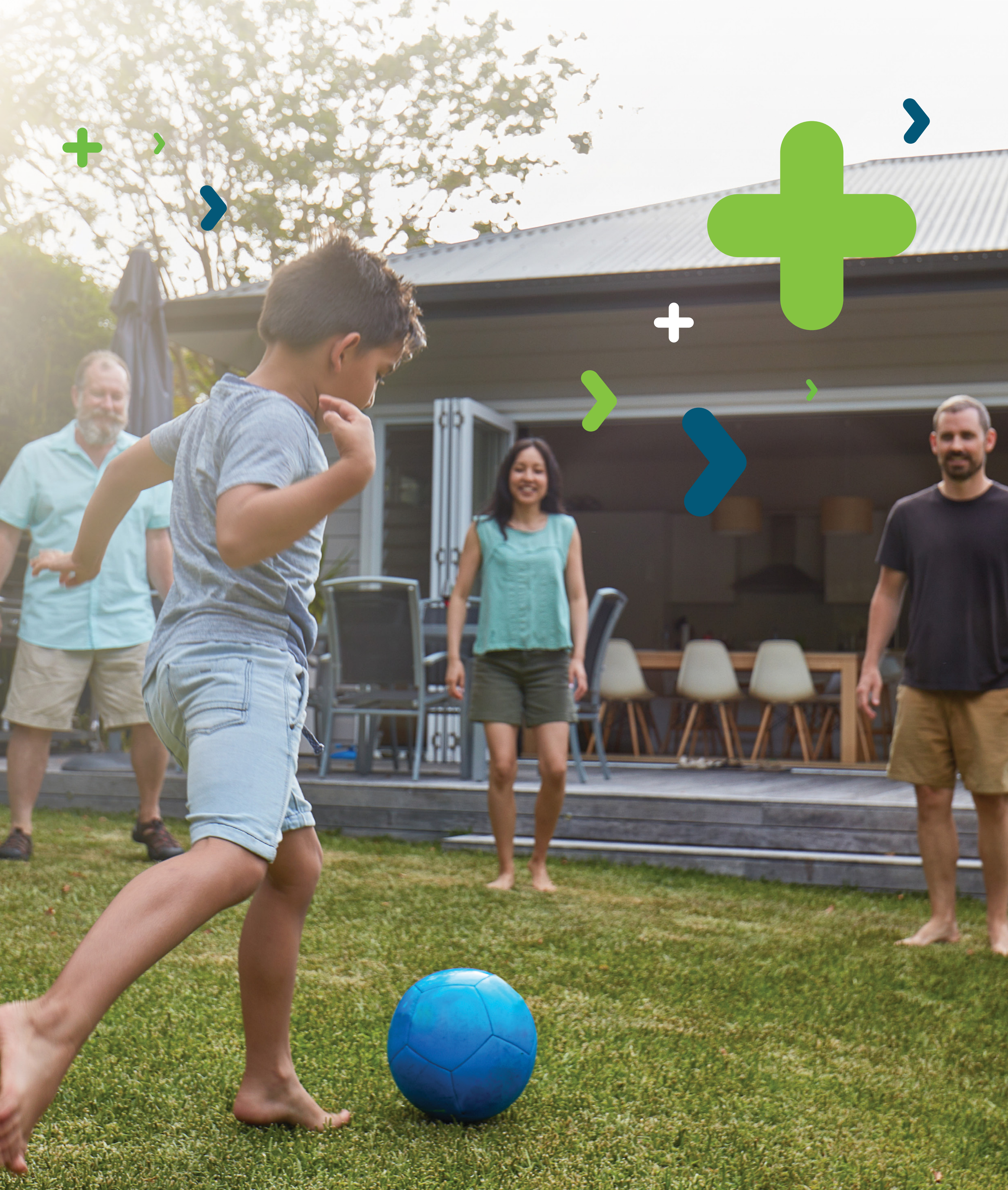
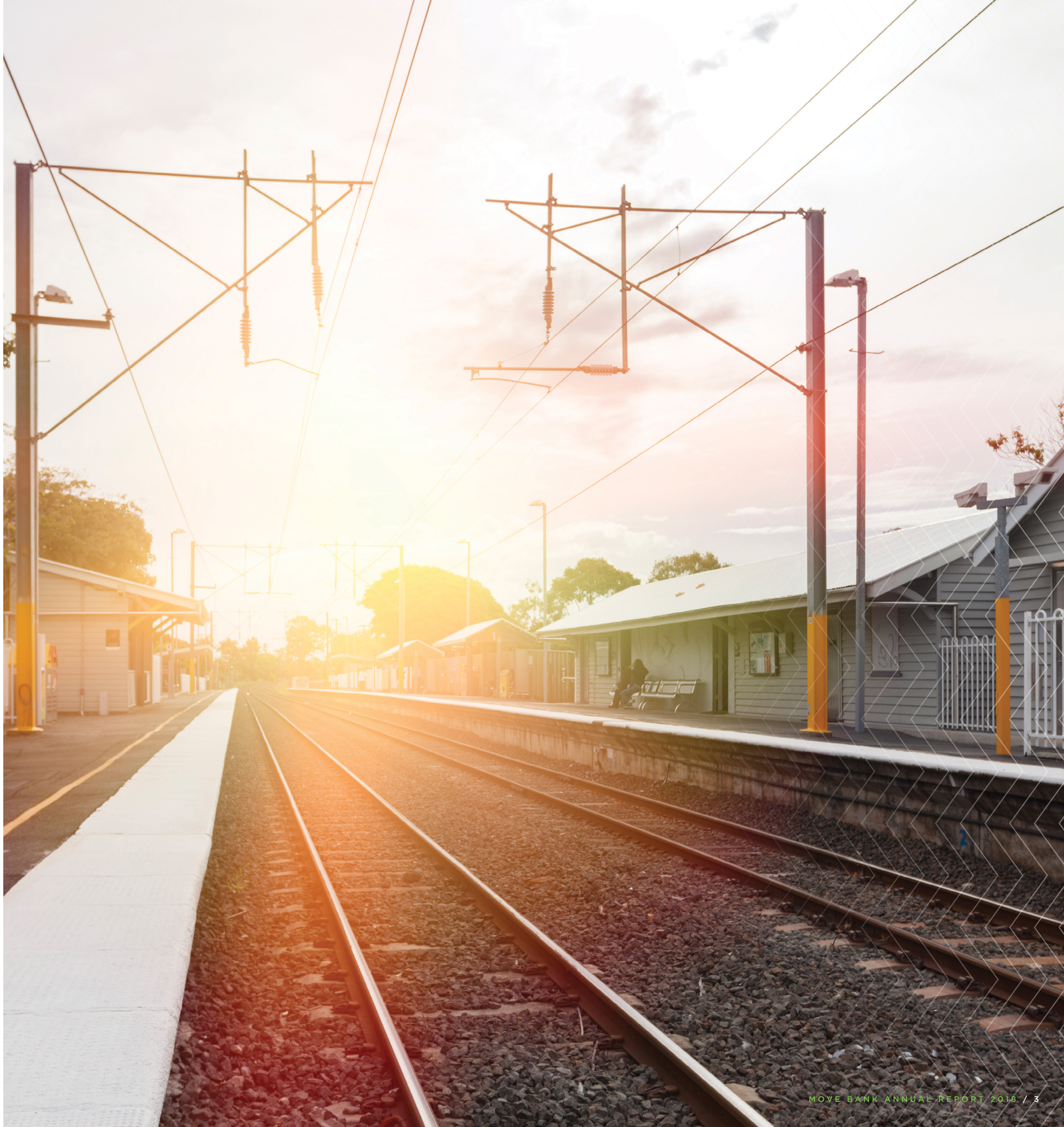
ANNUAL REPORT 2018

MOVE BANK



Railways Credit Union Limited trading as MOVE Bank

Registered Office	Level 1, 179 Ann Street Brisbane QLD 4000
ABN	91 087 651 090
AFSL/Australian credit licence	234536
Postal Address	GPO Box 648, Brisbane QLD 4001
Phone	1300 362 216
Facsimile	(07) 3221 1672
Email	info@movebank.com.au
Website	movebank.com.au
Branch	Ground Floor, RC2, Plaza Level Central Station
Auditors	BDO Audit Pty Ltd
Affiliated with	Customer Owned Banking Association
Board of Directors	Andrew Haynes - *Chair* Bron Davies Kellie Dyer Andrew Hughes Scott Riedel Sean O'Donnell Mick Skinner
Management Team	Therese Turner - *Chief Executive Officer* Jeff Urquhart - *Chief Financial Officer* Bernard Luton - *CRO and Company Secretary* Nikki Hutson - *Chief People Officer* Geoff Ryan – *Chief Information Officer* Stephen Shorten – *Lending Manager* Rachel Young – *Marketing Manager* Michelle Harrod – *Member Experience Manager* Rebecca Beling - *Business Development Manager* Noeline Stewart - *Project Manager*



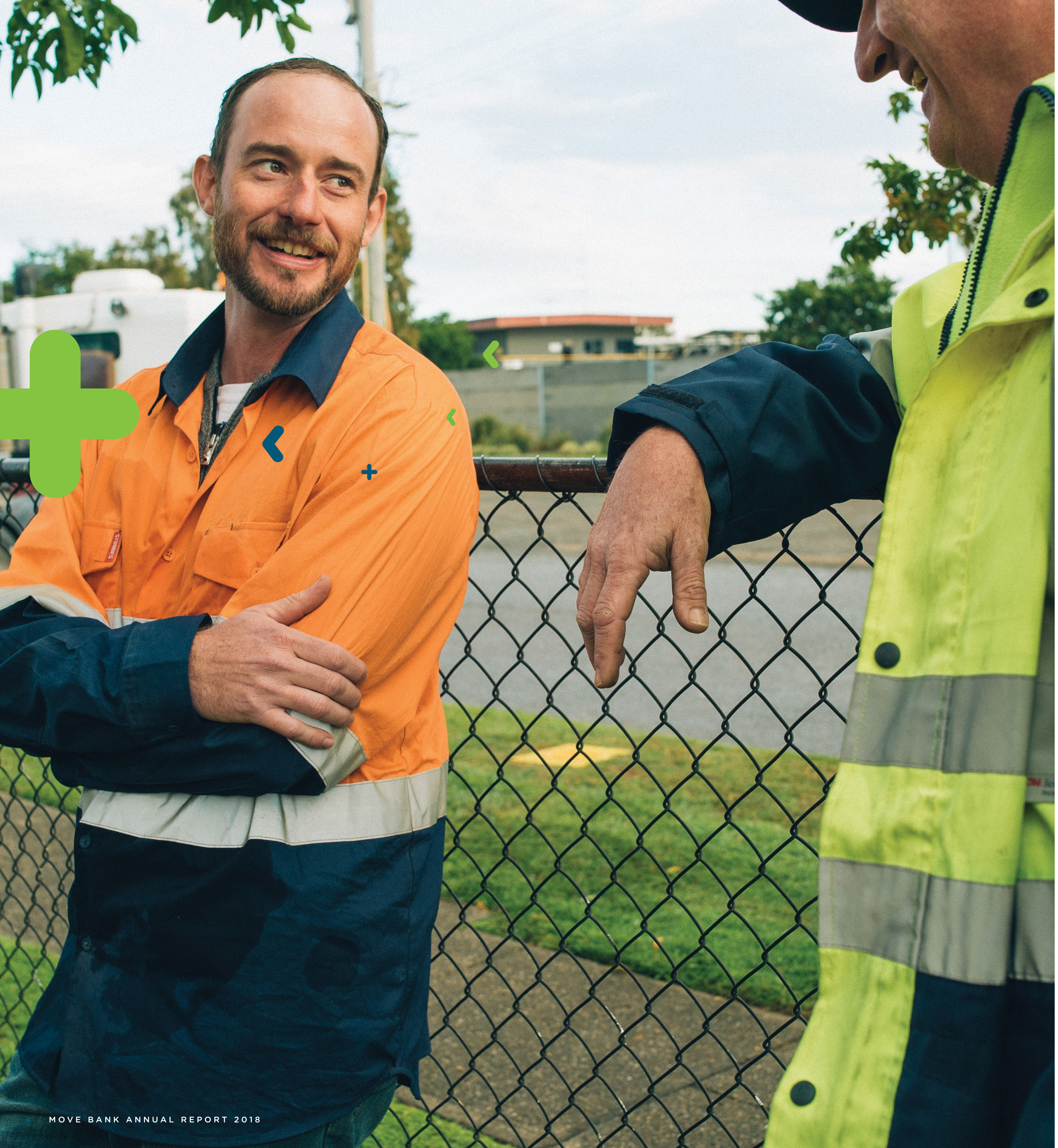


TABLE OF

Contents

FROM YOUR

Chair

Andrew Haynes

I am pleased to present you with MOVE Bank's Annual Report for the financial year ended June 30, 2018.

The 2017-2018 financial year has seen a transformation in the way MOVE Bank operates. While this has been overwhelmingly positive for the business, it has also required a recalibration of our strategy and resources to ensure that we are fit to meet the challenges of operating in an industry that is constantly changing.

As a result we have made significant changes to our internal structure so that we can continue to evolve as an agile, adaptable financial institution that is responsive to both the market and our members' needs. These changes will ultimately enable MOVE Bank to achieve the ambitious goals we have set for the business over the next three years, and position us for strong future growth.

Despite challenging trading conditions with continued low interest rates and restrictions on investment lending, we introduced a number of new products which has generated the highest loan growth figures that we've seen in some years. In addition, our capital adequacy and interest margin remain strong and we only expect these results to improve with our interstate strategy, new product offerings and lifted restrictions on investment lending.

One of the most noticeable changes to the business during the year was the decision to change our trading name to MOVE Bank. We adopted 'bank' in our trading name so that people know simply and clearly who we are and what we do. We're proud to be a mutual, and although our name may have changed, our commitment to serving our members remains as strong as ever.

During the year we also made considerable progress with our interstate expansion. We successfully appointed a Victorian representative who has been pivotal in attaining our partnership with the Downer Group and is making solid progress ensuring that MOVE Bank is the preferred choice for transport and logistics organisations in Victoria.

I'm delighted to announce that for the second consecutive year our Express Saver account was the recipient of the two prestigious awards: the MOZO Experts Choice Award for 'No Strings Savings' and CANSTAR's 5-star rating for outstanding value. These awards confirm that we are delivering on our mission to provide our members with great-value, easy-to-use financial solutions.

Without the tireless work and dedication of our CEO, Therese Turner, her management team, and each and every staff member, we would not have delivered these fantastic results for the 2017-2018 financial year.

...our commitment to serving our members remains as strong as ever.

I would like to formally welcome Sean O'Donnell as the newest member of the board. Sean's educational qualifications, professional background and experience make him a valuable addition to the board and I look forward to working with Sean.

I would also like to thank my fellow board members for their valuable contributions over the last 12 months and for their vote of confidence in appointing me as Chair- I am honoured to lead this board.

I would also like to extend my thanks to our corporate partners- BDO, KPMG, Indue, CGU, Bridges Financial Services and Wahoo Advertising- for their valued contributions.

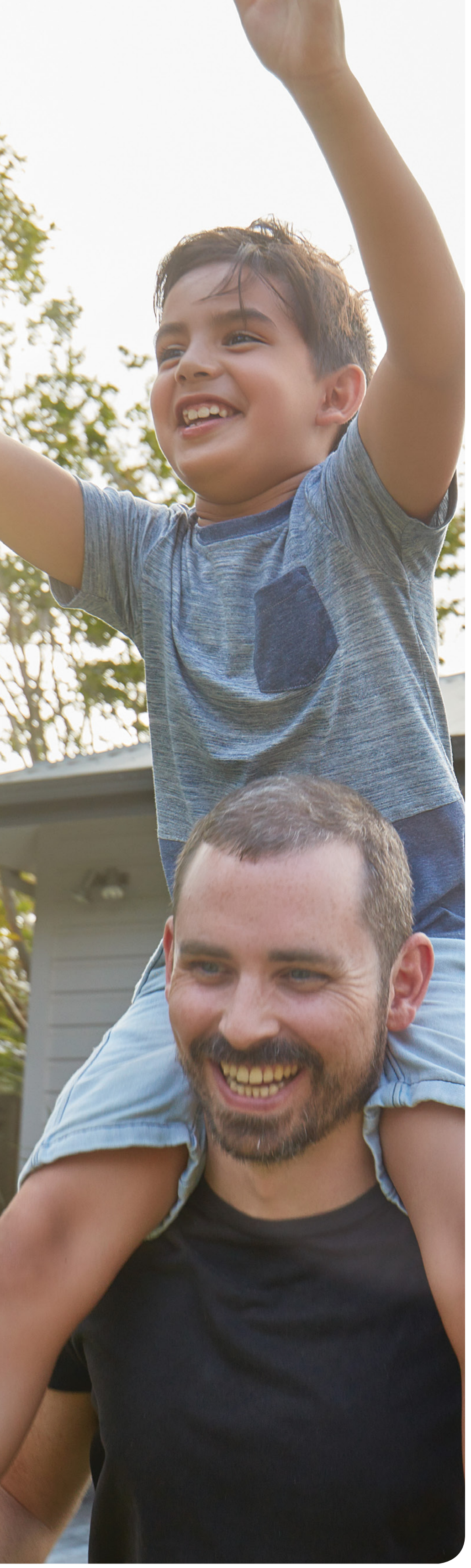
The future of MOVE Bank is extremely bright. I am confident that the business is now structured for future growth and success and I am looking forward to seeing the results of our strategic initiatives over the next twelve months.

Andrew Haynes
CHAIR

The MOVE Bank Board

The MOVE Bank Board

From left to right:
Scott Riedel, Andrew Hughes, Kellie Dyer, Andrew Haynes (Chair), Bron Davies, Sean O'Donnell and Mick Skinner



FROM YOUR CEO

Therese Turner

The 2017-2018 financial year has certainly been a productive one, with pleasing results and significant improvements put in place to ensure our continued success.

It is a privilege to be leading the bank into its 50th year and beyond.

This year we celebrate our 50th year of operation and service to members. We have grown from humble beginnings to now managing more than $600m in assets and providing financial services to people in the transport and logistics industry across Australia.

In my first CEO report for MOVE Bank, I would like to say that it is a privilege to be leading the bank into its 50th year and beyond. Customer-owned banks play an important role in the community, with their primary focus being the financial well-being of their members. As someone who has dedicated their entire career to this industry, I am proud of the fundamental improvements we have made during the year to deliver on this promise.

Across the year, we have been focused on adding member value through a combination of: key product developments, a fairer fee approach, service enhancements, improved cost efficiencies, streamlined structure and operational processes, along with continued support for the communities in which we operate.

Financial Performance

$17.7million
LOAN PORTFOLIO GROWTH

Our loan portfolio experienced positive growth for the first time for several years. Underpinning our $17.7m loans growth was a significant increase in the number of loan applications received, driven by more competitive offerings, improved products and service levels, and an easier application process.

$900,000
2017/18 AFTER-TAX PROFIT

Our after-tax profit was in excess of $900,000, and while this is down on the prior year, there were a number of changes implemented which have positioned MOVE Bank for stronger performance in future years.

Delivering FEE-FREE BANKING to more members

Our decision to reduce transaction fees to deliver fee-free banking to a greater number of members, allowed us to give back $150,000 to members this year and around $300,000 per annum on an ongoing basis. This change was an important initiative as we continuously focus on delivering true member value.

$1,000,000+
GROWTH IN NET INTEREST INCOME

A strong contributor to improved performance was the increase to net interest income, which is up by more than $1m on the prior year. This is a very pleasing result given we are operating in a low interest rate environment and a highly competitive marketplace. There were multiple factors that contributed to this result, including proactive interest margin management and deliberate shifts in the underlying mix of loans and savings portfolios.

We also decided to take a more conservative approach to the level of loan provisions. As a result, we increased our total provision by $668,000, which has brought MOVE Bank into alignment with the average provision held by other mutual banks and credit unions.

Ongoing Cost Savings $1,000,000+ per year

Across the year we have also been very committed to reducing our operating costs through process improvements, streamlining of the management structure and operational efficiencies, and while not directly evident in our 2017-18 financial report, substantial cost reductions will deliver savings of more than $1 million per year moving forward.

Financial Highlights

2.07% INTEREST MARGIN

21.46% CAPITAL ADEQUACY

Financial Highlights

3.39% HOME LOAN GROWTH

76.50% NEW CAR LOAN GROWTH

Enhanced Member Experience and Product Offerings

In the past 12 months we have reinvigorated our product range to ensure we are providing members with great-value, easy-to-use financial solutions.

> *We have reinvigorated our product range to ensure we are providing members with great-value, easy-to-use financial solutions.*

We introduced a number of new loan products which received a positive response from members as well as playing an integral part in attracting new members to MOVE Bank.

A major factor in this success has been the introduction of online loan applications. This improvement has delivered a seamless experience for members and was one of several digital projects we delivered this year.

SIMPLE ONLINE LOAN APPLICATIONS
NOW AVAILABLE

MOVE Bank was one of the first financial institutions to provide members with full access to the New Payments Platform (NPP), Australia's new real-time payment service launched in February. Since then, members have made thousands of secure, real-time payments using internet banking or the MOVE Bank app. Members also have the option of linking their accounts to a PayID which allows them to send money instantly using easy to remember details such as their mobile phone number or email address.

SEND MONEY INSTANTLY
LINK YOUR ACCOUNTS TO PAYID

Other product enhancements include our Flexi-Fixed Rate Home Loan, where members have the benefit of a fixed rate and the option of unlimited repayments without penalty. We also revamped our loan offering for new cars which proved very popular with the overall portfolio almost doubling during the year.

And unlike most of the major banks who have been increasing their interest rates outside of the official Reserve Bank changes, we reduced the interest rate on our Straightforward Home Loan by 0.24% pa during the year. This again highlights that we are working hard to give more back to members wherever possible.

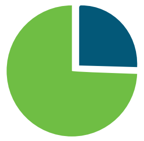
- NEW Flexi-Fixed Rate Home Loan
- NEW New Car Loan
- NEW Special Offer Personal Loan

New Fee Approach

Probably one of the most significant changes implemented during the year was the overhaul of our transaction fee schedule. As highlighted earlier, this represented a significant financial commitment to enhancing member value and a fairer approach to fees.

Previously our transaction fee structure was based on a myriad of fees making it difficult for members to work out what fees they would pay. Therefore, a goal of our revised fees package was to make it simple to understand.

But the most important goal of the changes was to ensure that we reward members who choose to bank and support MOVE Bank. It is pleasing to see that our new fee structure has been well received and many members are now enjoying transaction fee-free banking. This change has already seen the number of members paying fees reduced by 36% and we hope to see further reductions.

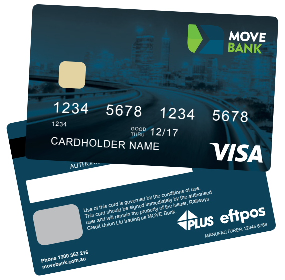


THE NUMBER OF MEMBERS NOT PAYING TRANSACTION FEES
74.38%

New Initiatives

While we have implemented substantial improvements and enhanced member benefits during the financial year, there are still many more opportunities to improve member value. Many of our improvements are driven by the valuable feedback members provide. In particular, the annual member survey gives us vital insight into the things that are important to our members, both now and in the future.

As we all know technology keeps evolving, so over the next year we will continue to roll out improvements to our online banking experience, with a new responsive website, and further upgrades to the MOVE Bank app already in the pipeline.



One important gap in our offering is a credit card product, which prevented members from having all of their financial products with MOVE Bank. This product is currently in development and we expect to launch our new great-value credit card in early 2019.

Industry Support

We remain committed in our support to providing great service, products, and interest rates to the employees of the railway and broader transport sectors, along with the important commitment of providing financial education where needed.

We continued our support of Queensland Rail Young Professionals, as their principal sponsor as well as strengthening our alliances with Queensland Rail, Downer Rail, Aurizon, rthealth and associations such as QTA, VTA, HVIA and CILTA.

Awards

Once again our savings accounts have been recognised for outstanding value by two of Australia's leading national comparison websites.

CANSTAR 5-Star Rating Flexible Saver

MOZO Experts Choice 2018 'No Strings Savings'

Summary

Overall it has been a very positive year for MOVE Bank with significant improvements in member offerings and operational efficiencies.

As we look towards the next 12 months I would like to take this opportunity to thank the Board, management, and staff of MOVE Bank, particularly in a period of significant transformation. Your efforts in 2017-2018 have positioned us well for the coming year and I am excited about working with you all to build on this year's success.

Finally, I would also like to thank all members for continuing to entrust MOVE Bank with your banking needs and financial wellbeing. You are the foundation of everything we do and we look forward to continuing to serve you in the future.

Therese Turner
CHIEF EXECUTIVE OFFICER
MOVE BANK

New Products

- NEW New Fixed Rate Car Loan
- NEW Flexi-Fixed Rate Home Loans
- NEW Special Offer Personal Loan

Better Rates

0.24% STRAIGHTFORWARD HOME LOAN REDUCED

0.40% LOCKIT 3 YEAR INVESTMENT HOME LOAN REDUCED

0.30% FIRST TIME HOME BUYERS DISCOUNT FOR FIRST 12 MONTHS

Celebrating our 50th Anniversary

This year marks a very special milestone in our history, as we celebrate 50 years of helping hard working rail, transport and logistics workers achieve their financial goals.

From a handful of Queensland Rail employees who became our first members in 1968, we have grown to over 22,000 members throughout Australia with over $600 million in assets under management.

Though much has changed over the last 50 years, our mission has remained the same: to improve the financial wellbeing of our members by continuously improving our products and services to ensure we meet your needs now, and in the future.

In recognition of how far we've come since that first board meeting in 1968, we've put together a selection of our memories and milestones from our history. We hope you enjoy this trip down memory lane!

Photo Above:
Our founding Board of Directors, taken at our first AGM in 1968. From left to right: standing row- William Thornton, Les Duggan, Don Collins, Ron Kelly, Ron Burgess; seated row- Ron Grimley, Harry Peters, Norm Kingett, Ron Glover.

Evolution of our logo

1968

1980 — The Queensland Railways Institute Credit Union Ltd.

1999 — Railways Credit Union

2001 — Railways Credit Union ...it's all about Exceptional Service

2016 — MOVE PEOPLE DRIVEN BANKING

2018 — MOVE BANK

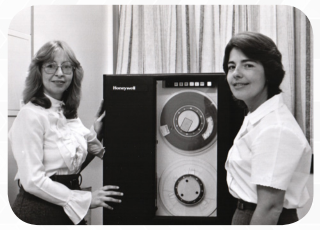
Our people

We hope you enjoy this trip down memory lane!

1968

Our founding Board of Directors, taken at our first AGM in 1968.

1980



First computer purchased in 1980. On the right is Noeline Stewart, who's been working for MOVE Bank since 1977 and is still with us today.

1987

Christina, a customer service consultant in 1987.

1998

RCU board and management team in 1998.

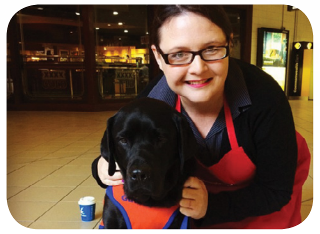
2008

Sharon, our regional specialist in 2008. Sharon began working at MOVE Bank in 1988!

2014

RCU staff at our branch on the main concourse at Central Station.

2016



Rachel fundraising for Guide Dogs Australia in partnership with Queensland Rail in 2016.

2017

Maree assisting Queensland Rail staff at our new branch on the plaza level at Central Station in 2017.

2018

CEO Therese Turner with MOVE Bank staff at our new branch on the plaza level at Central Station.

Rick manning the barbeque on a site visit to Frucor in 2017.

MOVE Bank hosting a barbeque lunch at Queensland Rail's Mayne Depot in 2017.

Facts from 1968

5.0%pa INTEREST RATE FOR SAVINGS

$800 MAXIMUM PERSONAL LOAN

Facts from 1968

39 MEMBERS

1.0%pa INTEREST ON LOANS PER MONTH

AFFILIATIONS

Partnerships and Community Engagement

Downer Rail: Victoria

This year we welcomed Downer Rail Victoria as a partner to the MOVE Bank employee financial wellbeing program. The program allows us to provide Downer employees with access to workplace banking, monthly financial literacy articles, onsite financial wellbeing presentations and barbeques. We are looking forward to working with Downer over the next 12 months to help them build a financially fit workforce.

rt health

Over the past 50 years MOVE Bank has often worked alongside rt health as a fellow member-owned provider of high quality services to the rail industry. This year marks the start of a strategic alliance that will see us working more closely with rt health to leverage our respective strengths and create new opportunities for both organisations within the Victorian transport and logistics industries.

Queensland Rail Young Professionals

At MOVE Bank we believe in supporting tomorrow's leaders in the transport industry. This year we have strengthened our longstanding partnership with Queensland Rail's Young Professionals and worked closely with the committee to deliver value across a number of sponsored events including onsite barbeques, 'Lunch and Learn' sessions on relevant financial topics, and the annual conference.

A highlight of this year's activities were the 'coffee with' sessions, where members of the Young Professionals had the opportunity to chat with MOVE Bank CEO Therese Turner on a variety of professional development topics. We look forward to increasing our involvement with Queensland Rail's Young Professionals over the next 12 months.

CEO Therese Turner at the Queensland Rail Young Professionals Conference sponsored by MOVE Bank.

Our alliances

QueenslandRail

Downer — Relationships creating success

Belbaker Bus Charter

Daryl Dickenson Transport

RTBU — The power of Union

rt health

The Chartered Institute of Logistics and Transport

QTA — Queensland Trucking Association

victoriantransportassociation inc.

Heavy Vehicle Industry Australia

Directors' Report

Your Directors submit their report on Railways Credit Union Limited trading as MOVE Bank ("MOVE Bank") for the financial year ended 30 June 2018.

MOVE Bank is a company registered under the *Corporations Act 2001*.

Directors

The names of the Directors in office at any time during or since the end of the year are:

Andrew R Haynes (Chair)	
Bronwyn (Bron) D Davies	
Kellie L Dyer	
Andrew J Hughes	
Sean O'Donnell	Appointed 14 May 2018
Scott J Riedel	
Michael (Mick) F Skinner	

The names of the Company Secretaries in office at any time during or since the end of the year are:

Bernard Luton	
Julianne Plath	Resigned 7 July 2017
Therese Turner	Appointed 27 Sept 2017

Qualifications, experience and special responsibilities

Andrew R Haynes	BA, LLB, LLM, MBA, H Dip IS, Cert Legal Practice, FGIA, FCIS, GAICD, JP Independent Governance & Risk Consultant. Formerly Company Secretary of QR Limited. Andrew has been a Director on the MOVE Bank Board since 2009 and was appointed Chairman in May 2016. Andrew is a member of the Audit & Compliance Committee, Risk Management Committee and the Remuneration & Succession Committee.
Bronwyn (Bron) D Davies	BEcon, CPA, CIA, GAICD Chief Auditor, Airservices Australia Bron has been a Director of MOVE since 2012. Bron is a member of the Risk Management Committee.
Kellie L Dyer	BBus (Marketing), MBA (Tech Mgt), Grad Dip Management, GAICD Senior Commercialisation Strategist, Impact Innovation Group Kellie has been a Director of MOVE Bank since 2009. Kellie is the Chair of the Remuneration & Succession Committee and a member of the Audit & Compliance Committee.
Andrew J Hughes	BCom, FCPA, MCom (Accounting), Assoc Dip in Civil Engineering, GAICD Finance Business Partner, Network - Queensland Rail Andrew has been a Director of MOVE Bank since 2009. Andrew is the Chair of the Risk Management Committee and a member of the Remuneration & Succession Committee.
Sean O'Donnell	MBA, BBus (Hosp Man), Dip Fin Adv, FFin, FACP, MAICD Executive IBM Sean was appointed as an External Director in May 2018. He is a member of the Risk Management Committee.

Qualifications, experience and special responsibilities (continued)

Scott J Riedel	GAICD, BEng (Hons), RPEQ, Grad Dip Business Engineer Network Operations - Aurizon Scott has been a Director of MOVE Bank since 2016 and is a member of the Audit & Compliance Committee.
Michael (Mick) F Skinner	GAICD, FCILT, BBus (Transport & Logistics Mgt), Grad Cert (Intermodal Transport) Company Director Mick has been a Director of MOVE Bank since 2016 (and previously from 2003 to 2006) and is the Chair of the Audit & Compliance Committee.

All Directors have held their office from 1 July 2017 to the date of this report unless otherwise stated.

Company Secretaries

Qualifications and experience

Bernard Luton	Bachelor of Laws, Grad Dip Applied Corporate Governance, GAICD Chief Risk Officer and Company Secretary Bernard was appointed as Company Secretary on 13 November 2009.
Julianne Plath	Advanced Diploma of Business (Accounting), GAICD Chief Executive Officer (CEO) Julianne resigned as CEO and Company Secretary on 7 July 2017.
Therese Turner	MBA, Advanced Diploma Accounting, GAICD Chief Executive Officer (CEO) Therese was appointed as Company Secretary on 27 September 2017.

Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

Meetings of Board & Committees	Board	Risk Management	Audit & Compliance	Remuneration & Succession
Number of meetings held	11	3	5	2
Number of meetings attended	Attended/Eligible to attend			
Andrew R Haynes	11/11	3/3	5/5	2/2
Bronwyn (Bron) D Davies	11/11	2/2	3/3	1/1
Kellie L Dyer	11/11	-	5/5	2/2
Andrew J Hughes	10/11	3/3	1/1	2/2
Sean H O'Donnell	2/2	1/1	-	1/1
Scott J Riedel	11/11	1/1	2/2	2/2
Michael (Mick) F Skinner	10/11	-	5/5	2/2

Directors' Report

Insurance and Indemnification of Directors, Officers or Auditor

Insurance premiums have been paid to insure each of the Directors and officers of MOVE Bank, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as a director or officer of MOVE Bank. In accordance with normal commercial practice disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract. An indemnity has been provided to Directors to the extent permitted by law.

No insurance cover or indemnity has been provided for the benefit of the auditors of MOVE Bank.

Principal Activities

The principal activities of MOVE Bank during the year were the provision of financial services to members as prescribed by the Constitution.

No significant changes in the nature of these activities occurred during the year.

Operating Results

Review of operations

MOVE Bank's operations from its activities of providing financial services to its members did not change from the previous financial year.

Operating Results for the Year

The net profit of MOVE Bank for the year ended 30 June 2018 after providing for income tax was $933,056 (2017: $1,187,984).

Dividends

No dividends have been paid or declared since the beginning of the financial year and no dividends have been recommended or provided for by the Directors of MOVE Bank.

Options

No options over unissued shares or interests in MOVE Bank were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Significant Changes in the State of Affairs

In the opinion of the Directors there have been no significant changes in the state of affairs during the year.

Events Subsequent to the End of the Reporting Period

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

Directors' Report

Likely Developments and Expected Results

The operations of MOVE Bank and the results of those operations are not expected to change significantly in future financial years.

Further information about likely developments in the operations of MOVE Bank and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to MOVE Bank.

Environmental Regulation and Performance

MOVE Bank is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

Proceedings

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

Regulatory Disclosures

The disclosures required by APS 330 Public Disclosures (namely the common disclosures in Attachment A and the Regulatory Capital Reconciliation) are available on our website at mymove.com.au/regulatory-disclosures.

Auditor Independence

The Directors received an independence declaration from the auditor, BDO Audit Pty Ltd. A copy has been included on the following page of the report.

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

Andrew Haynes

Andrew R Haynes
Chair

Mick Skinner

Michael (Mick) F Skinner
Chair of the Audit and Compliance Committee

Brisbane, 27 September 2018

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

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

DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF RAILWAYS CREDIT UNION LIMITED TRADING AS MOVE BANK

As lead auditor of Railways Credit Union Limited trading as MOVE Bank for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

Paul Gallagher

P A Gallagher

Director

BDO Audit Pty Ltd

Dated at Brisbane this 28th day of September 2018.

Statement of Profit or Loss & Other Comprehensive Income for the year ended 30 June 2018

	Note	2018 $	2017 $
Interest income	5(a)	23,624,521	24,286,576
Interest expense	6(a)	(10,967,925)	(12,778,089)
Net interest income		12,656,596	11,508,487
Other revenue and income	5(b)	2,081,688	2,315,865
Employee benefits expense	6(b)	(6,379,352)	(5,874,256)
Depreciation and amortisation expense	6(c)	(1,026,640)	(952,419)
Impairment loss on loans and advances	6(d),13(c)	(890,909)	(288,924)
Other expenses	6(e)	(5,136,153)	(4,987,747)
Profit before income tax		1,305,230	1,721,006
Income tax expense	7	(372,174)	(533,022)
Profit for the year		933,056	1,187,984
Other comprehensive income, net of income tax			
Items that will not be reclassified to profit or loss			
Net gain on revaluation of land and buildings	14(a)	-	103,988
Income tax relating to these items	7(d)	-	(31,199)
Other comprehensive income for the year, net of income tax		-	72,789
Total comprehensive income for the year		933,056	1,260,773

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

	Note	2018 $	2017 $
ASSETS			
Cash and cash equivalents	8	20,391,085	20,092,703
Other receivables	10	575,376	761,578
Income tax receivable		-	298,788
Financial assets held to maturity	11	92,788,365	110,734,903
Loans and advances	12	493,909,444	476,841,183
Financial assets available for sale	9	1,128,715	1,128,715
Property, plant and equipment	14	4,952,111	5,531,655
Intangible assets	15	484,626	701,000
Deferred tax asset	7	79,644	-
Other assets		136,841	132,131
TOTAL ASSETS		614,446,207	616,222,656
LIABILITIES			
Deposits	16	549,283,107	552,070,465
Other payables	17	1,179,350	897,799
Income tax payable		152,030	-
Provisions	18	567,415	683,512
Deferred tax liabilities	7	-	239,631
TOTAL LIABILITIES		551,181,902	553,891,407
NET ASSETS		63,264,305	62,331,249
EQUITY			
Redeemed preference share capital	19	199,140	185,220
Reserves	20	63,065,165	62,146,029
TOTAL EQUITY		63,264,305	62,331,249

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

	Redeemed preference share capital $	Retained earnings $	Reserves (note 20) $	Total equity $
Balance at 1 July 2017	185,220	-	62,146,029	62,331,249
Profit for the year	-	933,056	-	933,056
Other comprehensive income for the year				
Net gain on revaluation of land & buildings, net of tax	-	-	-	-
Total comprehensive income for the year	-	933,056	-	933,056
Transfers				
Redeemed preference share capital	13,920	(13,920)	-	-
Transfers to/(from) reserves (Note 20)	-	(919,136)	919,136	-
Total transfers	13,920	(933,056)	919,136	-
Transactions with owners in their capacity as owners	-	-	-	-
30 June 2018	199,140	-	63,065,165	63,264,305
Balance at 1 July 2016	177,030	-	60,893,446	61,070,476
Profit for the year	-	1,187,984	-	1,187,984
Other comprehensive income for the year				
Net gain on revaluation of land & buildings, net of tax	-	-	72,789	72,789
Total comprehensive income for the year	-	1,187,984	72,789	1,260,773
Transfers				
Redeemed preference share capital	8,190	(8,190)	-	-
Transfers to/(from) reserves (Note 20)	-	(1,179,794)	1,179,794	-
Total transfers	8,190	(1,187,984)	1,179,794	-
Transactions with owners in their capacity as owners	-	-	-	-
30 June 2017	185,220	-	62,146,029	62,331,249

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

	Note	2018 $	2017 $
Operating activities			
Interest received		23,819,097	24,273,904
Payments to suppliers and employees		(11,408,197)	(11,032,495)
Dividends received		77,994	116,983
Fees and commissions received		2,151,284	2,252,823
Other income		18,460	20,859
Interest and other costs of finance paid		(11,098,800)	(12,534,116)
Income tax paid		(240,631)	(703,237)
Net movement in financial assets held to maturity		17,946,538	(22,387,621)
Net movement in loans and advances		(17,977,914)	1,635,891
Net movement in deposits		(2,670,209)	24,328,862
Net cash inflows from operating activities	21(b)	617,622	5,971,853
Investing activities			
Purchase of property, plant and equipment		(89,345)	(318,671)
Purchase of intangible assets		(229,895)	(352,305)
Net cash flows used in investing activities		(319,240)	(670,976)
Net increase/(decrease) in cash and cash equivalents		298,382	5,300,877
Cash and cash equivalents at 1 July		20,092,703	14,791,826
Cash and cash equivalents at 30 June	8	20,391,085	20,092,703

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

The financial statements cover Railways Credit Union Limited trading as MOVE Bank for the financial year ended 30 June 2018 and were authorised for issue in accordance with a resolution of the Directors on 27 September 2018.

MOVE Bank is an unlisted public company limited by shares, incorporated and domiciled in Australia.

For the purpose of preparing the financial statements, MOVE Bank is a for profit entity.

The registered office and principal place of business of MOVE Bank is Level 1, 179 Ann Street, Brisbane, Queensland 4000.

The nature of the operations and principal activities of MOVE Bank are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by MOVE Bank in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards including Australian Accounting Interpretations, and the Prudential Standards set down by the Australian Prudential Regulation Authority (APRA).

The financial statements have been prepared on an accruals basis and are based on historical costs except for land and buildings and certain financial assets and financial liabilities that are measured at fair value.

The presentation currency of the financial statements is Australian Dollars.

(b) Compliance with IFRS

The financial statements comply with Australian Accounting Standards and interpretations and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board in their entirety.

(c) Financial assets and financial liabilities

Introduction

(i) Initial recognition

MOVE Bank initially recognises loans and advances to members and deposits from members on the date that they are originated. All other financial assets and financial liabilities (including financial assets and financial liabilities designated at fair value through profit and loss) are initially recognised on trade date when the related contractual rights or obligations exist.

(ii) Derecognition

MOVE Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in transferred financial assets that is created or retained by MOVE Bank is recognised as a separate asset or liability. MOVE Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or when they expire.

(iii) Offsetting

Financial assets and liabilities are set-off and the net amount presented in the Statement of Financial Position when, and only when, MOVE Bank has a legal right to set-off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Amortised cost measurement

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

(v) Identification and measurement of impairment

Refer Note 2(d) for details.

Application

Cash and cash equivalents

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

Loans and advances

Loans and advances to members are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that MOVE Bank does not intend to sell immediately or in the near term. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity or available for sale.

(i) Held to maturity

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that MOVE Bank has a positive intent and ability to hold to maturity, and which are not designated as available for sale.

Held to maturity investments are carried at amortised cost using the effective interest rate method. Any sale or reclassification of a significant amount of held to maturity investments not close to their maturity would result in the reclassification of all held to maturity investments as available for sale, and prevent MOVE Bank from classifying investment securities as held to maturity for the current and the following two financial years.

MOVE Bank assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in estimated future cash flows.

Impairment losses are measured as the difference between the investments' carrying amount and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the investment's original effective interest rate. Impairment losses are recognised in profit or loss.

(ii) Financial assets available for sale

Financial assets available for sale are non-derivative investments that are not designated as another category of financial asset.

After initial recognition, available for sale investments are measured at fair value. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. Unrealised gains or losses arising from changes in the fair value of available for sale investments are recognised directly in other comprehensive income in the available for sale investments revaluation reserve. On sale, the amount held in the available for sale reserve associated with that asset is recognised in profit or loss as a reclassification adjustment.

Where there is a significant or prolonged decline in the fair value of an available for sale financial asset below its cost (which constitutes objective evidence of impairment) the cumulative loss recognised in other comprehensive income is reclassified from the available for sale investments revaluation reserve to profit and loss as a reclassification adjustment.

Application (continued)

Reversals of impairment losses on equity instruments classified as available for sale cannot be reversed through profit or loss. Reversals of impairment losses on debt instruments classified as available for sale can be reversed through profit or loss where the reversal relates to an increase in the fair value of the debt instrument occurring after the impairment loss was recognised in profit or loss.

Interest income from financial assets available for sale are recognised in profit or loss using the effective interest method. Dividend income from available for sale investments is recognised in profit or loss when MOVE Bank becomes entitled to the dividend.

Deposits

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

Borrowings

Refer to note 2(j) for details.

(d) Impairment – Loans and advances

A provision for losses on impaired loans is recognised when there is objective evidence that impairment of a loan has occurred. All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower.

Impairment losses on loans and advances are measured as the difference between the carrying amount of loans and advances and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan and advances original effective interest rate.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The amount provided for impairment of loans is determined by Management and the Board. The Prudential Standards issued by APRA enable the minimum provision to be based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears, and the security held. This approach is adopted by MOVE Bank. Management and the Board also make a provision for loans in arrears where the collectability of the debt is considered doubtful by estimation of expected losses. Note 3(c) details the credit risk management approach to loan impairment.

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolio. Movements in the general reserve for credit losses are recognised as an appropriation of retained earnings.

Bad debts are written off, as determined by Management and the Board, when it is reasonable to expect that the recovery of the loan is unlikely. All write-offs are on a case-by case basis, taking into account the exposure at the date of the write-off. On secured loans, the write-off takes place following ultimate realisation of collateral value.

Bad debts are written off against the provision for impairment where impairment has previously been recognised in relation to a loan. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in profit or loss.

Renegotiated loans are loans and other similar facilities where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member or group of members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Fair value measurement

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

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

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

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

In measuring fair value, MOVE Bank uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.
Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant.
External valuers are selected based on market knowledge and reputation.

Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(f) Property, plant and equipment

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

Property

Freehold land and buildings are measured at their fair value, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation increase is credited to other comprehensive income unless it reverses a revaluation decrease on the same asset previously recognised in profit or loss. A revaluation decrease is recognised in profit or loss unless it directly offsets a previous revaluation increase on the same asset in the asset revaluation reserve. On disposal, any revaluation reserve relating to sold assets is transferred to retained earnings.

It is the policy of MOVE Bank to have an independent valuation every three years, with annual appraisals being made by the Directors.

Plant and Equipment

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

Depreciation

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

Property, plant and equipment (continued)

Property, plant and equipment is depreciated on a straight-line basis. A summary of rates used:

Buildings	4%
Computer hardware	33.3%
Leasehold improvements	10% - 20%
Office furniture and equipment	10% - 15%
Motor vehicles	20%

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

(g) Leases

Lease payments for operating leases, where substantially all the risks and benefits incidental to ownership of the asset remain with the lessor, are recognised as expenses (net of incentives received from the lessor) on a straight line basis over the lease term.

(h) Impairment of assets (excluding financial assets)

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

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

(i) Intangibles

Computer Software

Items of computer software which are not integral to the computer hardware owned by MOVE Bank are classified as intangible assets with a finite life.

Computer software is amortised on a straight line basis over the expected useful life of the software. These lives range from 3 – 5 years.

(j) Borrowings

Borrowings are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where MOVE Bank chooses to carry the liabilities at fair value through the profit or loss. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method.

(k) Employee benefits

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

Short-term employee benefits

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

Long-term employee benefits

Liabilities for long service leave and annual leave which are not expected to be settled within twelve months of the end of the reporting period. They are recognised as provisions for employee benefits and other payables and are measured at the present value of the expected future payments to be made in respect of services provided to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salary and wage increases, experience of employee departures and periods of service. Expected future payments are discounted using corporate bond rates at the end of the reporting period with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Contributions are made by MOVE Bank to employee superannuation funds and are recognised in profit or loss when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Revenue

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the borrower loan account on the last day of each month. Loan interest revenue is recognised as interest accrues using the effective interest method.

The effective interest method calculates the amortised costs of a financial instrument by discounting the financial instruments' estimated future receipts or payments to their present value and allocates the interest income or interest expense, including any fees, costs, premiums or discounts integral to the financial instrument over its expected life.

When a loan is classified as impaired, MOVE Bank ceases to recognise interest and other income earned but not yet received. Loan interest is generally not brought to account if a loan has been transferred to a debt collection agency, a judgment has been obtained, or where repayments are in arrears and the prospect of a contribution from the borrower is minimal. Accrued interest may however be recovered as part of the recovery of the debt.

Loan origination fee and loan transaction costs that are direct and incremental to the establishment of loans are deferred and amortised as a component of the calculation of the effective interest rate in relation to the originated loans.

Fees charged on loans after origination of the loan are recognised in profit or loss when the service is provided.

Fees and commissions are recognised on an accruals basis when service to the borrower has been rendered and a right to receive the consideration has been attained.

(m) Income tax

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

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(o) New and amended accounting standards and interpretations adopted during the year

MOVE Bank applied, for the first time, certain standards and amendments which are effective for annual periods beginning on or after 1 July 2017. The nature and the impact of each new standard and/or amendment did not have a significant impact to the financial statements.

(p) New and amended accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by MOVE Bank. MOVE Bank's assessment of the impact of these new standards and interpretations is set out below.

New/revised pronouncements	Nature of change	First year-end of application	Impact on MOVE Bank
AASB 9 *Financial Instruments*	The AASB has issued the complete AASB 9. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. This supersedes AASB 9 (issued in December 2009-as amended) and AASB 9 (issued in December 2010).	30 June 2019	AASB 9 may have a potential increase in MOVE Bank's loans and advances provisioning. The change is applied retrospectively; however comparatives need not be retrospectively restated. Instead, the cumulative effect of applying the change for the first time is recognised as an adjustment to the opening balance of retained earnings on 1 July 2018. MOVE Bank is in the process of assessing the impact of the application of AASB 9 and is not yet able to reasonably estimate the impact on its financial statements.
AASB 15 *Revenue from Contracts with Customers*	The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.	30 June 2019	MOVE Bank is in the process of assessing the impact of the new standard but does not expect a significant impact as most of MOVE Bank's revenue will be outside the scope of AASB 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New/revised pronouncements	Nature of change	First year-end of application	Impact on MOVE Bank
AASB 16 *Leases*	Except for short-term leases (less than 12 months from commencement date, including extension options), and 'low value' items, all leases will be capitalised on the balance sheet by recognising a 'right-of-use' asset and a lease liability for the present value of the obligation. This means that we will no longer see straight-line 'rental' expense in profit or loss (except for short-term leases and low value items). All leases will incur a front-end loaded expense, comprising depreciation on the right-of-use asset, and interest on the lease liability. When initially measuring the right-of-use asset and lease liability, non-cancellable lease payments (including inflation-linked payments), as well as payments for option periods which the entity is reasonably certain to exercise, must be included in the present value calculation. There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis. No changes to accounting for entities as a lessor, as it retains the accounting for operating and finance leases for lessors.	30 June 2019	To the extent that MOVE Bank, as lessee, has significant operating leases outstanding at the date of initial application, 1 July 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years. MOVE bank's current operating lease commitments are disclosed in note 22(a).

3. FINANCIAL RISK MANAGEMENT

MOVE Bank's activities principally relate to the use of financial instruments. MOVE Bank accepts deposits and provides loans at both fixed and floating rates for various periods. Surplus liquidity is invested in high quality assets. Accordingly, the activities of MOVE Bank expose it to the following key financial risks; market risk (including interest rate risk), credit risk and liquidity risk.

Treasury risk management is carried out by an appropriately skilled and trained management team and is monitored by an independent Risk Management Committee, under Board mandated and approved risk policies. The management team identifies, evaluates and if deemed appropriate, hedges financial risk. The Board approves written principles for overall risk management, as well as detailed policies covering specific areas, such as mitigating interest and credit risk, specific large credit exposures and management of delinquent loans.

(a) Risk management

MOVE Bank has appointed a Chief Risk Officer whose responsibilities include maintaining and continuously reviewing MOVE Bank's risk management framework. Oversight of risk management is the responsibility of the Risk Management Committee operating in accordance with formal risk policies approved by the Board.

The Risk Management Committee, which meets regularly, comprises independent non-executive Directors. It recommends to the Board the risk management policies which the Audit and Compliance Committee monitor. This includes the identification, assessment and reporting of risks. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

The Audit and Compliance Committee, which comprises independent non-executive Directors, oversees the testing and assessment of internal controls implemented by management to manage material risk. The internal audit program is approved by this committee, and it considers the outcome of both internal and external audit reports.

The committee monitors compliance with Board policies as well as prudential and statutory requirements. The committee reviews annual financial statements prior to sign off by the Board, and oversees breach reporting to regulatory bodies such as APRA and ASIC.

The Board Chair and the Chair of the Risk Management Committee annually certify to APRA that senior management and the Board have identified key risks facing MOVE Bank, established systems to monitor those risks, including setting and requiring adherence to a series of prudential limits and adequate, timely reporting processes, and they ensure that these risk management systems are operating effectively and are adequate having regard to the risks they are designed to control. Any breaches in compliance are reported to the Board in a timely manner in accordance with the applicable policy.

(b) Market risk

Market risk is the potential adverse change in MOVE Bank's income or the value of MOVE Bank's net worth arising from movements in interest rates. The objective of MOVE Bank is to manage and control market risk exposure in order to minimise risk and optimise return. MOVE Bank is not exposed to currency risk or any other significant price risk. It does not trade in the financial instruments it holds on its books and is only exposed to interest rate risk arising from changes in market interest rates.

The management of market risk is the joint responsibility of the Chief Financial Officer (CFO) and CEO. Market risk is also monitored by management through the Asset & Liability Committee (ALCO) on a monthly basis.

Market risk is measured and reported using a variety of techniques, according to the appropriateness of the technique to the exposure concerned. The techniques used to measure interest rate risk include interest rate repricing gap analysis, sensitivity analysis and interest rate risk management profiles which are conducted by management using a system developed by an independent risk management consultancy. Refer to 3(e) below for the detail of these policies and for quantitative disclosures in respect of interest rate risk.

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk

Credit risk is the risk of financial loss as a result of a default by counterparties to discharge contractual obligations. MOVE Bank assumes credit risk predominantly from its lending activities. Exposure also arises from investment activities and off balance sheet financial instruments such as loan commitments.

Credit risk policy

Credit risk, being the most significant risk faced by MOVE Bank, is managed to ensure exposure is minimised while supporting sound growth.

(i) Loans and advances

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved and close monitoring of defaults in the repayment of loans thereafter. The credit policy has been endorsed by the Board to ensure that loans are only made to borrowers who are considered capable of meeting loan repayments. A regular review of compliance with these policies is conducted as part of the scope of external audit.

(ii) Liquid investments

Credit risk in relation to liquid investments is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in MOVE Bank incurring a financial loss. Refer to note 3(d).

Credit risk management

(i) Loans and advances

Concentrations of risk arise when loans are extended to borrowers of similar risk characteristics, such as industry and geographic location. Credit risk is minimised by dealing with a large number of individual members. A sizeable portion of the loan book is represented by residential mortgages. The primary means of reducing the risk on these loans is the acquisition of security, which is normally residential property in Australia.

MOVE Bank has a concentration in retail lending to members who are employees of Queensland Rail or Aurizon. This concentration is considered acceptable as MOVE Bank was formed to service these members, and the employment concentration is not exclusive.

Should members leave the industry, the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans.

It is the policy of MOVE Bank to allow members with a secured loan or advance reasonable assistance and opportunity to rectify a breach prior to recovery procedures being initiated. However, if a counterparty has failed to make a payment when contractually due, various actions are triggered such as re-negotiation, enforcement of covenants or legal proceedings and the impairment and provisioning policies are actioned.

Concentrations of credit risk on loans greater than 10% of capital currently arise in the following categories:

2018	Maximum credit exposure	
Industry	$	% Total Loans
Queensland Rail	137,284,706	27.72%
Aurizon	75,447,081	15.23%

2017	Maximum credit exposure	
Industry	$	% Total Loans
Queensland Rail	144,568,163	30.28%
Aurizon	82,018,701	17.18%

At the balance date there were no concentrations of credit risk on loans to individual members (including associated members) greater than 10% of capital.

(ii) Liquid investments

To limit the concentration of risk, MOVE Bank uses the following credit rating limits:

	Eligible Capital Base	
	Investment in an individual ADI	Investment in a number of ADIs
Credit Rating	Maximum	Maximum
AAA to A-	25%	N/A
BBB+ to BBB-	25%	75%
Unrated*	5%	15%

*Deposits with Indue Limited (Indue) are excluded from the calculation relevant to these limits. Indue provides transaction and settlement services and MOVE Bank must deposit with Indue a security amount calculated on the basis of previous twelve month's average banking transactions provided by Indue to MOVE Bank.

3. FINANCIAL RISK MANAGEMENT (continued)

Measurement of credit risk

(i) Loans and advances

Lending conditions are continually monitored to compare the position of MOVE Bank to the rest of the market to ensure that opportunities are maximised and MOVE Bank is prepared for downturns.

Comprehensive reports are tabled on a regular basis to the Board and senior executive dissecting the loan book balance into various risk profiles. For example, in relation to retail loans risk characteristics such as geographic distribution of loans, security type, occupancy type, loan to value ratios, and mortgage insurance percentages are detailed.

Stress testing is an integral tool in the management of credit risk exposure, by projecting financial impacts of movements in market conditions including economic downturn resulting in low business growth, increase in unemployment and reduction in property values. Recent stress testing has indicated that MOVE Bank is resistant to a significant downturn in the economy.

(ii) Liquid investments

MOVE Bank uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure.

Prior to placing an investment with an acceptable unrated ADI, Management must ensure sufficient due diligence is undertaken to satisfy itself that the unrated ADI is a financially viable and stable entity. As part of this process, Management will review the unrated ADI's most recent annual report, and such other financial information as may be available. Management will also ensure the unrated ADI is regulated by APRA.

The carrying values associated with liquidity investments held by MOVE Bank are as follows:

ADI Rating	2018 $	2017 $
AAA to A-	68,818,687	59,971,988
BBB+ to BBB-	36,266,071	62,886,621
Unrated	8,094,692	7,968,997
Total	**113,179,450**	**130,827,606**

Impairment and provisioning policies

(i) Loans and advances

MOVE Bank recognises an impairment allowance for impairment losses in relation to loans based on losses that have been incurred at balance date using objective evidence for impairment.

Once a loan is past due by 90 days (14 days for overdrafts) it is considered impaired unless other factors indicate that the impairment should be recognised sooner. Management make judgements about a borrower's financial situation and the net realisable value of any underlying collateral to estimate future cash flows.

Due to the different methodologies used, the allowance for impairment losses calculated for the purposes of Australian Accounting Standards is significantly different to the required prescribed provision as determined for APRA reporting purposes.

Key assumptions in determining the provision for impairment

In the course of the preparation of the financial statements, MOVE Bank has determined the likely impairment loss on loans and overdrafts which have not maintained loan repayments in accordance with the contract, or where there is other evidence of potential impairment such as bankruptcy, industrial restructuring, job losses or economic circumstances.

3. FINANCIAL RISK MANAGEMENT (continued)

Impairment and provisioning policies (continued)

In identifying the impairment likely from these events MOVE Bank is required to estimate the potential impairment, using the length of time the loan is in arrears, and the historical losses arising in past years. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment.

The provision calculated on a specific identification basis is prescribed by the Prudential Standards and is applied on the following basis:

Period of impairment	Unsecured Overdrafts	Unsecured Loans	Secured Loans and Overdrafts
	% balance	% balance	% balance
Less than 14 days	-	-	-
14 to 89 days	40%	-	-
90 days to 181 days	75%	40%	5%
182 days to 272 days	100%	60%	10%
273 days to 364 days	100%	80%	15%
Over 364 days	100%	100%	20%

A quantitative disclosure in respect of the calculation and aging analysis of loans and advances is set out in Note 13.

Credit risk exposure

MOVE Bank's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the Statement of Financial Position where the maximum credit risk exposure is $560,362,009 (2017: $565,546,863).

In relation to loans, the maximum credit exposure is the value of the Statement of Financial Position plus the undrawn facilities (loans approved not advanced and undrawn overdraft limits). Details of undrawn facilities are shown in Note 22(b). Details of collateral held as security are disclosed in Note 12(a).

(d) Liquidity risk

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

Liquidity risk management

MOVE Bank manages liquidity risk by:

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

MOVE Bank has a long standing arrangement with the industry liquidity support scheme, CUFSS, which can access industry funds to provide support to MOVE Bank should this be necessary at short notice.

MOVE Bank is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under the APRA Prudential Standards. MOVE Bank's policy is to apply an operational minimum of 12.5% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily and should the liquidity ratio fall below this level, Management will take action to raise additional liquid funds from new deposits from members and/or access borrowing facilities available. Note 25 describes the borrowing facilities as at reporting date.

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

	2018	2017
Ratio to total adjusted liabilities:		
- As at 30 June	18.45%	21.43%
- Average for the year	19.08%	20.18%
- Minimum during the year	16.82%	16.58%
Ratio to total deposits:		
- As at 30 June	18.90%	21.85%

Liquidity risk management (continued)

Maturity profile of financial liabilities

The table below shows the undiscounted cash flows on MOVE Bank's financial liabilities, including unrecognised loan commitments on the basis of the earliest possible contractual maturity. These values will not agree to the statement of financial position.

MOVE Bank's expected cash flows on financial liabilities vary significantly from this analysis. For example, on-call deposits from members are expected to maintain a stable or increasing balance and any unrecognised loan commitments are not expected to be all drawn down immediately.

To manage the liquidity risk arising from financial liabilities, MOVE Bank holds liquid assets comprising cash and cash equivalents and investment grade investment securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements.

The maturity profile of MOVE Bank's financial liabilities is shown in the following table:

Year ended 30 June 2018	Carrying value	Within 1month	1-3 months	3-12 months	1-5 years	No maturity	Gross nominal outflows
	$	$	$	$	$	$	$
FINANCIAL LIABILITIES							
Deposits	549,283,107	458,116,332	23,611,439	59,059,405	9,658,036	-	550,445,212
Other payables	1,179,350	648,199	-	-	-	279,593	927,792
Total financial liabilities	550,462,457	458,764,531	23,611,439	59,059,405	9,658,036	279,593	551,373,004
Off balance sheet items undrawn (note 22(b)).	-	65,110,413	-	-	-	-	-

Year ended 30 June 2017	Carrying value	Within 1month	1-3 months	3-12 months	1-5 years	No maturity	Gross nominal outflows
	$	$	$	$	$	$	$
FINANCIAL LIABILITIES							
Deposits	552,070,465	466,070,851	20,928,764	58,227,615	7,761,021	-	552,988,251
Other payables	897,799	582,033	-	-	-	315,766	897,799
Total financial liabilities	552,968,264	466,652,884	20,928,764	58,227,615	7,761,021	315,766	553,886,050
Off balance sheet items undrawn (note 22(b)).	-	88,049,569	-	-	-	-	-

3. FINANCIAL RISK MANAGEMENT (continued)

(e) Interest rate risk

Interest rate risk is the risk or variability of the fair value of future cash flows arising from financial instruments due to the changes in interest rates.

The policy of MOVE Bank is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. MOVE Bank aims to limit any loss due to a change in interest rates to be no greater than 1.5% of regulatory capital. The gap is measured monthly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposit liabilities to rectify the imbalance to within acceptable levels. MOVE Bank can undertake derivative transactions to reduce the interest rate risks.

A review of the interest rate risk management profile is conducted by Management through the Asset & Liability Committee. The Board monitors interest rate risk through these reviews and other Management reports.

Based on calculations as at 30 June 2018, the profit before tax and equity impact for a 1% (2017: 1%) movement in interest rates would be as follows:

2018

Movement in interest rates	Impact on Profit before tax	Impact on Equity
1% Increase	417,500	292,550
1% Decrease	(417,500)	(292,550)

2017

Movement in interest rates	Impact on Profit before tax	Impact on Equity
1% Increase	29,200	20,440
1% Decrease	(29,200)	(20,440)

The method used in determining the sensitivity is to evaluate the profit impact based on the timing of the interest repricing on the banking book of MOVE Bank for the next 12 months. In doing the calculation the assumptions applied were that:

- The interest rate change would be applied equally to loans, term deposits and savings;
- The rate change would be as at the beginning of the 12-month period and no other rate changes would be effective during the period;
- The term deposits would all reprice to the new interest rate at the term maturity;
- Savings that are considered by MOVE Bank to be sensitive to interest rate changes would all reprice in the event of a rate change within 30 days;
- Savings that are not considered by MOVE Bank to be sensitive to interest rate changes and are as a consequence less likely to change in the future, would reprice no earlier than 1 year;
- Variable interest rate mortgage loans would all reprice to the new interest rate within 30 days;
- Fixed rate mortgage loans would all reprice at a new interest rate at the expiry of their fixed rate period.
- Variable interest rate personal loans would reprice to the new interest rate within 30 days;
- Fixed rate personal loans would not reprice as the rate is fixed for the duration of the loan;
- All loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
- The value and mix of call savings to term deposits remains unchanged; and
- The value and mix of personal loans to mortgage loans remains unchanged.

There has been no significant change to MOVE Bank's exposure to market risk or the way MOVE Bank manages and measures interest rate risk in the reporting period.

3. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

Interest rate risk maturity profile

MOVE Bank's exposure to interest rate risk, which is the risk that a financial instrument's value or cash flows will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate on classes of financial assets and financial liabilities, is set out below.

2018	Floating interest rate	Fixed interest rate maturing			Non-interest sensitive	Total	Eff. interest rate
		Within 1 year	1-5 years	Over 5 years			
	$	$	$	$	$	$	%
ASSETS							
Cash and cash equivalents	20,391,085	-	-	-	-	20,391,085	1.73%
Financial assets AFS	-	-	-	-	1,128,715	1,128,715	N/A
Other receivables	-	-	-	-	575,376	575,376	N/A
Financial assets HTM	-	92,788,365	-	-	-	92,788,365	2.52%
Loans and advances	411,509,915	19,055,703	60,243,459	3,100,367	-	493,909,444	4.26%
Total assets	431,901,000	111,844,068	60,243,459	3,100,367	1,704,091	608,792,985	
LIABILITIES							
Deposits	437,778,539	102,022,967	9,481,601	-	-	549,283,107	1.99%
Other payables	-	-	-	-	1,179,350	1,179,350	N/A
Total liabilities	437,778,539	102,022,967	9,481,601	-	1,179,350	550,462,457	

2017	Floating interest rate	Fixed interest rate maturing			Non-interest sensitive	Total	Eff. interest rate
		Within 1 year	1-5 years	Over 5 years			
	$	$	$	$	$	$	%
ASSETS							
Cash and cash equivalents	19,091,585	1,001,118	-	-	-	20,092,703	1.88%
Financial assets AFS	-	-	-	-	1,128,715	1,128,715	N/A
Other receivables	-	-	-	-	761,578	761,578	N/A
Financial assets HTM	-	110,734,903	-	-	-	110,734,903	2.42%
Loans and advances	415,327,604	23,874,480	37,639,099	-	-	476,841,183	4.40%
Total assets	434,419,189	135,610,501	37,639,099	-	1,890,293	609,559,082	
LIABILITIES							
Deposits	448,037,102	96,418,961	7,614,402	-	-	552,070,465	2.19%
Other payables	-	-	-	-	897,799	897,799	N/A
Total liabilities	448,037,102	96,418,961	7,614,402	-	897,799	552,968,264	

3. FINANCIAL RISK MANAGEMENT (continued)

(f) Operational risk

Operational risk is the risk of loss to MOVE Bank resulting from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in MOVE Bank relate mainly to legal, compliance, business continuity, data infrastructure, outsourced services, fraud, and employee errors.

MOVE Bank's objective is to manage operational risk so as to balance the avoidance of financial losses through the implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of policies and systems to monitor the likelihood of the events and minimise the impact.

Systems of internal control are enhanced through:

- The segregation of duties between employee duties and functions, including approval and processing duties;
- Documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour;
- Implementation of whistleblowing policies to promote a compliance culture and awareness of duty to report exceptions by staff;
- Education of members to review their account statements and report exceptions to MOVE Bank promptly;
- Effective dispute resolution procedures to respond to member complaints;
- Effective insurance arrangements to reduce the impact of losses;
- Contingency plans for dealing with loss of functionality of systems or premises or staff; and
- The use of a software system designed to manage controls and compliance related tasks.

Fraud

Fraud can arise from members' banking activities including where either PIN or passwords become compromised as a result of members failing to protect them adequately. It can also arise from other system failures.

MOVE Bank has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail ADIs fraud is potentially a real cost to MOVE Bank. Fraud losses have arisen from Visa card transactions and internet banking activity.

IT Systems

MOVE Bank manages the majority of its IT environment with the contracted support of specialist organisations. MOVE Bank's investment in its IT environment and training of the IT staff is significant so as to ensure that MOVE Bank is able to meet member expectations and service requirements.

Other network suppliers are engaged on behalf of MOVE Bank by Indue to service the settlements with other financial institutions for direct entry, Visa cards, member chequing, New Payments Platform and BPay.

MOVE Bank's disaster recovery site is sufficiently equipped to mitigate the risk of a disaster having a significant impact on MOVE Bank's financial position.

3. FINANCIAL RISK MANAGEMENT (continued)

(g) Capital management

MOVE Bank is regulated by APRA. As a result, MOVE Bank must, for capital adequacy purposes, hold the minimum levels of capital required by Australian Prudential Standard (APS) 110 Capital Adequacy. As part of these requirements MOVE Bank must hold Tier 1 capital and may also include tier 2 capital as part of its required capital holding up to certain prescribed limits.

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

(a) provide a permanent and unrestricted commitment of funds;
(b) are freely available to absorb losses;
(c) do not impose any unavoidable servicing charge against earnings; and
(d) rank behind claims of depositors and other creditors in the event of winding up.

For the purpose of calculating MOVE Bank's capital base, Tier 1 capital consists of retained earnings, realised reserves, and current year earnings. MOVE Bank's Tier 1 capital consists entirely of Common Equity Tier 1 capital.

Tier 2 capital includes other components that, to varying degrees, fall short of the quality of Tier 1 capital, however still contribute to the overall strength of the financial institution as a going concern. Tier 2 capital consists of the general reserve for credit losses.

Capital held by MOVE Bank comprises:

Tier 1 Capital	2018 $	2017 $
General reserve	57,396,917	56,694,475
Retained earnings	933,056	1,187,984
Asset revaluation reserve	3,308,514	3,308,514
Capitalised loan origination and settlement costs	(152,547)	(150,951)
Prescribed deductions	(1,692,985)	(1,829,715)
Net Tier 1 capital	**59,792,955**	**59,210,307**

Tier 2 Capital	2018 $	2017 $
Reserve for credit losses	1,426,678	955,056
Net Tier 2 capital	**1,426,678**	**955,056**
Total Capital	**61,219,633**	**60,165,363**
Less deductions from total capital	-	-
Total Capital	**61,219,633**	**60,165,363**

APRA requires authorised deposit-taking institutions (ADIs) to maintain a minimum capital ratio of 8% of risk weighted assets at any given time in accordance with Prudential Standards. In addition, APRA imposes ADI specific minimum capital ratios.

MOVE Bank's capital ratios as at the end of the financial year for the past 5 years are as follows:

Year	Capital ratio
2018	21.46%
2017	20.79%
2016	20.57%
2015	20.00%
2014	19.90%

The level of capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. MOVE Bank measures the capital ratio on a monthly basis and monitors any major movements in asset levels.

Policies have been implemented which require reporting to the Board and the regulator if the capital ratio falls below 15%.

During the financial year, MOVE Bank has complied in full with capital ratio requirements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements.

Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Impairment of non-financial assets

MOVE Bank assesses impairment of all assets at each reporting date by evaluating conditions specific to MOVE Bank and to the particular asset that may lead to impairment. No impairment indicators were noted during this review.

Fair value of property, plant and equipment

Refer to Note 14.

(ii) Significant accounting estimates and assumptions

Estimation of useful life of an asset

The estimation of the useful life of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment), remainder of lease term (for leasehold improvements) and turnover policies (for motor vehicles).

In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life and adjustments are made when considered necessary.

Depreciation charges are included in Note 14.

Impairment of financial assets

Refer to note 3(c) for policies regarding impairment of financial assets.

5. INCOME

	2018 $	2017 $
(a) Interest income on assets carried at amortised cost		
Cash and cash equivalents	339,037	341,547
Financial assets held to maturity	2,263,524	2,619,729
Loans and advances	21,021,960	21,325,300
Total interest income	23,624,521	24,286,576
(b) Non-interest income		
Fees and commissions	1,985,234	2,178,023
Dividends received - other corporations	77,994	116,983
Bad debts recovered	17,286	18,418
Other	1,174	2,441
	2,081,688	2,315,865
TOTAL INCOME	25,706,209	26,602,441

6. EXPENSES

	2018 $	2017 $
(a) Interest expense on liabilities carried at amortised cost		
Borrowings	2,283	2,392
Deposits	10,965,642	12,775,697
Total interest expense	10,967,925	12,778,089
(b) Employee benefits expense		
Wages, salaries and other employee benefits expense	5,913,141	5,410,143
Workers' compensation costs	12,194	12,683
Defined contribution superannuation expense	454,017	451,430
Total employee benefits expense	6,379,352	5,874,256
(c) Depreciation and amortisation expense		
Depreciation of property, plant and equipment		
Buildings	99,996	117,996
Plant and equipment	568,893	544,262
Total depreciation of property, plant and equipment	668,889	662,258
Amortisation of intangible assets		
Computer software	357,751	290,161
Total amortisation of intangible assets	357,751	290,161
Total depreciation and amortisation expense	1,026,640	952,419
(d) Impairment		
Impairment of loans and advances	890,909	288,924
(e) Other expenses		
Audit and other accounting expenses	260,390	270,726
Director fees and other expenses	371,877	408,770
Information technology expenses	1,173,375	990,911
Marketing and promotion expenses	774,338	703,318
Member transaction expenses	913,287	927,913
Operating lease expenses	248,163	250,191
Other occupancy expenses	222,684	200,842
Other expenses	822,529	842,102
Telephone and postage expenses	349,510	392,974
Total other expenses	5,136,153	4,987,747

7. INCOME TAX

	2018 $	2017 $
(a) Income tax expense		
The major components of income tax expense are:		
Current income tax		
Current income tax charge	747,146	543,303
Over provision of income tax in prior year	(35,095)	300
Deferred income tax		
Relating to origination and reversal of temporary differences	(339,877)	(10,581)
Income tax expense	372,174	533,022

(b) Reconciliation of income tax expense to prima facie tax payable

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by MOVE Bank's applicable income tax rate is as follows:

	2018 $	2017 $
Accounting profit before tax	1,305,230	1,721,006
At Company's statutory income tax rate of 30% (2017: 30%)	391,569	516,302
Adjustments in respect of current income tax of previous years		
Non-deductible entertainment	15,702	16,422
Rebatable fully franked dividends	(10,028)	(15,041)
Other non-deductible items	10,026	15,039
Over provision of income tax in prior year	(35,095)	300
Aggregative income tax expense	372,174	533,022

(c) Recognised deferred tax assets and liabilities

Deferred income tax at 30 June relates to the following:

(i) Deferred tax liabilities

	2018 $	2017 $
Land & buildings - recognised in other comprehensive income	280,345	280,345
Land & buildings - recognised in profit or loss	464,568	516,134
Gross deferred tax liabilities	744,913	796,479

(ii) Deferred tax assets

	2018 $	2017 $
Provisions	603,959	445,586
Depreciation	118,454	51,515
Other	102,144	59,747
Gross deferred tax assets	824,557	556,848
Net deferred tax asset/(liabilities)	76,644	(239,631)

7. INCOME TAX (continued)

(d) The movement in deferred tax assets and liabilities for each temporary difference during the year is as follows:

Deferred income tax at 30 June relates to the following:

(i) Deferred tax liabilities

	2018 $	2017 $
Land & buildings – recognised in other comprehensive income		
Opening balance	280,345	249,146
Change recognised in other comprehensive income	-	31,199
Closing balance	280,345	280,345
Land & buildings – recognised in profit or loss		
Opening balance	516,134	569,596
Prior year adjustment	562	804
Change recognised in profit or loss	(52,128)	(54,266)
Closing balance	464,568	516,134
Gross deferred tax liabilities	744,913	796,479

(ii) Deferred tax assets

	2018 $	2017 $
Provisions		
Opening balance	445,586	512,606
Change recognised in profit or loss	158,373	(67,020)
Closing balance	603,959	445,586
Depreciation		
Opening balance	51,515	23,275
Prior year adjustment	(20,040)	(2,190)
Change recognised in profit or loss	86,979	30,430
Closing balance	118,454	51,515
Other		
Opening balance	59,747	66,842
Change recognised in profit or loss	42,397	(7,095)
Closing balance	102,144	59,747
Gross deferred tax assets	824,557	556,848
Net deferred tax asset/(liabilities)	76,644	(239,631)

(e) Franking credit balance

	2018 $	2017 $
Balance of the franking account at year-end adjusted for franking credits or debits arising from payment of the provision for income tax or receipt of dividends receivable at the end of the reporting period based on a tax rate of 30% (2017: 30%)	24,314,964	24,285,621

8. CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Deposits with ADI's	20,391,085	20,092,703
	20,391,085	20,092,703

(a) Reconciliation to Statement of Cash Flows

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

Deposits with ADI's	20,391,085	20,092,703
	20,391,085	20,092,703

(b) Fair value

Refer to Note 29(c) for details of the fair value of these financial instruments.

9. FINANCIAL ASSETS AVAILABLE FOR SALE

	2018 $	2017 $
At cost		
Shares in other entities	1,128,715	1,128,715
	1,128,715	1,128,715
Amount of financial assets available for sale expected to be recovered more than 12 months after the reporting date	1,128,715	1,128,715

(a) Shares in Cuscal Limited (Cuscal) and Indue Ltd (Indue)

The shareholdings in Cuscal and Indue are measured at cost as their fair value cannot be measured reliably. These companies provide transactional banking solutions to various financial institutions across Australia. The shares are not publicly traded and are not redeemable.

The financial statements of these companies record net tangible assets backing for these shares exceeding their cost value. Based on the net assets of these companies any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily. MOVE Bank is not able to dispose of these shares without the Board's approval.

10. OTHER RECEIVABLES

	2018 $	2017 $
Accrued interest	385,451	580,027
Sundry debtors	189,925	181,551
	575,376	761,578
Amount of other receivables expected to be recovered more than 12 months after the reporting date	-	-

(a) Fair value

Refer to Note 29(c) for details of the fair value of these financial instruments.

11. FINANCIAL ASSETS HELD TO MATURITY

	2018 $	2017 $
ADI interest bearing deposits	92,788,365	110,734,903
	92,788,365	110,734,903
Amount of financial assets held to maturity expected to be recovered more than 12 months after the reporting date	24,700,000	27,000,000

(b) Fair value

Refer to note 29(c) for details of the fair value of these financial instruments.

12. LOANS AND ADVANCES

	2018 $	2017 $
Overdrafts	71,663,163	83,719,333
Term loans	423,588,433	393,777,961
Gross loans and advances	495,251,596	477,497,294
Deferred application fees	(262,432)	(242,092)
Deferred loan document and settlement costs	152,547	150,951
Specific provisions for impairment (note 13)	(1,232,267)	(564,970)
Net loans and advances	493,909,444	476,841,183
Amount of loans and advances expected to be recovered more than 12 months after the reporting date	470,692,371	454,648,831

(a) Collateral held

MOVE Bank holds collateral against loans and advances to members as detailed below:

Loans and advances with no collateral	19,834,109	20,990,930
Loans and advances with collateral	475,417,487	456,506,364
Gross loans and advances	495,251,596	477,497,294

Where collateral is held, it is in the form of mortgage interests over property, other registered securities over assets, mortgage insurance and guarantees. The fair value of the collateral is measured at the time of providing the loan or advance and is required to be no less than 100% of the loan or advance not including capitalised fees and insurances. The fair value of the collateral is generally not updated except when a loan or advance is individually assessed as impaired. Collateral is usually not held over loans and advances to, or deposits with, other financial institutions. Collateral is usually not held against non-property investment securities.

(b) Fair value

Refer to note 29(c) for details of the fair value of these financial instruments.

13. IMPAIRMENT OF LOANS AND ADVANCES

(a) Provisions for impairment

	2018 $	2017 $
Opening balance	564,970	887,760
Doubtful debts (income)/expense	667,297	(322,790)
Closing balance	1,232,267	564,970

Details of credit risk management are set out in Note 3(c).

(b) Provision for impairment calculation

	2018 $	2017 $
Provision prescribed by Prudential Standards	677,208	392,527
Additional specific provision	555,059	172,443
Closing balance	1,232,267	564,970

(c) Impairment expense on loans and advances

	2018 $	2017 $
Movement in provision for impairment	667,297	(322,790)
Bad debts written off directly to profit or loss	223,612	611,714
	890,909	288,924

(d) Assets acquired from loan recovery

There were no assets acquired by MOVE Bank during the financial year. The policy of MOVE Bank is to exercise its power to sell the assets via auction at the earliest opportunity, after the measures to assist the members to repay the debts have been exhausted.

(e) Loans and advances by impairment class

	2018 $	2017 $
Net impaired loans and advances – refer 13 (f)	1,245,597	493,960
Past due but not impaired – refer 13(g)	3,224,688	4,713,985
Neither past due or impaired – refer 13(h)	489,549,762	471,724,379
Deferred loan fees	(110,603)	(91,141)
Net loans and advances	493,909,444	476,841,183

(f) Impaired loans and advances

	2018 $	2017 $
Impaired loans	2,477,864	1,058,930
Provision for impairment	(1,232,267)	(564,970)
	1,245,597	493,960

Individually impaired loans and advances to members at reporting date:

Purpose analysis	2018 $	2017 $
Housing	1,619,371	286,143
Personal including revolving credit	858,493	772,787
Provision for impairment	(1,232,267)	(564,970)
Carrying amount	1,245,597	493,960

13. IMPAIRMENT OF LOANS AND ADVANCES (continued)

Aging analysis	2018 $	2017 $
Past due [0-90] days in arrears	997,481	224,526
Past due [90-180] days in arrears	338,853	506,038
Past due [180-272] days in arrears	291,258	153,293
Past due [273-364] days in arrears	41,393	27,564
Past due [365] days and over in arrears	808,879	147,509
Provision for impairment	(1,232,267)	(564,970)
Carrying amount	1,245,597	493,960

(g) Past due but not impaired loans and advances

These loans are not considered impaired as the value of the related security over residential property is in excess of the loan due. Refer Note 12(a) for details of security held. Past due values are the 'on-balance sheet' loan balances.

Purpose analysis	2018 $	2017 $
Housing	2,369,697	4,497,421
Personal including revolving credit	854,991	216,564
Carrying amount	3,224,688	4,713,985

Aging analysis	2018 $	2017 $
Past due [0-90] days in arrears	2,743,486	3,176,288
Past due [90-180] days in arrears	-	689,035
Past due [180-272] days in arrears	167,908	187,522
Past due [273-364] days in arrears	-	258,996
Past due [365] days and over in arrears	313,294	402,144
Carrying amount	3,224,688	4,713,985

(h) Neither past due nor impaired loans and advances

Purpose analysis	2018 $	2017 $
Housing	459,065,037	442,854,477
Personal including revolving credit	30,484,725	28,869,902
Carrying amount	489,549,762	471,724,379

All loans and advances that are neither past due nor impaired are with members who are meeting the terms and conditions of their credit agreements. The above values include the balance of restructured loans and advances.

14. PROPERTY, PLANT AND EQUIPMENT

	2018 $	2017 $
Land and buildings		
At valuation	4,000,000	4,000,000
Accumulated depreciation	(99,996)	-
Net carrying amount	3,900,004	4,000,000
Plant and equipment		
At cost	3,297,290	3,585,651
Accumulated depreciation	(2,245,183)	(2,053,996)
Net carrying amount	1,052,107	1,531,655
Total property, plant and equipment		
At valuation	4,000,000	4,000,000
At cost	3,297,290	3,585,651
	7,297,290	7,585,651
Accumulated depreciation and impairment	(2,345,179)	(2,053,996)
Net carrying amount	4,952,111	5,531,655

(a) Reconciliation of carrying amounts at the beginning and end of the period

	2018 $	2017 $
Land and buildings		
Net carrying amount at beginning of the year	4,000,000	4,014,008
Revaluation	-	103,988
Depreciation charge	(99,996)	(117,996)
Balance at the end of the year	3,900,004	4,000,000
Plant and equipment		
Net carrying amount at beginning of the year	1,531,655	1,757,246
Additions	89,345	318,671
Depreciation charge for the year	(568,893)	(544,262)
Balance at the end of the year	1,052,107	1,531,655

(b) Revaluation of land and buildings

The valuations of freehold land and buildings were carried out by an independent firm, John Watt and Associates Valuers and Development Consultants on 18 March 2017.

The current market value of the property has been assessed on the basis of direct comparison reflecting a rate per square metre of floor area with a check valuation carried out on the basis of a capitalisation of the estimated net return. The revaluation was based on this market value. The revaluation was made in accordance with a policy to revalue land and buildings every three years. Land and buildings were re-valued to $4,000,000 as at 30 June 2018 based on directors' most recent valuation.

(c) If revalued land and buildings were stated at historical cost, amounts would be as follows:

	2018 $	2017 $
Cost	1,347,967	1,347,967
Accumulated depreciation	(1,177,973)	(1,124,054)
Net book value	169,994	223,913

15. INTANGIBLE ASSETS

	2018 $	2017 $
Computer software		
At cost	2,197,529	2,357,765
Accumulated amortisation	(1,712,903)	(1,656,765)
Net carrying amount	484,626	701,000

(a) Reconciliation of carrying amount at beginning and end of the period

	2018 $	2017 $
Computer software		
Balance at the beginning of the year at cost	701,000	638,856
Additions	229,895	352,305
Disposals and write offs	(88,518)	-
Amortisation expense	(357,751)	(290,161)
Balance at the end of the year	484,626	701,000

16. DEPOSITS

	2018 $	2017 $
Call deposits (including withdrawable shares)	437,778,539	448,037,102
Term deposits (including accrued interest)	111,504,568	104,033,363
	549,283,107	552,070,465
Amount of deposits expected to be settled more than 12 months after the reporting date	9,481,601	7,614,402

(a) Concentration of deposits

There are no concentrations of deposits greater than 10% of total deposits.

(b) Fair value

Refer to note 29(c) for details of the fair value of these financial instruments.

17. OTHER PAYABLES

	2018 $	2017 $
Annual leave and other employee entitlements	531,151	315,766
Sundry creditors and accrued expenses	648,199	582,033
	1,179,350	897,799
Amount of other payables expected to be paid more than 12 months after the reporting date	-	-

(a) Fair value

Refer to Note 29(c) for details of the fair value of these financial instruments.

18. PROVISIONS

	2018 $	2017 $
Long service leave and associated costs	567,415	683,512
Amount of provisions expected to be paid more than 12 months after the reporting date	145,127	231,597

19. REDEEMED PREFERENCE SHARE CAPITAL

	2018 $	2017 $
Redeemed preference share capital	199,140	185,220

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

20. RESERVES

	Credit loss reserve (a) $	Asset revaluation reserve (b) $	General reserve (c) $	Total $
At 1 July 2016	959,551	3,235,725	56,698,170	60,893,446
Transfers				
- Credit loss reserve	(4,495)	-	4,495	-
- General reserve	-	72,789	1,179,794	1,252,583
At 30 June 2017	955,056	3,308,514	57,882,459	62,146,029
Transfers				
- Credit loss reserve	471,622	-	(471,622)	-
- General reserve	-	-	919,136	919,136
At 30 June 2018	1,426,678	3,308,514	58,329,973	63,065,165

Nature and purpose of reserves

(a) Credit loss reserve

The credit loss reserve records amounts previously set aside as a general provision and is maintained to comply with the Prudential Standards as set by APRA. During the year the Board varied its policy for the calculation of the Credit Loss Reserve, increasing the reserve requirement from 0.2% of outstanding loan balances to 0.50% of credit risk weighted assets.

(b) Asset revaluation reserve

The asset revaluation reserve records revaluations of land and buildings.

(c) General reserve

The general reserve records funds set aside for future expansion and to ensure the prudential strength of MOVE Bank.

21. CASH FLOW STATEMENT RECONCILIATION

(a) Cash flows presented on a net basis

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

(a) Deposits in and withdrawals from savings, money market and other deposit accounts;
(b) Sales and purchases of dealing securities (if applicable);
(c) Sales and purchases of maturing certificates of deposit;
(d) Short-term borrowings; and
(e) Provision of member loans and the repayment of such loans.

(b) Reconciliation of net profit after tax to net cash flows from operating activities

	2018 $	2017 $
Net profit	933,056	1,187,984
Adjustments for:		
Depreciation	668,889	662,258
Amortisation	357,751	290,161
Impairment of loans in advances	890,909	288,924
Net loss on disposal of intangible assets	88,518	-
Changes in assets and liabilities		
(Increase)/Decrease in other receivables	186,202	(140,525)
(Increase)/Decrease in financial assets held to maturity	17,946,538	(22,387,621)
(Increase)/Decrease in loans and advances	(17,959,170)	1,579,783
(Increase)/Decrease in other assets	(4,710)	(129,148)
(Decrease)/Increase in current tax payable	450,818	(162,628)
(Decrease)/Increase in provisions	(116,097)	96,074
(Decrease)/Increase in other payables	281,551	131,156
(Decrease)/Increase in net deferred taxes	(319,275)	(7,587)
(Decrease)/Increase in deposits	(2,787,358)	24,563,022
Net cash inflows from operating activities	617,622	5,971,853

22. COMMITMENTS

(a) Leasing commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements, payable monthly in advance:

	2018 $	2017 $
Within one year	244,899	251,144
After one year but not more than five years	322,007	566,488
After more than five years	-	-
Total minimum lease payments	566,906	817,632

22. COMMITMENTS (continued)

(a) Leasing commitments (continued)

Operating lease commitments comprise 3 leases:

(i) Ground Floor, 179 Ann Street, Brisbane - a five year extension of lease with monthly payments in advance. The lease expires on 30 June 2020.
(ii) Rockhampton Regional Office - this lease is currently operating on a month to month basis with negotiations in progress for establishment of a fixed term lease.
(iii) Central Railway Station, Brisbane (Plaza Level) – a five year lease with monthly payments in advance effective from 16 December 2015 and expiring 15 December 2020.

(b) Outstanding loan commitments

Loans and credit facilities approved but not funded or drawn at the end of the financial year:

	2018 $	2017 $
Loans approved but not funded	10,505,316	8,617,257
Undrawn overdrafts	54,605,097	79,432,312

23. CONTINGENCIES

Credit Union Financial Support Scheme (CUFSS)

MOVE Bank is a participant in CUFSS. The purpose of the CUFSS is to protect the interests of Credit Union members, increase stability in the industry and provide liquidity in excess of current borrowing limits in times of need.

The balance of the debt at 30 June 2018 was Nil (2017: Nil).

24. AUDITORS' REMUNERATION

The auditor of MOVE Bank is BDO Audit Pty Ltd.

	2018 $	2017 $
Amounts received or due and receivable by BDO Audit Pty Ltd for:		
▪ An audit or review of the financial report of MOVE Bank	76,500	76,500
▪ Regulatory or prudential audits	41,500	41,500
	118,000	118,000

25. STANDBY BORROWING FACILITIES

MOVE Bank has a gross borrowing facility of:

	Approved Facility $	Current Borrowing $	Net Available $
2018			
Corporate Online Funds Transfer (NAB)	1,000,000	-	1,000,000
	1,000,000	-	1,000,000
2017			
Corporate Online Funds Transfer (NAB)	1,000,000	-	1,000,000
	1,000,000	-	1,000,000

The borrowing facilities are not secured and there are no restrictions in relation to these facilities.

26. KEY MANAGEMENT PERSONNEL

(a) Directors

The names of the Directors of MOVE Bank who have held office during the financial year are:

Andrew R Haynes
Bronwyn (Bron) D Davies
Kellie L Dyer
Andrew J Hughes
Sean O'Donnell
Scott J Riedel
Michael (Mick) F Skinner

(b) Remuneration of Key Management Personnel

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of MOVE Bank, directly or indirectly, including any Director (whether executive or otherwise) of MOVE Bank.

KMP comprises 7 Directors (2017: 7) and 8 (2017: 3) members of the Management responsible for the day-to-day financial and operational management of MOVE Bank. Remuneration of KMP also includes 3 additional executives who left the employment of MOVE Bank during the year.

The names of managers who are KMP in office as at reporting date were:

Therese Turner, Chief Executive Officer (CEO)
Jeff Urquhart, Chief Financial Officer (CFO)
Bernard Luton, Company Secretary and Chief Risk Officer (CRO)
Nikki Hutson, Chief People Officer (CPO)
Geoff Ryan, Chief Information Officer (CIO)
Stephen Shorten, Lending Manager
Rachel Young, Marketing Manager
Michelle Harrod, Member Experience Manager

26. KEY MANAGEMENT PERSONNEL (continued)

Remuneration of Key Management Personnel (continued)

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

	Directors		Other KMP	
	2018	2017	2018	2017
	$	$	$	$
Short-term employee benefits	251,303	248,041	1,447,212	854,546
Termination payment (including long-service leave and annual leave)	-	-	501,207	-
Post-employment (including superannuation)	23,874	23,564	112,341	73,726
Other long-term (including long-service leave and annual leave)	-	-	137,366	81,646
	275,177	271,605	2,198,126	1,009,918

Remuneration shown as short term benefits means (where applicable) wages, salaries, sick leave, bonuses and the value of fringe benefits received, but excludes out of pocket expense reimbursements.

All remuneration to Directors was approved by the members at the previous Annual General Meeting of MOVE Bank.

(c) Loans to KMP and their Close Family Members

All loans disbursed to KMP were approved on the same terms and conditions applicable to members for each class of loan, with the exception of those KMP who are not Directors. There are no loans that are impaired in relation to the loan balances with KMP.

KMP who are not Directors receive a concessional rate of interest on their loans and facilities. These benefits, where subject to fringe benefits tax, are included in the remuneration in (b) above.

There are no benefits or concessional terms and conditions applicable to the close family members of the KMP. There are no loans that are impaired in relation to the loan balances with close family relatives of KMP.

	2018	2017
	$	$
The aggregate value of loans	6,331,917	5,185,830
The total value of other credit facilities to KMP as at the balance date amounted to:	193,000	323,000
Less amounts drawn down and included in the above balance	(37,540)	(170,551)
Net balance available	155,460	152,449
During the year the aggregate value of loans disbursed to KMP amounted to:		
Term loans	343,852	2,048,757
	343,852	2,048,757
During the year the aggregate value of revolving credit facility limits granted or increased to KMP amounted to:	-	42,633
Interest and other revenue earned on loans and revolving credit facilities to KMP and related parties	230,605	179,072

26. KEY MANAGEMENT PERSONNEL (continued)

(d) Other Transactions of KMP and their Close Family Members

KMP have received interest on deposits with MOVE Bank during the financial year. Interest has been paid to Directors on terms and conditions no more favourable than those available on similar transactions to members of MOVE Bank. MOVE Bank provides a 1% bonus interest rate on term deposits to Executives and other staff members. During the year one executive received this bonus interest.

	2018	2017
	$	$
Total value term and savings deposits at year end	823,423	435,611
Total interest paid on deposits	11,153	5,798

MOVE Bank's policy for receiving deposits from other related parties and in respect of other related party transactions, is that all transactions are approved and deposits accepted on the same terms and conditions that apply to members for each type of deposit.

There are no benefits paid or payable to the close family members of the KMP. There are no service contracts to which KMP or their close family members are an interested party.

27. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

No matters or circumstance have arisen since the end of the reporting period which have significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs of MOVE Bank in subsequent financial years.

28. CLASSES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following is a summary of financial instruments by class.

	2018	2017
	$	$
Loans and receivables - measured at amortised cost		
Cash and cash equivalents	20,391,085	20,092,703
Other receivables	575,376	761,578
Loans and advances	493,909,444	476,841,183
	514,875,905	497,695,464
Held to maturity investments - measured at amortised cost		
Financial assets held to maturity	92,788,365	110,734,903
Financial assets available for sale or at cost		
Financial assets	1,128,715	1,128,715
Financial liabilities measured at amortised cost		
Deposits	549,283,107	552,070,465
Other payables	1,179,350	897,799
	550,462,457	552,968,264

29. FAIR VALUE MEASUREMENT

(a) Fair value hierarchy

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

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

Fair values for assets and liabilities traded in active markets are based on quoted market prices at reporting date. The quoted market price for financial assets is the current bid price. The fair value of assets and liabilities that are not traded in an active market are determined using valuation techniques. To the extent possible assumptions used are based on observable market prices and rates at the end of the reporting date.

(b) Fair value estimates

The fair value estimates were determined as follows:

Cash and cash equivalents and other receivables
The carrying values approximate their fair value as they are short term in nature or are receivable on demand.

Investments
(i) Assets measured at cost: Fair value is not reasonably determinable due to the unpredictable nature of cashflow and lack of suitable method of arriving at a reliable fair value.

The shareholdings in Cuscal and Indue are measured at cost as their fair value cannot be measured reliably. These companies were created by credit unions to supply services to the shareholding credit unions. Originally shares were held in Cuscal to enable MOVE Bank to receive essential banking services.

During the 2015/16 year MOVE Bank purchased shares in Indue which now provides the banking services to MOVE Bank. The shares in both companies are not able to be publicly traded and are not redeemable.

The financial reports of Cuscal and Indue record net tangible assets backing of these shares exceeding their cost value. Based on net assets of Cuscal and Indue, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily. Shares may be sold to other shareholders of the companies.

(ii) Assets measured at amortised cost: The carrying values of financial assets held to maturity approximate their fair value due to the short-term maturities of these securities.

29. FAIR VALUE MEASUREMENT (continued)

Fair value estimates (continued)

Loans and advances
For variable rate loans the carrying value is a reasonable estimate of fair value. The fair value for fixed rate loans was calculated by utilising discounted cash flow models based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio as at 30 June 2018.

Other payables
The carrying value approximates their fair value as they are short term in nature.

Deposits
The fair value of at call and variable rate deposits, and fixed rate deposits repriced within twelve months, approximates the carrying value. Discounted cash flow models based upon deposit types and related maturities were used to calculate net fair value of other term deposits. The discount rates applied were based on the current benchmark rate offered for the actual remaining term of the portfolio as at 30 June 2018.

(c) Financial assets and liabilities

The table below summarises the fair values of financial assets and liabilities at reporting date.

		2018		2017	
	Note	Carrying value $	Fair value $	Carrying value $	Fair value $
Financial Assets					
Cash and cash equivalents	8	20,391,085	20,391,085	20,092,703	20,092,703
Other receivables	10	575,376	575,376	761,578	761,578
Financial assets held to maturity	11	92,788,365	92,788,365	110,734,903	110,734,903
Loans and advances	12	493,909,444	495,782,056	476,841,183	478,609,362
Financial assets available for sale at cost	9	1,128,715	1,128,715	1,128,715	1,128,715
Financial Liabilities					
Deposits	16	549,283,107	549,585,638	552,070,465	552,507,857
Other payables	17	1,179,350	1,179,350	897,799	897,799

The values reported have not been adjusted for any changes in credit ratings of the assets.

(d) Fair value hierarchy levels

The table below categorises assets and liabilities measured and recognised at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised.

	Level 1 $	Level 2 $	Level 3 $	Total $
2018				
Financial Assets				
Financial assets available for sale	-	1,128,715	-	1,128,715
Non-Financial assets				
Land and buildings	-	-	3,900,004	3,900,004
2017				
Financial Assets				
Financial assets available for sale	-	1,128,715	-	1,128,715
Non-Financial Assets				
Land and buildings	-	-	4,000,000	4,000,000

29. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy levels (continued)

Other financial assets carried at cost

No fair value disclosures have been provided for financial assets available for sale (equity investment securities) of $1,128,715 (2017: $1,128,715) that are measured at cost because their fair value cannot be reliably measured. This pertains to the investments in Cuscal and Indue, entities that provide products and services such as transaction processing, settlement services and ATM network services to members and other financial institutions.

Transfers into and out of the different fair value hierarchy levels are recognised at the date the event or change in circumstances that caused the transfer to occur. There have been no significant transfers into or out of each level during the year ended 30 June 2018 or the prior year.

The table below categorises assets and liabilities not measured and recognised at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised.

	Level 1 $	Level 2 $	Level 3 $	Total Fair Values $	Total Carrying Amount $
2018					
Financial assets					
Financial assets HTM	-	92,788,365	-	92,788,365	92,788,365
Loans and advances	-	495,782,056	-	495,782,056	493,909,444
Financial Liabilities					
Deposits	-	549,585,638	-	549,585,638	549,283,107
2017					
Financial Assets					
Financial assets HTM	-	110,734,903	-	110,734,903	110,734,903
Loans and advances	-	478,609,362	-	478,609,362	476,841,183
Financial Liabilities					
Deposits	-	552,507,857	-	552,507,857	552,070,465

(e) Level 3 fair value hierarchy

	2018 $	2017 $
Movements in level 3 of the fair value hierarchy		
Balance at the beginning of the financial year	4,000,000	4,014,008
Losses recognised in profit or loss	(99,996)	(117,996)
Gains recognised in other comprehensive income	-	103,988
Balance at the end of the financial year	3,900,004	4,000,000
Total gains/losses for the period included in other income in profit or loss that relate to assets held at the end of the reporting period	-	-

29. FAIR VALUE MEASUREMENT (continued)

Level 3 fair value hierarchy (continued)

Valuation techniques used to derive level 3 fair values recognised in the financial statements

The following table sets out the valuation techniques used to measure fair value within Level 3, including details of the significant unobservable inputs used and the relationship between unobservable inputs and fair value.

Description	Valuation approach	Unobservable inputs	Range of inputs	Relationship between unobservable inputs and fair value
Land and Buildings	Sale price comparison approach undertaken by an external valuer or the Board. Sales prices of comparable land and buildings in a similar location are adjusted for differences in key attributes such as property size and standard. The valuation model is based on a price per square metre.	Sale Prices	$2,972 to $5,000 per square metre	The greater the sales price per square metre of the property the greater the fair value.

Directors' Declaration

The Directors of Railways Credit Union Limited trading as MOVE Bank declare that:

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

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

(ii) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date.

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

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

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

Andrew Haynes

Andrew R Haynes
Chair
Brisbane

Mick Skinner

Michael (Mick) F Skinner
Chair - Audit & Compliance Committee
Brisbane

Dated this 27th day of September 2018.

BDO

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Railways Credit Union Ltd (Trading as MOVE Bank)

Report on the Audit of the Financial Report

Opinion

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

In our opinion the accompanying financial report of Railways Credit Union Ltd (Trading as MOVE Bank), is in accordance with the *Corporations Act 2001*, including:

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

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_files/ar3.pdf.

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO
Paul Gallagher

P A Gallagher
Director

Brisbane, 28 September 2018

MOVE
BANK

MOVE BANK

Member Contact Centre

T. 1300 362 216 **F.** 07 3221 1672

E. info@movebank.com.au **M.** GPO Box 648, Brisbane QLD 4001

movebank.com.au

/MOVEBanksocial /MOVEBanksocial @MOVEBanksocial

ABN 91 087 651 090 **AFSL/Australian credit licence 234536**

Railways Credit Union Limited trading as MOVE Bank