting aside an amount based on risk weighted assets and delinquencies as provision for possible bad debt write off. It represents an appropriation of retained earnings as further capital held against credit losses.

AVAILABLE FOR SALE AFS RESERVE

The AFS reserve is used to record increments and decrements in the fair value of available for sale investments, i.e. bonds.

BUSINESS COMBINATION RESERVE

The business combination reserve is used to record increments and decrements in equity as a result of mergers with other businesses.

ASSET REVALUATION RESERVE

The asset revaluation reserve is used to record increments and decrements in the fair value of land and buildings to the extent that they offset one another.

	2018 $'000	2017 $'000
21. ADDITIONAL CASH FLOW INFORMATION		
CASH AND CASH EQUIVALENTS		
Cash on hand	269	309
Current account with Bank	764	1,570
Overnight deposits with Bank	5,500	11,365
	6,533	13,244
CHANGE IN OPERATING ASSETS		
Net change in interest receivable	27	66
Net change in debtors	(24)	13
Net change in prepayments	(45)	(7)
Net change in future tax receivable	4	(42)
	(38)	30
CHANGE IN OPERATING LIABILITIES		
Net change in interest payable	(56)	64
Net change in interest payable	31	(3)
Net change in creditors and accruals	(1,442)	(323)
Net change in future tax payable	574	(121)
Net change in provisions	3	36
	(890)	(347)
NON-CASH ITEMS INCLUDED IN PROFIT BEFORE TAX		
Depreciation of property and equipment	170	105
Losses on disposal of property and equipment	-	-
Net impairment losses on financial assets	12	53
Net Revaluation of investment property	(480)	-
	(298)	158

	2018 $'000	2017 $'000
22. COMMUNITY SPONSORSHIPS, SUPPORT AND BENEFICIARY CONTRIBUTIONS		
Community Sponsorship	23	12
School Support	10	13
Church Praznyk	8	8
Community Access Accounts – Beneficiary Contributions	18	7
	59	40

Dnister Ukrainian Credit Co-operative Ltd makes payments to the Ukrainian Community via grants and sponsorship. In addition, Dnister Staff provide special support services to community organisations free of charge.blue

The amount allocated is approved by the Board of Directors.

23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	Carrying Value	Fair Value
	$'000	$'000
ASSETS 2018		
Financial Assets		
Cash & balances with bank	6,533	6,533
Financial investments - Held to maturity	10,837	10,833
Financial investments - Available for sale	26,533	26,533
Loans and advances to Members	114,273	113,334
Other investments	20	20
Accrued interest receivable	296	296
Other receivables and prepayments	66	65
Total 2018	158,558	157,614
LIABILITIES 2018		
Financial Liabilities		
Member deposits and wholesale borrowings	146,811	146,835
Total 2018	146,811	146,835
ASSETS 2017		
Financial Assets		
Cash & balances with bank	13,244	13,244
Financial investments - Held to maturity	15,532	15,530
Financial investments – Available for sale	26,562	26,562
Loans and advances to Members	103,306	102,769
Other investments	392	392
Accrued interest receivable	269	269
Other receivables	134	134
Total 2017	159,439	158,900
LIABILITIES 2017		
Financial Liabilities		
Member deposits	146,144	146,048
Total 2017	146,144	146,048

23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Continued...

FAIR VALUE HIERARCHY

All Financial Instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted market prices in an active market (that is unadjusted) for identical assets or liabilities
Level 2 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)
Level 3 - Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

For financial instruments that are recognised at fair value on a recurring basis, the Co-operative determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at 30 June 2018, the Group held the following classes of financial instruments measured at (AASB13) fair value:

	30 June 18	Level 1	Level 2	Level 3
Financial Assets measured at fair value -2018				
Financial investments – held to maturity	10,833	-	-	10,833
Financial investments – available for sale	26,533	26,161	-	372
Loans and advances to Members	113,334	-	-	113,334
Financial Liabilities measured at fair value -2018				
Member deposits and wholesale borrowings	146,835	-	-	146,835

	30 June 17	Level 1	Level 2	Level 3
Financial Assets measured at fair value -2017				
Financial investments – held to maturity	15,530	-	-	15,530
Financial investments – available for sale	26,562	26,190	-	372
Loans and advances to Members	102,769	-	-	102,769
Financial Liabilities measured at fair value -2017				
Member deposits	146,048	-	-	146,048

23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Continued...

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

CASH AND LIQUID ASSETS

The carrying values of cash and liquid assets approximate their net fair value as they are short term in nature or are receivable on demand.

DEPOSITS WITH FINANCIAL INSTITUTIONS

The carrying values of deposits with financial institutions are categorised within the fair value hierarchy based on net present values.

LOANS AND ADVANCES

The carrying values of loans and advances are net of the total provision for doubtful debts. Interest rates on loans both fixed and variable equate to comparable products in the market place. The carrying values of loans and advances to Members are categorised within the fair value hierarchy based on net present values.

MEMBER DEPOSITS

The carrying values of member deposits are categorised within the fair value hierarchy based on net present values.

OTHER INVESTMENTS

The carrying amount of other investments is at fair value as these shares are available for sale.

ACCRUED INTEREST RECEIVABLE

The net fair value of accrued interest receivables represents the carrying amount. This represents the interest that has accrued to date on deposits with financial institutions.

OTHER RECEIVABLES

The net fair value of other receivables represents the carrying amount. This mainly represented rent owed to the Co-operative from the investment properties.

24. RISK MANAGEMENT

24.1 INTRODUCTION

Risk is inherent in the Co-operative's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Co-operative's continuing profitability and each individual within the Co-operative is accountable for the risk exposure relating to his or her responsibilities. The Co-operative is exposed to credit risk, liquidity risk and market risk. It is also subject to operating risks.

RISK MANAGEMENT STRUCTURE

The Board of Directors is ultimately responsible for identifying and controlling risks; however there is a Risk Committee. This Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

INTERNAL AUDIT

Risk management processes throughout the Co-operative are audited annually by the internal audit function, which examines both the adequacy of procedures and the Co-operative's compliance with the procedures. Internal Audit discusses the results of all assessments with Management, and reports its findings and recommendations to the Audit Committee.

24.2 CREDIT RISK

Credit risk is the risk that the Co-operative will incur a loss because a counterparty failed to discharge their obligations. The Co-operative manages and controls risk by setting limits on the amount it is willing to accept for debtors and loan categories, and by monitoring exposures to such limits.

With respect to credit risk arising from other financial assets of the Co-operative, the Co-operative's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. Future movements in fair value would increase or reduce that exposure.

Credit ratings are those published by Standards and Poor’s.

24. RISK MANAGEMENT

Continued...

The table below shows the credit quality by class of asset **ASSETS** Financial Assets	2018 $'000 Total	2018 $'000 High Grade	2018 $'000 Other Grade	2018 $'000 Past Due or Impaired
Loans and advances	114,273	111,612	-	2,661
	Total	AAA to A-	B to BBB+	Other*
Cash & balances with bank	6,533	5,500	-	1,033
Financial investments - held to maturity	10,837	9,089	-	1,748
Financial investments - available for sale	26,533	26,533	-	-
Other investments	20	-	-	20
Accrued interest receivable	296	293	-	3
Other receivables and prepayments	66	-	-	66
Total	44,284	41,414	-	2,869

ASSETS Financial Assets	2017 $'000 Total	2017 $'000 High Grade	2017 $'000 Other Grade	2017 $'000 Past Due or Impaired
Loans and advances	103,306	100,206	-	3,101
	Total	AAA to A-	B to BBB+	Other*
Cash & balances with bank	13,244	11,365	-	1,879
Financial investments - held to maturity	15,532	13,784	-	1,748
Financial investments – available for sale	26,562	26,190	-	372
Other investments	20	-	-	20
Accrued interest receivable	269	264	-	5
Other receivables and prepayments	134	-	-	134
Total	55,761	51,603	-	4,158

The Loans and advances are determined to be past due or impaired by the amount of days that they are overdue. As per APRA provisioning, a Housing Loan is determined to be past due at 30 days or greater and impaired after 90 days. Personal and commercial loans are determined to be past due between 30 days and less than 90 days, and impaired after 90 days. Overdrafts are past due at one day to less than 14 days overdue and impaired if greater than 14 days overdue.

Financial assets that are neither past due or impaired are classified between those assets that are high grade and not high grade (other grade). To define what is a high grade financial asset, Dnister has referred to the prudential standards issued by the Australian Prudential Regulation Authority (APRA) in particular APS 112 which categorises the risk likelihood of default. APS 112 applies risk-weight percentages to indicate the quality of assets. A risk-weight of 50% or less indicates higher quality assets and this has been applied to define high grade assets for the table provided.

*Other consists of assets or liabilities which have not been rated or are of a non-rated nature.

All interest bearing securities were issued by Australian entities.

24. RISK MANAGEMENT

Continued...

COLLATERAL AND OTHER CREDIT ENHANCEMENTS

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- for mortgage lending, mortgages over residential properties.
- for commercial lending, charges over real estate properties, inventory and trade receivables.

Management monitors the market value of collateral, requests collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Co-operative's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Co-operative does not occupy repossessed properties for business use.

IMPAIRMENT ASSESSMENT

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than the specified period or there are any known difficulties in the cash flows of Members, credit rating downgrades, or infringement of the original terms of the contract.

24.3 LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is the risk that the Co-operative will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, Management has arranged diversified funding sources. In addition to its core deposit base, the Co-operative manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Co-operative has a $350,000 overdraft facility which allows for the day to day fluctuations in a settlement account with Indue Ltd. The overdraft allows the settlement account to be overdrawn for one or two business days in the event that the withdrawals are greater than the settlement account balance. The Co-operative will then deposit within one or two business days the required funds to return the account to credit.

The Co-operative maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Co-operative is required by the Australian Prudential Regulatory Authority to hold a minimum level of high quality liquid assets at any given time. The liquidity position is assessed giving due consideration to stress factors relating to both the market in general and specifically to the Co-operative. Net liquid assets consists of cash, short term bank deposits or negotiable certificate of deposits available for immediate sale.

The liquidity ratio during the year was as follows:

	2018	2017
	%	%
30 June	23.2	27.4
Highest for period	27.1	29.2
Lowest for period	21.9	25.7

24. RISK MANAGEMENT

Continued...

24.3a MATURITY PROFILE OF FINANCIAL LIABILITIES

The tables below summarise the maturity profile of Dnister`s financial liabilities at balance date based on contractual undiscounted repayment obligations. Dnister does not expect the majority of Members to request repayment on the earliest date that Dnister could be required to pay and the tables do not reflect the expected cash flows indicated by Dnister`s deposit retention history.

	Less than 30 days	Less than 3 months	3-12 months	Subtotal less than 12 months	1 -5 years	Over 5 years	Subtotal over 12 months	Total
2018								
Liabilities								
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Member deposits	76,695	27,820	39,022	143,537	1,275	-	1,275	144,811
Trade and other payables	-	2,000	648	2,648	-	-	-	2,648
Total	76,695	29,820	39,670	146,185	1,275	-	1,275	147,459
2017								
Liabilities								
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Member deposits	69,893	30,455	44,843	145,191	953	-	953	146,144
Trade and other payables	735	-	776	1,511	-	-	-	1,511
Total	70,628	30,455	45,619	146,702	953	-	953	147,655

24. RISK MANAGEMENT

Continued...

24.3b MATURITY PROFILE OF COMMITMENTS

The table below shows the contractual expiry of the maturity of Dnister`s credit commitments and lease expenditure commitments. Dnister expects that not all of the commitments will be drawn before the expiry of the commitments. There were no lease expenditure commitments at year end.

	Within 12 months	More than 1 year	Total
2018			
Liabilities			
	$'000	$'000	$'000
Approved but undrawn loans	790	-	790
Undrawn line of credit	4,551	-	4,551
Total	5,341	-	5,341
2017			
Liabilities			
	$'000	$'000	$'000
Approved but undrawn loans	1,230	-	1,230
Undrawn line of credit	3,529	-	3,529
Total	4,759	-	4,759

24.4 MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates. The Board has set limits on the level of market risk that may be accepted. The Co-operative has significant interest rate risk, but not excessive given the nature of our business. The level of interest rate risk is managed through maturity repricing analysis and limits the exposure based on a 2% interest rate movement, which is set by the Board and reported monthly to the Board. The Co-operative only deals in Australian Dollars and therefore is not exposed to currency risk. The Co-operative does not hold any investments which are subject to equity movement and therefore is not exposed to equity risk.

24. RISK MANAGEMENT

Continued...

INTEREST RATE RISK

Interest rate risk is the risk that fair value or future cash flow of the Co-operative's financial instruments will fluctuate because of changes in market interest rate.

	Floating Interest Rate	Fixed interest maturing in		Non-interest bearing	Total carrying amount as per Statement of Financial Position
	2018 $'000	1 year or less $'000	+1 to 5 years $'000	2018 $'000	2018 $'000
FINANCIAL ASSETS					
Cash & balances with bank	6,264	-	-	269	6,533
Financial investments - held to maturity	-	10,837	-	-	10,837
Financial investments - available for sale	23,131	-	3,029	372	26,532
Shares (COBA)	-	-	-	20	20
Other receivables	-	-	-	361	361
Loans and advances to Members	101,400	1,545	11,328	-	114,273
FINANCIAL LIABILITIES					
Member deposits	62,880	80,656	1,275	-	144,811
Wholesale borrowings	2,000	-	-	-	2,000

	Floating Interest Rate	Fixed interest maturing in		Non-interest bearing	Total carrying amount as per Statement of Financial Position
	2017 $'000	1 year or less $'000	+1 to 5 years $'000	2017 $'000	2017 $'000
FINANCIAL ASSETS					
Cash & balances with bank	12,935	-	-	-	12,935
Financial investments - held to maturity	-	15,532	-	309	15,841
Financial investments – available for sale	24,138	-	2,052	372	26,562
Shares (Cuscal and Indue)	-	-	-	20	20
Other receivables	-	-	-	403	403
Loans and advances to Members	93,115	2,198	7,993	-	103,306
FINANCIAL LIABILITIES					
Member deposits	58,988	86,202	954	-	146,144
Wholesale borrowings	-	-	-	-	-

24. RISK MANAGEMENT

Continued...

INTEREST RATE SENSITIVITY

The following tables demonstrate the sensitivity to a reasonable possible change in interest rates to post tax profit and equity.

		Post Tax Profit Higher / (Lower)	
2018	2017	2018	2017
		$'000	$'000
+0.50% (50 Basis Points)	+0.25% (25 Basis Points)	183	121
-0.25% (25 Basis Points)	-0.50% (50 Basis Points)	(92)	(60)

		Equity Higher / (Lower)	
2018	2017	2018	2017
		$'000	$'000
+0.50% (50 Basis Points)	+0.25% (25 Basis Points)	133	84
-0.25% (25 Basis Points)	-0.50% (50 Basis Points)	(66)	(42)

The above interest rate risk sensitivity is unrepresentative of the risks inherent in the financial assets and financial liabilities, as the sensitivity analysis does not reflect the maturing of fixed interest financial assets and financial liabilities within the next 12 months.

25. CAPITAL

The Co-operative maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Co-operative's capital is monitored using, among other measures, the rules and ratios established by the Australian Prudential Regulatory Authority (APRA). The capital ratio of 23.2% as at 30 June 2018 exceeds the APRA minimum requirement. Should capital fall to 17% a 3 year forecast is performed to ensure that the capital is monitored closely and starts to trend upwards. The capital ratio is reported to the Board at the monthly Board Meetings and more frequently during periods of volatility or when the capital ratio falls below 17%. During the past the year, the Co-operative has complied in full with all its internally and externally imposed capital requirements.

The capital ratio is derived by dividing the capital base by the risk weighted assets. The Co-operative adheres to the regulations set down by APRA in regard to which capital items can or cannot be included and also the different risk weightings put on the various assets. These risk weightings are set by APRA and are based on the risk associated with each different asset class.

CAPITAL MANAGEMENT

The primary objectives of the Co-operative's capital management are to ensure the Co-operative complies with internally and externally imposed capital requirements and that the Co-operative maintains strong credit and healthy capital ratios in order to support its business and maximize member value.

In September 2012, APRA published the final standards relating to the implementation of the Basel III capital reforms in Australia. An important component of the requirements under Basel III in relation to the capital measurement and capital standards is the public disclosure of regulatory information. These requirements are outlined in APRA Prudential Standard APS 330 Public Disclosure. The standard sets minimum requirements for the public disclosure of information on the Co-operative's risk profile, risk management, capital adequacy, capital instruments and remuneration practices. The Co-operative has adopted the new regulatory requirements and published the required information on our website www.dnister.com.au

REGULATORY CAPITAL	2018 $'000	2017 $'000
Capital base	20,062	19,072
Risk weighted assets	87,131	85,218
	%	%
Total capital ratio	23.2	22.4

26. RELATED PARTY DISCLOSURES

a. DETAILS OF KEY MANAGEMENT PERSONNEL

The following list of persons includes Directors of the Co-operative holding office during the financial year and the Chief Executive Officer:

M. Misko
M. Kornitschuk
M. Kwas
D. Hassett
W. Mykytenko
B. Wojewidka
A. Pavuk

L. Tiernan (CEO)

26. RELATED PARTY DISCLOSURES

Continued...

b. COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE CO-OPERATIVE	2018 $'000	2017 $'000
Short-term employment benefits - salaries	244	249
Post employment - superannuation contributions	25	26
Long term benefits - LSL expense	4	5
Total	273	280

c. DIRECTORS' REMUNERATION (INCLUDED IN 26b. ABOVE)	2018 $'000	2017 $'000
Aggregate remuneration of Directors included in the figure above	52	52

d. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL OF THE CO-OPERATIVE

The Co-operative enters into transactions, arrangements and agreements involving Directors and the Chief Executive Officer in the ordinary course of business.

The following table provides the aggregate value of loan, investment and deposit products to the Chief Executive Officer, Directors, spouses and related entities:

	2018 $'000	2017 $'000
Loans:		
Opening balance owing	530	461
New loans advanced	807	103
Net repayments	(44)	(34)
Movement from changes in key management personnel	-	-
Balance owing at 30 June	1,293	530
Revolving Credit Facilities:		
Total value extended	-	-
Balance utilised at 30 June	-	-
Savings and term deposit services:		
Amounts deposited at 30 June	442	1,348

All loans disbursed are approved on the same terms and conditions applied to Members generally for each class of their loan. All other transactions between the Key Management Personnel and the Co-operative were conducted on normal commercial terms and there has been no breach of these terms.

27. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of Members, the Co-operative does enter into irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Co-operative. The maximum amount of credit exposure risk for guarantees for 2018 of $12,639 (2017: $122,134) is deemed insignificant.

The total outstanding commitments and contingent liabilities are as follows:	2018	2017
	$'000	$'000
CONTINGENT LIABILITIES		
Financial guarantees	13	122
COMMITMENTS		
Undrawn commitments to lend	790	1,230
Unused overdraft facilities of Members	4,550	3,529
Total	5,353	4,881

CONTINGENT LIABILITIES

Letters of credit and guarantees commit the Co-operative to make payments on behalf of Members in the event of a specific act. Guarantees and standby letters of credit carry the same risk as loans.

CREDIT UNTION FINANCIAL SUPPORT SYSTEM LIMITED

The Co-operative has volunteered to participate in the Credit Union Financial Support System (CUFSS). CUFSS is a company limited by guarantee with each credit union's guarantee being $100.

As a member of CUFSS, the Co-operative may be required to advance funds up to 3% (excluding permanent loans) of total assets to another credit union requiring financial support. The Co-operative agrees, in conjunction with other members, to fund the operating costs of CUFSS.

UNDRAWN COMMITMENTS TO LEND

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon Members maintaining specific standards.

OPERATING LEASE COMMITMENTS RECEIVABLES - CO-OPERATIVE AS LESSOR

Leases in which the Co-operative retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the lease asset and recognised as an expense over the lease term on the same basis as rental income.

The Co-operative has entered into commercial property leases on its investment portfolio, consisting of the Co-operative's surplus office buildings.

These non-cancellable leases have remaining terms of between 1 and 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis.

27. CONTINGENT LIABILITIES AND COMMITMENTS

Continued...

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	2018 $'000	2017 $'000
Within one year	729	793
After one year but not more than three years	569	613
After three years but not more than five years	147	182
Total minimum lease payments	1,445	1,588

LEGAL CLAIMS

The Co-operative had no material unresolved legal claims as at 30 June 2018 (2017: none).

ECONOMIC DEPENDENCY

The Co-operative has service contracts with, and has an economic dependency on, the following organisations:

(a) Indue - This entity supplies the Co-operative with services in the form of settlement with bankers for ATM transactions, member cheques and direct entry services and the production of debit cards for use by Members.

(b) First Data International - This company operates the computer switch used to process transactions from the use of Co-operative's debit cards through approved ATM and EFTPOS networks.

(c) DataAction - This company provides and maintains core banking software currently utilised by the Co-operative. DataAction is a major supplier of software to credit unions throughout Australia.

28. REMUNERATION OF EXTERNAL AUDITORS

During the years the auditors of the Co-operative earned the following remuneration:

	2018	2017
Audit of Financials	36,000	37,000
Regulatory Audit	10,000	17,000
Taxation Services	6,000	11,000
	52,000	65,000

29. SUBSEQUENT EVENTS

There were no significant subsequent events after balance date to be brought to the attention of Members for the financial year ended 30 June 2018.

30. SEGMENT INFORMATION

The principal activities of the Co-operative during the year were for the provision of retail financial services to all Members and the Ukrainian and Latvian Community of Australia. This takes form of deposit taking facilities and loan facilities as prescribed by the Constitution. The entity operates primarily in one geographical area, Australia.

Corporate Directory

ESTABLISHED	Dnister was incorporated in Victoria under the Co-operative Act on 21 September 1959
REGISTERED OFFICE	Head Office: 912 Mt Alexander Road, Essendon VIC 3040
BRANCHES	Adelaide: 62 Orsmond St, Hindmarsh SA Geelong: 3 / 29-35 Milton Street, Bell Park VIC 3215 Perth: 20 Ferguson Street, Maylands WA 6051 Strathfield: 32-34 Parnell Street, Strathfield NSW 2135
EXTERNAL AUDITORS	Crowe Horwath Melbourne, Level 17, 181 William Street, Melbourne VIC 3000
INTERNAL AUDITORS	KS Nathan, Siva Harris & Trotter Pty Ltd, Chartered Accountants. PO Box 1148, Tullamarine VIC 3042
LEGAL CORPORATE ADVISORS	Wisewould Mahony Lawyers, 419 Collins Street, Melbourne VIC 3000
BANKERS	Indue Ltd, Level 3, 601 Coronation Drive Toowong QLD 4066 Westpac Banking Corporation, 260 Queen Street, Brisbane QLD 4000
INSURERS	QBE Insurance Group Ltd, Level 2, 82 Pitt Street, Sydney NSW 2000