Laboratories Credit Union

68th Annual Report 2021/22

Laboratories Credit Union Limited | ABN 77 087 650 217
AFSL / Australian Credit Licence 240807

LCU
banking you can trust

Contents

Chairman's Report

A Year of Planning for Change

In this 68th Annual Report of LCU, I am reflecting on the huge amount of planning and work that has been carried out by your Board and LCU staff behind the scenes over the last twelve months, to continue to serve you today and into the future.

One of those changes that has been planned and executed over the year has been the retirement of our General Manager Leanne Harris. I'm sure most of our members would know Leanne, who joined LCU in 1986. Leanne soon became a valued member of staff moving on to become Assistant General Manager and then succeeding Michael Sinclair as General Manager in 2015 when he retired. Her friendly demeanour, disarming smile and commitment to all members receiving personal service has set the tone from the top for LCU that all members have experienced.

Many of you already know Leanne will retire in October this year, generously staying on for an extended hand over to our new CEO, Helen Lorigan. Leanne introduced many new innovations to LCU including: LCU being an inaugural member of ConnXsyn, a platform for sharing loans between credit unions; implementing new investments for LCU in peer-to-peer lending; automating compliance processes, and constantly staying up to date with the latest technology like Apple Pay and Google Pay, OSKO and the LCU App. Leanne understands our members are highly digitally literate and high adoption rates are evidence of her and her team's success. Introducing new banking tech is nothing like upgrading your software at home - these initiatives require painstaking planning, validation and regression testing to ensure systems remain secure and interoperable. Then there are additional behind the scenes upgrades of IT infrastructure and Government initiatives like the more recent Consumer Data Rights (CDR) legislation.

The Board is enormously grateful to Leanne for her calm and devoted leadership of LCU. She has led through a period of economic variability, prior to and after COVID and recently through the extended period of low interest rates. Proudly, in all this time, LCU has not had a member default on a loan under Leanne's prudent leadership and culture of responsible lending - and that includes hardship loans during COVID. LCU has grown in assets by nearly 50% under her watch since 2015.

The search and on-boarding of the person to replace Leanne has also been an extensive, planned project, extending over many months. The Board has previously announced the appointment of Helen Lorigan to the position of CEO. Helen impressed the Board with her experience and knowledge of customer service in the banking sector.

During these changes we have also witnessed interest rates movement unknown to this generation of borrowers. At the beginning of this year, interest rates were still at historical lows of 0.10% rising to 2.35% this month. It is certainly an interesting time in which the Board must consider many and varied scenarios and how LCU thrives whichever way the market travels. Recent rises enable LCU to benefit from its careful financial management over the years building its capital base.

Extensive mandatory IT infrastructure extensions have consumed a significant investment in time and money by LCU. National initiatives such as the Open Banking Programme and implementation of the Consumer Data Rights legislation are large-scale activities that LCU must undertake just to maintain business as usual.

The low interest rate environment in 2021-2022 depressed returns on the LCU capital base with the abovementioned IT investments exacerbating outgoings. Despite these challenges, we have never lost sight of the need to balance the needs of both member borrowers and member depositors – particularly difficult when interest rates are low. We have made a decision to invest $400,000 in IT development from the sale of our small shareholding of shares in CUSCAL, originally an industry body owned by credit unions. Our financial metrics are:

- Net interest margin (the average difference between lending and borrowing rates) of 1.61%, which compares with 1.58% in 2021, and an industry average of 2.14%;
- Continuing to keep fees and charges at sector-leading low levels, and with the headwinds of low interest rates and members continuing to pay down their mortgage loans at record levels, our 68th consecutive pre-tax surplus reduced to $152,571, compared with $923,622 in 2021. This surplus grows LCU member total capital to $16,110,880 and generates a Return on Assets of 0.27% (0.32% in 2021);
- Our critical financial resilience metrics remain within our target comfort zones and well in excess of prudential requirements: Capital Adequacy Ratio was 15.6% (cf. 15.23% 2021) and Minimum Liquid Holdings 16.94% (cf. 19.55% 2021);
- This year we have achieved loan growth of 3.14%, combined with 7.03% deposit growth; and
- Total assets ending June 2022 were $246 million.

LCU has received Government support in prior years (2021: $257,900 and 2020: $83,000) and has not benefited from any support in the current year. We take a conservative, long-term view on our key performance indicators, knowing that investment for the future is a long-term decision and while our surplus has dropped this year, we forecast more favourable surpluses over the next 3 years.

Community

The LCU Tertiary Scholarship program continued in 2021-22 with awards to 9 young people: Rachel Barker, Harry Beasley, Katherine Cannon, Benjamin Ger, Damien Granet, Adelle Thomas, Bianca Vidler, Vivek Waller and Jasper Withers, with the McDonald Clark Award for the highest ATAR going to Bianca Vidler. These awards were presented on the 23rd March 2022 in conjunction with the CSIRO Alumni Scholarship in Physics award. Since LCU launched these scholarships in 1990, we have awarded over $300,000 to over 320 recipients.

Board and Staff Retirements

This year has seen several changes in the Board composition. In April 2022 Peter Steele retired as Director of LCU. He joined in 1990, after serving many, repeat periods as Chair of the Audit Committee. During one of those periods, Peter had carriage of the changeover of the important role of Internal Auditor. I am pleased to say the Internal Auditor appointed remains and is still a much respected and relied upon advisor to the Board. Peter was Chair of the Board from November 1993 to November 1995 and also served on all committees during his term, always willing to bring a member focussed and prudent financial lens to the Board.

Anita Andrew, who joined as a Director in January 2010 and soon became Chair, serving as Chair from November 2013 to November 2016, also retired from the Board in April 2022. Anita also served on all Committees of the Board, with an extensive period as Chair of the Risk Committee. While Anita was Chair she managed the transition of General Managers from Michael Sinclair to Leanne Harris. Like Peter, Anita brought a member centric, prudent and can do approach to the Board.

The Board acknowledges and thanks both Peter and Anita for their contribution over many years, both always willing to assist with additional duties in contributing to the governance of LCU.

The Board is also very grateful for Lyn Slatter who formally retired during the year but in her always giving and helpful approach has actually returned to assist LCU on a casual basis from time to time. If you have a loan with LCU Lyn has probably arranged it for you over her 33 years of service. The Board is very appreciative and wishes to extend its thanks and well wishes to Lyn in her retirement.

I would like to thank my fellow Directors, Frank Benito de Valle, Scott Martin, Tony Murphy (Chair of the Risk Committee), Gordana Papic, John Stephens (Chair of the Board Audit Committee) and Paul Swan (Deputy

Chair and Chair of Innovation Committee) for their contributions over this past year, particularly all the additional time commitments they made in interviews and meetings as we conducted our search for the new leader of LCU.

On behalf of the Board I would also like to acknowledge the friendly service and continuing commitment of our staff: Helen Lorigan, Leanne Harris, Eileen Thoms, Lyn Slatter, Kerrie Griffiths, Susanne Tran-Lowder, Nalini Mannie, Matthew Thoms, Joanne O'Donnell, Betty Ho, Tejas Daulat and Sally Boswell for their efforts in 2021-22. Members appreciate your service and continue to provide excellent feedback on the service they receive from you. I am also sure this year will prove to be another year where the unseen hard work and planning completed by our staff in 2021-22 will result in continued growth of LCU.

In a final note, the Board and staff would like to acknowledge the recent passing of one of our 1954 founding Director's Trevor Clark. Trevor was Head of the Regional Admin Office of CSIRO for many years until his retirement and served LCU over an extended period. Current and past Board members and staff fondly remember Trevor, as he continued his involvement with LCU long past being a director, attending Annual General Meetings and staying connected to the LCU community.

Allison Smart
Chairman 10 October 2022

Directors' Report

Your directors present their report on the Credit Union for the financial year ended 30 June 2022.
The Credit Union is a company registered under the *Corporations Act 2001*.

Information on directors

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

A.J. Smart	Chairman	BComm, LLB, LLM, FCIS.	Director since December 2012 Chairman since November 2019 Remuneration and Nominations Committee since November 2015 (now Chair) Budget/Finance Committee since November 2019
A.S. Martin	Deputy Chairman	BSc(Hons), PhD, FAIP, GAICD	Director since June 2012 Audit Committee since November 2020 Remuneration and Nominations Committee since November 2020
A.S. Andrew	Director	BSc(Hons), PhD, M Env Mgt	Director since January 2010 Retired April 2022 Risk Committee since November 2017 Budget/Finance Committee since November 2018
F. Benito de Valle	Director	B Econ, FAICD, FCIS, FCPA, JP	Director since January 2000 Budget/Finance Committee since November 2011 Audit Committee since November 2018
A.B. Murphy	Director	BSc(Hons), PhD	Director since January 1998 Risk Committee Chair since November 2021 Remuneration and Nominations Committee since November 2019
P.B. Steele	Director	CPA, Grad Dip Tech Management, JP	Director since January 1990 Retired April 2022 Budget/Finance Committee since November 2005 Audit Committee since November 2005
R.J. Stephens	Director	M.Tax, FCA	Director since February 2016 Audit Committee Chairman since November 2016 Remuneration and Nominations Committee since November 2017 Risk Committee since November 2018
P.G. Swan	Director	BSc(Hons), PhD GAICD	Director since November 2017 Deputy Chair since November 2021 Remuneration and Nominations Committee since November 2019 Risk Committee since November 2020
G. Papic	Director	DipComm	Director since June 2022 Budget/Finance Committee

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

Name	Qualifications	Experience
L Harris	Dip. Fin. Services, MBA, MAICD	Company Secretary since May 2015

Directors' meeting attendance

H = Meetings Held in the period of appointment. *A= Attended*

Director	Board		Budget		Audit		Risk		Remuneration and Nominations	
	H	A	H	A	H	A	H	A	H	A
A.S. Andrew	9	9					2	2		
F.J. Benito de Valle	12	12	2	2	4	4				
A.S. Martin	12	11			4	4			6	6
A.B Murphy	12	11					3	3	6	6
P.B. Steele	9	9	2	2	4	4				
A.J. Smart	12	11	2	2					6	6
R.J. Stephens	12	11			4	4	3	3	6	6
P.G. Swan	12	12					3	2	6	6
G. Papic	1	1								

Directors' benefits

No director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Credit Union, a controlled Credit Union, or a related body corporate with a director, a firm of which a director is a member or a Credit Union in which a director has a substantial financial interest, other than that disclosed in Note 30 of the financial report.

Indemnifying officer or auditor

Insurance premiums have been paid to insure each of the directors and officers of the Credit Union, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer of the Credit Union. 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.

No insurance cover has been provided for the benefit of the auditors of the Credit Union.

Principal activities

The principal activities of the Credit Union during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

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

Operating results

The net profit of the Credit Union for the year after providing for income tax was $152,571 [2021: $705,366].

A significant item included in the 2022 results of the Credit Union is the sale of investment in Cuscal. The Credit Union participated in the selective share buy-back offer of Cuscal Limited ordinary shares. As part of the disposal, the Credit Union was required to revalue the shares to the fair value identified in the selective buy-back. The fair value is deemed to be the capital value component of $0.68 cents/share. This required an upwards revaluation adjustment of $341,172 to the carrying value of the investment plus a deferred tax impact of $163,723, both of which have been recognised in Other Comprehensive Income.
Further details of this transaction are outlined in Note 10.

Dividends

No dividends have been paid or declared on members shares since the end of the financial year and no dividends have been recommended or provided for by the directors of the Credit Union.

Review of results

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

The result for the year was affected by:

Trading conditions during the financial year were met with some challenges in the first half, but picked up in the second half with loan demand increasing and deposits growth continuing to remain strong. The cash rate as determined by the Reserve Bank of Australia remained at a historical low of 0.10% until May 2022, then increasing by 0.25% in May 2022 and a further 0.50% in June 2022.

Significant changes in state of affairs

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

Events occurring after the end of the reporting period

There were no significant events occurring after the end of the reporting period.

Environmental legislation

The Credit Union is not subject to any particular or significant environmental regulations under a law of the Commonwealth or a State or Territory in Australia.

Likely developments and results

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

1. The operations of the Credit Union;
2. The results of those operations; or
3. The state of affairs of the Credit Union

in the financial years subsequent to this financial year.

Auditors' Independence Declaration

The auditors have provided the declaration of independence to the board as prescribed by the *Corporations Act 2001*.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Credit Union, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Credit Union for all or part of those proceedings.

Regulatory Disclosures

The disclosures required by Prudential Standard APS 330 Public Disclosure (namely the Common disclosure in Attachment A and the Regulatory Capital reconciliation) may be seen on the website **www.lcu.com.au**.

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:

Allison J Smart ASmart Director	Richard J Stephens R J Stephens Director

Signed and dated this 10th day of October 2022.

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW 1230

T +61 2 8297 2400

Auditor's Independence Declaration

To the Directors of Laboratories Credit Union Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Laboratories Credit Union Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

Grant Layland
Director – Audit & Assurance

Sydney, 10 October 2022

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW 1230

T +61 2 8297 2400

Independent Auditor's Report

To the Members of Laboratories Credit Union Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Laboratories Credit Union Limited (the Company), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance for the year ended on that date; and

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

Basis for opinion

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

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

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Grant Layland
Director – Audit & Assurance

Sydney, 10 October 2022

Directors' declaration

In the opinion of the directors of Laboratories Credit Union Limited:

1. The financial statements and notes of Laboratories Credit Union Limited are in accordance with the *Corporations Act 2001* and:

   (a) Give a true and fair view of the financial position of the Laboratories Credit Union Limited as at 30 June 2022 and of its performance for the year ended on that date; and

   (b) Comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

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

3. The financial statements comply with International Financial Reporting Standards as stated in Note 1.

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

Allison J Smart ________________________ Richard J Stepher ________________________

Director Director

Signed and dated this 10th day of October 2022.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Note	2022 $	2021 $
Interest revenue	2.a	4,460,240	4,776,309
Interest expense	2.c	(608,816)	(1,282,688)
Net interest income		3,851,424	3,493,621
Other income	2.b	280,362	509,202
Net operating income		4,131,786	4,002,823
Less:			
Non-interest expenses			
Impairment losses on loans receivable from members	2.d	20,776	18,311
Impairment gain/loss on loans receivable from other loans	2.d	(4,843)	3,693
Fee and commission expenses		249,316	245,179
General administration			
- Employees compensation and benefits		1,347,269	1,153,130
- Depreciation and amortisation	2.e	249,539	256,745
- Information technology		1,048,013	459,679
- Office occupancy		6,061	4,457
- Other administration		373,002	278,703
Other operating expenses		717,883	659,304
Total non-interest expenses		4,007,016	3,079,201
Profit before income tax		124,770	923,622
Income tax (benefit)/expense	3	(27,801)	218,256
Profit after income tax		152,571	705,366
Other Comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Movement in reserve for equity instruments at FVOCI			
Change in fair value	10	341,172	(69,509)
Income tax relating to other comprehensive income		163,723	18,072
Total comprehensive income, net of income tax		504,895	(51,437)
Total comprehensive income for the period		657,466	653,929

The above statement should be read in conjunction with the accompanying notes

Statement of Changes in Member Equity

For the year ended 30 June 2022

	General Reserve for Credit Losses $	Retained Earnings $	Capital & Other Reserves $	FVOCI Reserve $	Total $
Total at 1 July 2020	-	15,157,280	26,820	186,856	15,370,956
Profit for the year	-	705,366	-	-	705,366
Transfer to capital reserve on redemption of shares	-	(1,050)	1,050	-	-
Transfer to retained earnings	340,709	(340,709)	-	-	-
Share revaluation	-	-	-	(51,437)	(51,437)
Total at 30 June 2021	340,709	15,520,887	27,870	135,419	16,024,885
Profit for the year	-	152,571	-	-	152,571
Transfer to capital reserve on redemption of shares	-	(1,020)	1,020	-	-
Transfer (from)/to reserve for credit losses in the year	(340,709)	340,709	-	-	-
Transfer (from) FVOCI reserve	-	-	-	(640,314)	(640,314)
Other comprehensive income for the period	-	498,033	-	504,895	1,002,928
Total as at 30 June 2022	-	16,511,180	28,890	-	16,540,070

Statement of Financial Position

As at 30 June 2022

	Note	2022 $	2021 $
ASSETS			
Cash and cash equivalents	4	5,855,047	3,325,895
Receivables from financial institutions	5	70,831,042	62,363,207
Other receivables	6	206,110	131,171
Loans to members	7 & 8	156,646,499	153,627,784
Other loans	9	12,269,419	10,493,966
Investment securities	10	24,000	447,524
Property, plant and equipment	11	67,175	40,440
Taxation assets	12	226,419	122,686
Intangible assets	13	178,770	239,787
Right-of-use assets	14(a)	61,189	164,276
TOTAL ASSETS		246,365,670	230,956,736
LIABILITIES			
Deposits from members	15	228,197,188	213,212,807
Creditor accruals and settlement accounts	16	840,811	1,046,944
Taxation liabilities	17	(43,755)	104,808
Provisions	18	786,413	393,698
Lease liabilities	14(b)	44,943	173,594
TOTAL LIABILITIES		229,825,600	214,931,851
NET ASSETS		16,540,070	16,024,885
MEMBERS' EQUITY			
Capital reserve account	19	28,890	27,870
General reserve for credit losses	20	-	340,709
FVOCI Reserve	21	-	135,419
Retained earnings		16,511,180	15,520,887
TOTAL MEMBERS' EQUITY		16,540,070	16,024,885

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Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 $	2021 $
OPERATING ACTIVITIES			
Revenue inflows			
Interest received		4,390,714	4,780,085
Fees and commissions		127,860	135,040
Dividends		62,224	6,882
Other income		71,604	367,280
Net changes in operating cash flows arising from movements in financial assets			
Interest paid		(750,353)	(1,660,874)
Suppliers and employees		(3,415,006)	(2,871,911)
Income taxes paid		(224,495)	(146,660)
Net cash flow from revenue activities		262,548	609,842
Inflows/(outflows) from other operating activities			
(Increase) in member loans (net movement)		(3,039,491)	(12,976,289)
(Increase) in other loans (net movement)		(1,770,610)	(5,346,994)
Increase in member deposits & shares (net movement)		14,909,411	19,412,264
(Increase) in deposits to other financial institutions (net)		(8,467,835)	(4,746,910)
Net cash flows from/(used in) operating activities	32	1,894,023	(3,048,087)
INVESTING ACTIVITIES			
Inflows/(outflows)			
Proceeds on sale of property, plant and equipment		30,501	-
Proceeds on sale of shares	10	764,696	-
Net movement in investments		21,443	-
Purchase of intangible assets	13	(68,842)	(221,923)
Purchase of property plant and equipment	11	(49,601)	(11,891)
Purchase of investment securities		-	(4,000)
Net cash flows from/(used in) used in investing activities		698,197	(237,814)
FINANCING ACTIVITIES			
Inflows/(outflows)			
Lease principal payments	14(b)	(63,068)	(32,056)
Net cash flows (used in) financing activities		(63,068)	(32,056)
Net increase/(decrease) in cash		2,529,152	(3,317,957)
Cash at beginning of year		3,325,895	6,643,852
Cash at end of year	4	5,855,047	3,325,895

Notes to the Financial Statements

For the year ended 30 June 2022

1. Statement of significant accounting policies

This financial report is prepared for Laboratories Credit Union Limited, for the year ended the 30th June 2022. The report was authorised for issue on 7th October 2022 in accordance with a resolution of the Board of Directors. The financial report is presented in Australian dollars.

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards ensures compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Laboratories Credit Union Limited is a for-profit entity for the purpose of preparing the financial statements.

a. Basis of measurement

The financial statements have been prepared on an accruals basis, and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied. The accounting policies are consistent with the prior year unless otherwise stated.

Changes in significant accounting policies

New standards applicable for the current year

The following standard and amendment are applied for the annual reporting period commencing 1 July 2022:

- AASB 2021-4 *Covid-19-related Rent Concessions*

AASB 2021-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions*

AASB 2021-4 provides a practical expedient to simplify the accounting for rent concessions (including rent deferrals) received directly related to the outbreak of COVID-19. The Credit Union had received rent waived up to a total $51,084.68 to the 30th of June 2022 reflected on the profit and loss under other income. Lease contractual terms remain the same and adjustments to the assets present value is not required.

Financial assets and financial liabilities

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

Classification and measurement

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI).

1. Statement of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

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

Classifications are determined by both:

- the entity's business model for managing the financial asset and
- the contractual cash flow characteristics of the financial assets.

Subsequent measurement of financial assets

Financial assets at amortised costs

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets and liabilities are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Credit Union's cash and cash equivalents, loan and advances, trade receivables and bonds and term deposits fall into this category of financial instruments.

Financial assets at Fair Value through Profit or Loss (FVPL)

Financial assets that are within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised as fair value through profit or loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Fair Value through Other Comprehensive Income (FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. This category includes unlisted equity securities – Cuscal Ltd and Shared Lending Pty Ltd.

Subsequent measurement of financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method except financial liabilities designated at FVPL, which are carried subsequently at fair value with gains of losses recognised in profit or loss. The Credit Union's financial liabilities consists of deposit from members, trade and other payables.

Derecognition of financial assets and liabilities

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

1. Statement of significant accounting policies (continued)

Impairment of financial assets
The Credit Union's financial assets carried at amortised cost are subject to the three-stage expected credit loss model. The Credit Union measures loss allowances at an amount equal to lifetime expected credit losses (ECL), except for the following, for which they are measured as 12 months ECL.

- Debt investment securities that are determined to have a low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not significantly increased since initial recognition.

Loans to Members
Loans and advances' captions in the statement of financial position include:

- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

'Loans and advances' were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and that the Credit Union did not intend to sell immediately or in the near term.

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

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

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

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

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

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

1. Statement of significant accounting policies (continued)

b. Loans to members

Basis of recognition

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

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

c. Loan Impairment

AASB 9's impairment requirements use forward looking information to recognise expected credit losses - the 'expected credit loss model' (ECL). Instruments within the scope of the requirements include loans and advances and other debt-type financial assets measured at amortised cost, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Credit Union considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans) ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment (loans in default) at the reporting date.

Measurement of ECL

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Credit Union in accordance with the contract and the cash flows that the Credit Union expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Credit Union if the commitment is drawn down and the cash flows that the Credit Union expects to receive; and
- *financial guarantee contracts:* the expected payments to reimburse the holder less any amounts that the Credit Union expects to recover.

The critical assumptions used in the calculation are as set out in Note 8. Note 22 details the credit risk management approach for loans.

1. Statement of significant accounting policies (continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; or
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

At each reporting date, the Credit Union assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Credit-impaired financial assets

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a consumer loan that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts:* generally, as a provision; and
- *where a financial instrument includes both a drawn and an undrawn component, and the Credit Union cannot identify the ECL on the loan commitment component separately from those on the drawn component:* The Credit Union presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

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

1. Statement of significant accounting policies (continued)

d. Bad debts written off (direct reduction in loan balance)

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

e. Property, plant and equipment

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

- Leasehold improvements - 10 years.
- Plant and equipment - 3 to 7 years.
- Assets less than $300 are not capitalised.

f. Receivables from other financial institutions

Term Deposits, Bank Bonds and Negotiable Certificates of Deposit with other financial institutions are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity. All deposits are in Australian currency.

The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the statement of financial position.

g. Member deposits

(i) **Basis for measurement**

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

(ii) **Interest payable**

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

h. Borrowings

All borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the loans and borrowings using the effective interest method.

1. Statement of significant accounting policies (continued)

i. Provision for employee benefits

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Credit Union expects to pay as a result of the unused entitlement.

Provision is made for the Credit Union's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, have been measured at their nominal amount.

Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits discounted using national government bond rates.

Provision for long service leave is on a pro-rata basis from commencement of employment with the Credit Union based on the present value of its estimated future cash flows.

Annual leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at balance date. Annual leave is reflected as part of the sundry creditors and accruals.

Contributions are made by the Credit Union to an employee's superannuation fund and are charged to profit or loss as incurred.

j. Income tax

The income tax expense shown in the profit or loss is based on the profit before income tax adjusted for any non-deductible, or non-assessable items between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 25% (2021: 26%).

Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation; and the anticipation that the Credit Union will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit an income tax benefit to be obtained.

1. Statement of significant accounting policies (continued)

k. Intangible assets

Items of computer software which are not integral to the computer hardware owned by the Credit Union are classified as intangible assets.

Computer software is amortised over the expected useful life of the software. These lives range from 2 to 5 years.

SaaS arrangements are service contracts providing the Credit Union with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software are generally recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances or creates additional capability to existing on premise systems and meets the recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

l. Goods and services tax (GST)

As a financial institution, the Credit Union is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition, certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST). To the extent that the full amount of the GST incurred is not recoverable from the Australian Tax Office (ATO), the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial position. Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

m. Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

n. Impairment of assets

At each reporting date the Credit Union assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, the recoverable amount is determined and impairment losses are recognised in the statement of profit or loss and other comprehensive income where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

1. Statement of significant accounting policies (continued)

o. Accounting estimates and judgements

Management have made a critical accounting estimate when applying the Credit Union's accounting policies with respect to the impairment provisions and expected credit losses for loans - refer Note 8.

Management have made a critical accounting estimate when applying the Credit Union's accounting policies with respect to investment securities at FVOCI – refer to Note 10.

2. Statement of profit or loss and other comprehensive income

	2022 $	2021 $
a. Analysis of interest revenue		
Interest revenue on assets carried at amortised cost		
Cash – deposits at call	-	1,703
Receivables from financial institutions	536,014	503,198
Loans to members and other loans	3,924,226	4,271,408
Total interest revenue	4,460,240	4,776,309
b. Fee, commission and other income		
Fee and commission revenue		
Fee income on loans – other than loan origination fees	4,000	3,000
Other fee income	77,354	81,553
Insurance commissions	-	(380)
Other commissions	46,506	50,867
	127,860	135,040
Other income		
Dividends received on investment securities (FVOCI)	62,224	6,882
Bad debts recovered	9,507	11,209
Gain on disposal of assets		
- Property, plant and equipment	28,951	-
Miscellaneous income[1]	51,820	98,171
Government grant income	-	257,900
	152,502	374,162
Total fee, commission and other income	280,362	509,202
c. Interest expense		
Short term borrowings - overdraft	-	94
Deposits from members	603,942	1,274,143
Interest expense on lease liabilities	4,874	8,451
Total interest expense	608,816	1,282,688

[1] includes AASB 2021-4 *Covid-19-Related Rent Concessions for businesses affected by COVID-19*

2. Statement of profit or loss and other comprehensive income (continued)

d. Impairment losses	Note	2022 $	2021 $
Loans and advances			
Member Loans			
Increase in provision for impairment		20,776	18,311
Bad debts written off directly against profit		-	-
		20,776	18,311
Other Loans			
Decrease in provision for impairment		(16,170)	(18,265)
Bad debts written off directly against profit		11,327	21,958
		(4,843)	3,693
Total impairment losses		15,933	22,004

e. Other prescribed disclosures

	Note	2022 $	2021 $
General administration			
Depreciation and amortisation			
- depreciation of plant and equipment	11	21,316	21,795
- amortisation of Intangible - software	13	123,356	121,304
- depreciation of Right-of-use-asset	14	104,867	113,646
		249,539	256,745
Other operating expenses			
Auditor's remuneration (excluding GST)			
- Audit fees		54,700	52,050
- Other Services – taxation		15,000	11,200
- Other Services – compliance		-	6,150
- Other Services – other		3,835	12,219
		73,535	81,619
Defined contribution superannuation expenses		217,025	190,312

3. Income tax expense

a.	2022 $	2021 $
The income tax expense comprises amounts set aside as:		
Current tax charge – (Note 17)	71,245	245,471
Adjustments for prior years	(34,530)	(13,750)
Deferred tax:		
Movement in temporary differences (Note 12)	(99,392)	(18,417)
Under provision in respect of prior years	34,877	4,952
Total income tax expense in statement of profit or loss	(27,800)	218,256

3. Income tax expense (continued)

b. The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:

	2022 $	2021 $
Profit	124,770	923,622
Prima facie tax payable on profit before income tax at 25% (2021: 26%)	31,192	240,142
Add tax effect of expenses not deductible		
- Dividend imputation	-	-
- Other non-deductible expenses	56,125	(13,000)
- Prior year under/(over)	124,855	(8,886)
	212,172	218,256
Less		
- Franking rebate	(239,973)	-
Total income tax (benefit)/expense in income statement	(27,801)	218,256

	2022 $	2021 $
c. Franking credits		
Franking credits held by the credit union after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year, dividends received and dividends paid is:	5,655,423	5,227,271

Franking credits are available to the Tier 1 preference shareholders but not to the holders of member shares as no dividends are paid on member shares. LCU does not currently have any Tier 1 preference shareholders

4. Cash and cash equivalents

	2022	2021
Cash on hand	-	78,681
Deposits at call	5,855,047	3,247,214
	5,855,047	3,325,895

5. Receivables from financial institutions

	2022	2021
a. Investments at amortised cost		
Bonds	41,012,904	38,696,603
Deposits with financial institutions (5b)	29,818,138	23,666,604
	70,831,042	62,363,207

5. Receivables from financial institutions (continued)

b. Dissection of receivables

Deposits with industry bodies - Cuscal (Note 33a)	4,140,000	3,240,000
Deposits with other financial institutions	13,000,000	9,000,000
Deposits with banks	12,678,138	11,426,604
	29,818,138	23,666,604

6. Other receivables

	2022 $	2021 $
Prepayments	54,021	48,608
Interest receivable on deposits with financial institutions	152,089	82,563
	206,110	131,171

7. Loans to members

	2022 $	2021 $
a. Amount due comprises:		
Overdrafts and revolving credit	740,836	720,015
Term loans	155,987,733	152,969,063
Subtotal	156,728,569	153,689,078
Less: Provision for impaired loans (Note 8)	(82,070)	(61,294)
	156,646,499	153,627,784

b. Credit quality - Security held against loans

Secured by mortgage over real estate	154,581,278	149,386,465
Partly secured by goods, mortgage	631,767	2,968,085
Wholly unsecured	1,433,454	1,273,234
	156,646,499	153,627,784

The Credit Union holds collateral against loans and advances to members. It is in the form of mortgage interests over property, other registered securities over assets and guarantees.

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

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The Board policy is to maintain the majority of the loans in well secured residential mortgages which carry an 80% LVR or less.

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

7. Loans to members (continued)

Security held as mortgage against real estate is on the basis of:

	2022 $	2021 $
• loan to valuation ratio of less than 80%	154,047,190	147,544,528
• loan to valuation ratio of more than 80% but mortgage insured	-	-
• loan to valuation ratio of more than 80% and not mortgage insured	534,088	1,841,937
	154,581,278	149,386,465

LVR is calculated as the ratio of the current loan balance and the valuation at the time the mortgage was funded.

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

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

Concentration risk – industry
The Credit Union has a concentration in the consumer lending for members who comprise employees and family in the scientific research and technology industry. This concentration is considered acceptable on the basis that the Credit Union was formed to service these members, and the employment concentration is not exclusive. Should members leave the industry, the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans. The details of the geographical concentrations within the industry are set out in Note c below.

c. Concentration of loans

The values discussed below include on statement of financial position values.

		2022 $	2021 $
(i)	Loans to Individual or related groups of members which exceed 10% of reserves in aggregate	8,697,231	10,005,460

(ii) Loans to members are concentrated to individuals employed primarily in the technology and scientific research industries.

7. Loans to members (continued)

Geographical concentrations:

2022	**Housing**	**Personal**	**Business**	**Total**
Australia	**$**	**$**	**$**	**$**
NSW	132,962,315	917,600	1,617,371	135,497,286
Victoria	4,845,541	115,279	-	4,960,820
Queensland	7,024,662	607,185	-	7,631,847
South Australia	1,434,757	-	-	1,434,757
Western Australia	2,257,879	18,763	-	2,276,642
Tasmania	1,911,645	12,996	-	1,924,641
Northern Territory	220,536	4,022	-	224,558
ACT	2,700,455	77,563	-	2,778,018
Total per statement of financial position	153,357,790	1,753,408	1,617,371	156,728,569

2021	**Housing**	**Personal**	**Business**	**Total**
Australia	**$**	**$**	**$**	**$**
NSW	129,625,608	1,367,241	2,674,406	133,667,255
Victoria	4,530,077	66,077	-	4,596,154
Queensland	8,993,373	576,075	-	9,569,448
South Australia	571,639	-	-	571,639
Western Australia	986,210	561	-	986,771
Tasmania	1,735,663	31,694	-	1,767,357
Northern Territory	232,978	-	-	232,978
ACT	2,199,570	97,904	2	2,297,476
Total per statement of financial position	148,875,118	2,139,552	2,674,408	153,689,078

8. Provision on impaired loans

(a) Amounts arising from ECL

The loss allowance as of the year end by class of exposure/asset are summarised in the table below.

8. Provision on impaired loans (continued)

	Gross Carrying value 2022 $	ECL Allowance 2022 $	Carrying value 2022 $	Gross Carrying value 2021 $	ECL Allowance 2021 $	Carrying value 2021 $
Loans to members						
Mortgages	153,357,790	-	153,357,790	148,875,118	-	148,875,118
Personal	1,012,572	(82,070)	930,502	1,419,537	(61,294)	1,358,243
Overdrafts	740,836	-	740,836	720,015	-	720,015
Total to natural persons	155,111,198	(82,070)	155,029,128	151,014,670	(61,294)	150,953,376
Corporate borrowers	1,617,371	-	1,617,371	2,674,408	-	2,674,408
Total	156,728,569	(82,070)	156,646,499	153,689,078	(61,294)	153,627,784

An analysis of the Credit Union's credit risk exposure per class of financial asset and "stage" without reflecting the effects of any collateral or other credit enhancements is demonstrated in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

	Stage 1 12 month ECL 2022 $	Stage 2 Lifetime ECL 2022 $	Stage 3 Lifetime ECL 2022 $	Purchased credit impaired 2022 $	Total 2022 $
Loans to members					
Mortgages	-	-	-	-	-
Personal	43,015	21,653	17,402	-	82,070
Overdrafts	-	-	-	-	-
Corporate borrowers	-	-	-	-	-
Loss allowance	43,015	21,653	17,402	-	82,070
Carrying amount	43,015	21,653	17,402	-	82,070

	Stage 1 12 month ECL 2021 $	Stage 2 Lifetime ECL 2021 $	Stage 3 Lifetime ECL 2021 $	Purchased credit impaired 2021 $	Total 2021 $
Loans to members					
Mortgages	-	-	-	-	-
Personal	8,153	45,218	7,923	-	61,294
Overdrafts	-	-	-	-	-
Corporate borrowers	-	-	-	-	-
Loss allowance	8,153	45,218	7,923	-	61,294
Carrying amount	8,153	45,218	7,923	-	61,294

8. Provision on impaired loans (continued)

The reconciliations from the opening to the closing balance of the allowance for impairment by class of financial instrument is shown in the table below.

	Stage 1 12-month ECL 2022 $	Stage 2 Lifetime ECL 2022 $	Stage 3 Lifetime ECL 2022 $	Purchased credit impaired 2022 $	Total 2022 $
Loans to members					
Balance at 1 July	8,153	45,218	7,923	-	61,294
Changes in the loss allowance					
- Transfer stage 1	34,862	-	-	-	34,862
- Transfer (from) stage 2	-	(23,565)	-	-	(23,565)
- Transfer to stage 3	-	-	9,479	-	9,479
- Net movement due to change in credit risk	-	-	-	-	-
- Write-offs	-	-	-	-	-
Balance at 30 June	43,015	21,653	17,402	-	82,070

	Stage 1 12-month ECL 2021 $	Stage 2 Lifetime ECL 2021 $	Stage 3 Lifetime ECL 2021 $	Purchased credit impaired 2021 $	Total 2021 $
Loans to members					
Balance at 1 July	-	42,983	-	-	42,983
Changes in the loss allowance					
- Transfer to stage 1	8,153	-	-	-	8,153
- Transfer to stage 2	-	2,235	-	-	2,235
- Transfer (to) stage 3	-	-	7,923	-	7,923
- Net movement due to change in credit risk	-	-	-	-	-
- Write-offs	-	-	-	-	-
Balance at 30 June	8,153	45,218	7,923	-	61,294

Transfers to and from the stages for ECL allowances is reflected in the Statement of Profit or Loss - under impairment losses.

8. Provision on impaired loans (continued)

Use of judgements and estimates

The Credit Union reviews individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement. Judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Credit Union makes judgements about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors including forward looking information available at the time. Actual results may differ, resulting in future changes to the allowance.

During the year ended 30 June 2022 the Credit Union's allowance for expected credit losses increased by $19,631. This increase was in response to the COVID-19 pandemic and an anticipated increase in credit risk.

In responding to this anticipated increase in credit risk the Credit Union performed the following:

- A review of individual borrowers who had requested a deferral of loan repayments. In estimating the individual amounts to be provided for these exposures consideration was given to the borrower's credit history, current financial situation and any security held;
- A sensitivity analysis of the mortgage secured portfolio to identify any exposures to a downturn in property values. No provision was raised after considering the results of this sensitivity analysis;
- A review of the personal loans under repayment deferral arrangements and the impact of anticipated increases in unemployment. An additional provision was raised following this review.

Key assumptions in determining the ECL

Measurement of ECL

The key inputs into the measurement of ECL include the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are generally derived from internal analysis, management judgements and other historical data. They are adjusted to reflect forward-looking information as described below.

PD estimates are calculated based on arrears over 90 days and other loans and facilities where the likelihood of future payments is low**.** The definition of default is consistent with the definition of default used for internal credit risk management and regulatory reporting purposes. Instruments which are 90 days past due are generally considered to be in default.

LGD is the magnitude of the likely loss if there is a default. The Credit Union estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD percentage applied considers the structure of the loan, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LVR is a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Credit Union derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount.

8. Provision on impaired loans (continued)

For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and future expectations.

Grouping of similar assets
Since the loans are homogenous in terms of borrower type and contractual repayment terms, the portfolio is currently managed through the dissection of the portfolio arrears reports. The Credit Union has grouped exposures by type on the basis of shared risk characteristics that include:

- instrument type;
- credit risk grading;
- collateral type;
- LVR ratio for consumer mortgages;
- industry; and
- geographic location of the borrower.

LCU has elected to use the following segments when assessing credit risk for Stages 1 and 2 of the impairment model:

- Residential mortgages;
- Commercial loans;
- Personal loans;
- Other – representing overdrafts; and
- Loans to non-members.

Stage 3 of the impairment model will be assessed on an individual basis.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Credit Union has limited historical data, external benchmark information is used to supplement the internally available data.

Significant increase in credit risk
LCU is not required to develop an extensive list of factors in defining a ‘significant increase in credit risk’. In assessing significant increases in credit risk where a loan or group of loans must move to Stage 2 the following factors have been considered in LCU’s current model

- Loans more than 30 days past due;
- Loans with more than 2 instances of arrears experience in the previous 12 months;
- Loans with approved hardship or modified terms; and
- Loans where members have requested deferral of repayments due to COVID-19.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Credit Union considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Credit Union’s historical experience and expert judgement, relevant external factors and including forward-looking information.

8. Provision on impaired loans (continued)

The approach to determining the ECL includes forward-looking information. The Credit Union has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio segment. Given the lack of loss experience by the Credit Union and across the wider industry, we are using forward looking data in our assessment coupled with historical data. Consideration has also been given around the robust loan portfolio, non-complexity and history of minimal write-offs, and as such the current ECL model in use is considered appropriate.

9. Other loans

		2022 $	2021 $
a.	Loans to non-members – (unsecured)	3,304,161	2,819,562
	Less provision for impairment (movement to P&L)	(3,853)	(20,023)
		3,300,308	2,799,539
	Loans to non-members – (mortgage secured)	8,969,111	7,694,427
	Less provision for impairment (movement to P&L)	-	-
		8,969,111	7,694,427
	Total value of other loans	12,269,419	10,493,966
b.	**Impaired loans written off**		
	Amounts written off against the provision for impaired loans	-	-
	Amounts written off directly against expense	11,327	21,958
	Total Bad Debts	11,327	21,958
c.	**Bad debts recovered in the period**	5,060	6,191

Unsecured loans to non-members consist of funds committed to support two online marketplace lending platforms - SocietyOne and Plenti.

While the Credit Union is required to take on the risk of loss of SocietyOne loans, with the Plenti model, impairment risk is not transferred to the Credit Union. Plenti has an internal provision for bad and doubtful debts and will absorb any losses that may occur.

The Credit Union is also participating in a Loan Sharing Scheme (Shared Lending) with a joint syndicate of small ADIs in the customer owned banking sector. This is to facilitate shared funding of mortgage secured loans.

The provision for impairment for SocietyOne and Shared Lending loans are as per the expected credit loss detailed in Note 8.

9. Other loans (continued)

d. Amounts arising from ECL

	Gross Carrying value 2022 $	ECL Allowance 2022 $	Carrying value 2022 $	Gross Carrying value 2021 $	ECL Allowance 2021 $	Carrying value 2021 $
Loans to non-members						
Mortgages	8,969,111	-	8,969,111	7,694,427	-	7,694,427
Personal	3,304,161	(3,853)	3,300,308	2,819,562	(20,023)	2,799,539
Overdrafts	-	-	-	-	-	-
Total to natural persons	12,273,272	(3,853)	12,269,419	10,513,989	(20,023)	10,493,966
Corporate borrowers	-	-	-	-	-	-
Total	12,273,272	(3,853)	12,269,419	10,513,989	(20,023)	10,493,966

	Stage 1 12 month ECL 2022 $	Stage 2 Lifetime ECL 2022 $	Stage 3 Lifetime ECL 2022 $	Purchased credit impaired 2022 $	Total 2022 $
Loans to non-members					
Mortgages	-	-	-	-	-
Personal	2,681	-	1,172	-	3,853
Loss allowance	2,681	-	1,172	-	3,853
Carrying amount	2,681	-	1,172	-	3,853

	Stage 1 12 month ECL 2021 $	Stage 2 Lifetime ECL 2021 $	Stage 3 Lifetime ECL 2021 $	Purchased credit impaired 2021 $	Total 2021 $
Loans to non-members					
Mortgages	-	-	-	-	-
Personal	13,978	-	6,045	-	20,023
Loss allowance	13,978	-	6,045	-	20,023
Carrying amount	13,978	-	6,045	-	20,023

9. Other loans (continued)

	Stage 1 12 month ECL 2022 $	Stage 2 Lifetime ECL 2022 $	Stage 3 Lifetime ECL 2022 $	Purchased credit impaired 2022 $	Total 2022 $
Loans to non- members					
Balance as at 1 July	13,978	-	6,045	-	20,023
Changes in the loss allowance					
- Transfer (from) stage 1	(11,297)	-	-	-	(11,297)
- Transfer to stage 2	-	-	-	-	-
- Transfer (from) stage 3	-	-	(4,873)	-	(4,873)
- Net movement due to change in credit risk	-	-	-	-	-
- Write-offs	-	-	-	-	-
Balance at 30 June	2,681	-	1,172	-	3,853

	Stage 1 12 month ECL 2021 $	Stage 2 Lifetime ECL 2021 $	Stage 3 Lifetime ECL 2021 $	Purchased credit impaired 2021 $	Total 2021 $
Loans to non- members					
Balance at 1 July	30,698	-	7,590	-	38,288
Changes in the loss allowance					
- Transfer to stage 1	(16,720)	-	-	-	(16,720)
- Transfer to stage 2	-	-	-	-	-
- Transfer (from) stage 3	-	-	(1,545)	-	(1,545)
- Net movement due to change in credit risk	-	-	-	-	-
- Write-offs	-	-	-	-	-
Balance at 30 June	13,978	-	6,045	-	20,023

10. Investment securities

	2022 $	2021 $
Equity investment securities designated as at FVOCI		
- Cuscal	-	423,524
- Shared Lending	24,000	24,000
Total value of investment securities	24,000	447,524
Cuscal		
Opening balance	423,524	493,033
Disposal of investment	(49,999)	-
Increase/(Decrease) in revaluation	(373,525)	(69,509)
Closing balance	-	423,524
Shared Lending		
Opening balance	24,000	20,000
Increase in share purchase	-	4,000
Closing balance	24,000	24,000

Disclosures on shares held at FVOCI valued with unobservable inputs

Cuscal Limited
This company supplies services to its member organisations which are made up of Credit Unions and Mutual Banks. The shares were held to enable the Credit Union to receive essential banking services.

On 21 December 2021 the Credit Union participated in a selective share buy-back offer of Cuscal Limited (Cuscal) ordinary shares and sold all of the shares held in Cuscal for a total consideration of $266,663.
The number of ordinary shares sold under the buy-back arrangement by the Credit Union were 392,158. The total consideration included a fully franked dividend component of $1.27 per share and a capital component of $0.68 per share. The Credit Union has recognised the fully franked dividend component as income in accordance with its accounting policy outlined in Note 1.
As part of the disposal the Credit Union was required to revalue the shares to the fair value identified in the selective buy-back. The fair value revaluation was deemed to be the capital value component of $0.68 cents/share. This required a revaluation adjustment of $341,172 to the carrying value of the investment plus a deferred tax impact of $163,723, both of which have been recognised in Other Comprehensive Income.

Shared Lending Pty Ltd
This shareholding in Shared Lending is measured at cost, as its fair value cannot be measured reliably. The shares are held to facilitate participation in the Loan Sharing Scheme of mortgage secured loans with other Credit Unions in the group. A capital shareholding contribution was made for the setup of the entity. No dividend is expected to be received from this contribution, and the Credit Union is not intending to dispose of these shares.

11. Property, plant and equipment

		2022 $	2021 $
a.	**Fixed assets**		
	Plant and equipment – at cost	308,996	285,724
	Less: accumulated depreciation	(241,821)	(245,284)
		67,175	40,440
	Closing balance	67,175	40,440

11. Property, plant and equipment (continued)

b. Movement during the year were:

	2022		2021	
	Plant & equipment $	Total $	Plant & equipment $	Total $
Opening Balance	40,440	40,440	50,568	50,568
Purchases	49,601	49,601	11,891	11,891
Assets disposed	(26,329)	(26,329)	(19,501)	(19,501)
Depreciation charge	(21,316)	(21,316)	(21,795)	(21,795)
Depreciation on disposals	24,780	24,780	19,277	19,277
Balance at the end of the year	67,176	67,176	40,440	40,440

12. Taxation assets

	2022 $	2021 $
Deferred Tax Assets	226,419	122,686
Deferred tax assets comprise:		
Accrued expenses not deductible until incurred	132,658	34,965
Provisions for employee benefits	107,223	111,802
Depreciation on fixed assets	(30,766)	22,436
AASB16 - Leases	32,715	2,422
Deferred Tax Liability - tax due on assets held at fair value through OCI – held in equity	(15,411)	(48,939)
	226,419	122,686

13. Intangible assets

	2022 $	2021 $
Computer software	1,126,325	1,072,232
Less accumulated amortisation	(947,555)	(832,445)
	178,770	239,787

Movement in the assets balances during the year were:

	2022 $	2021 $
Opening balance	239,787	146,120
Purchases	68,842	221,923
Assets disposed or written off	(7,894)	(6,952)
Amortisation charge	(121,965)	(121,304)
Balance at the end of the year	178,770	239,787

14. Right of use assets

		2022 $	2021 $
a.	Property	361,028	374,967
	Less: accumulated depreciation	(314,033)	(213,073)
	Total property	46,995	161,894
	IT equipment	15,718	13,813
	Less: accumulated depreciation	(1,524)	(11,431)
	Total IT equipment	14,194	2,382
	Total right-of-use assets	61,189	164,276

Movement in the asset balances during the year were:

	Property $	IT equipment $	Total $
Balance 1 July 2021	161,894	2,382	164,276
Additions	-	14,146	14,146
Revaluations	(13,939)	-	(13,939)
Disposals	-	(810)	(810)
Impairment	-	-	-
Depreciation	(100,960)	(1,524)	(102,484)
Balance 30 June 2022	46,995	14,194	61,189

	Property $	IT equipment $	Total $
Balance 1 July 2020	262,856	8,097	270,953
Additions	-	-	-
Revaluations	6,969	-	6,969
Disposals	-	-	-
Impairment	-	-	-
Depreciation	(107,931)	(5,715)	(113,646)
Balance 30 June 2021	161,894	2,382	164,276

The Credit Union has a lease for an office premise and a printer. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index are excluded from the initial measurement of the lease liability and asset. The Credit Union classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Certain leases are subject to extension options and termination options which are exercisable by the Credit Union.

14. Right of use assets (continued)

The Credit Union has committed to lease certain assets commencing subsequent to reporting date. The terms of these leases are as follows:

Right of use asset class	Range of remaining term (mths)	Average remaining lease term (mths)	No of leases with extension options	No of leases with options to purchase	No of leases with variable payments	No of leases with termination options
Property	18	18	-	-	-	-
IT equipment	5	5	-	-	-	1

	2022 $	2021 $
b. Lease liabilities		
Current	33,672	61,184
Non-current	11,271	112,410
	44,943	173,594
Opening balance	173,594	278,212
Additions	15,718	-
Revaluation	(13,939)	6,969
Payments for leases	(63,068)	(32,056)
Interest expenses	4,506	8,450
Other adjustments – including COVID rent relief	(71,868)	(87,981)
Balance at the end of the year	44,943	173,594

The future minimum lease payments were as follows:

Minimum lease payments due

30 June 2022	Within 1 year $	Between 2-5 years $	After 5 years $	Total $
Lease payments	34,756	12,043	-	46,799
Finance charges	(1,084)	(771)	-	(1,855)
Net present values	33,672	11,272	-	44,944

30 June 2021	Within 1 year $	Between 2-5 years $	After 5 years $	Total $
Lease payments	119,727	59,393	-	179,120
Finance charges	(4,839)	(687)	-	(5,526)
Net present values	114,888	58,706	-	173,594

14. Right of use assets (continued)

Recognition and measurement

At inception of a contract, an assessment is made whether the contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To apply this definition it is assessed whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available;
- the Credit Union has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Credit Union has the right to direct the use of the identified asset throughout the period of use. The Credit Union assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Contracts may contain both lease and non-lease components. At the commencement or modification of a contract that contains a lease component, the Credit Union allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property, the Credit Union has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The Credit Union recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost comprising, the amount of the initial measurement of lease liability; adjusted for any lease payments made at or before the commencement date less any lease incentives received; plus any initial direct costs; and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, unless the lease transfers ownership of the underlying asset to the Credit Union at the end of the lease term or the Credit Union is reasonably certain to exercise a purchase option. In that case, the right-of-use asset is depreciated over the underlying asset's useful life, which is determined on the same basis as those of property, plant and equipment. In addition, the right of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined the Credit Union's incremental borrowing rate is used, being the rate that the Credit Union would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Credit Union obtains interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased (security).

14. Right of use assets (continued)

Lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Credit Union under residual value guarantees;
- the exercise price of a purchase option if the Credit Union is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease unless the Credit Union is reasonably certain not to terminate the lease early.

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

The lease liability is measured at amortised cost using the effective interest rate method. It is re-measured when:

- there is a change in future lease payments arising from a change in an index or rate;
- if there is a change in the estimate of the amount expected to be payable under a residual value guarantee;
- if there is a change in the Credit Union’s assessment of whether it will exercise a purchase, extension or termination option: or
- if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying value of the right-of–use asset, unless the right-of-use asset has been reduced to zero in which case the adjustment is recorded in profit or loss.

Short-term leases and leases of low-value assets

The Credit Union does not have any short term and low value leases.

15. Deposits from members

	2022 $	2021 $
Member Deposits		
- at call	148,289,124	125,761,216
- term	79,876,054	87,419,231
Member withdrawable shares	32,010	32,360
	228,197,188	213,212,807

Concentration of member deposits

	2022 $	2021 $
(i) Significant individual member deposits which in aggregate represent more than 10% of the total liabilities:	-	-

15. Deposits from members (continued)

(ii) Geographical concentrations

Australia		
NSW	203,048,537	191,641,585
Victoria	2,757,973	3,383,622
Queensland	7,007,882	8,112,415
South Australia	1,519,106	192,049
Western Australia	1,763,975	1,673,608
Tasmania	2,911,773	1,971,925
Northern Territory	12,675	15,692
ACT	2,372,818	2,040,999
Other	6,802,449	4,180,912
Total per statement of financial position	228,197,188	213,212,807

16. Creditor accruals and settlement accounts

	2022 $	2021 $
Annual leave	86,859	80,687
Creditors and accruals	145,198	140,996
Interest payable on deposits	266,735	408,272
Sundry creditors	342,019	416,989
	840,811	1,046,944

17. Taxation liabilities

Current income tax liability	(43,755)	104,808
Current income tax liability comprises:		
Opening balance	104,808	4
Less: Amounts paid	(139,339)	(13,754)
(Over)/understatement of prior year	(34,531)	(13,750)
Liability for income tax (Note 3)	71,245	245,471
Less: Instalments paid during year	(115,000)	(140,663)
Closing balance	(43,755)	104,808

18. Provisions

Long service leave	342,033	349,318
Provisions – other	444,380	44,380
	786,413	393,698

19. Capital reserve account

	2022 $	2021 $
Opening balance	27,870	26,820
Transfer from retained earnings on share redemptions	1,020	1,050
Closing balance	28,890	27,870

Share Redemption

The accounts represent the amount of redeemable preference shares redeemed by the Credit Union since 1 July 1999. The Corporation Act requires that the redemption of the shares be made out of profits. Since the value of the shares has been paid to members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriated to the account.

20. General reserve for credit losses

	2022 $	2021 $
General reserve for credit losses	-	340,709

This reserve was used to record amounts previously set aside as a General provision against loans and was maintained to comply with the applicable Prudential Standards set down by APRA in force at balance date.

This reserve has been transferred to retained earnings, previously set aside for additional specific provision. Refer to note 7 for assessed provisions for Expected Credit Loses (ECL) requirements.

	2022	2021
Balance beginning of the year	340,709	-
Transfer (to)/from retained earnings	(340,709)	340,709
Closing balance	-	340,709

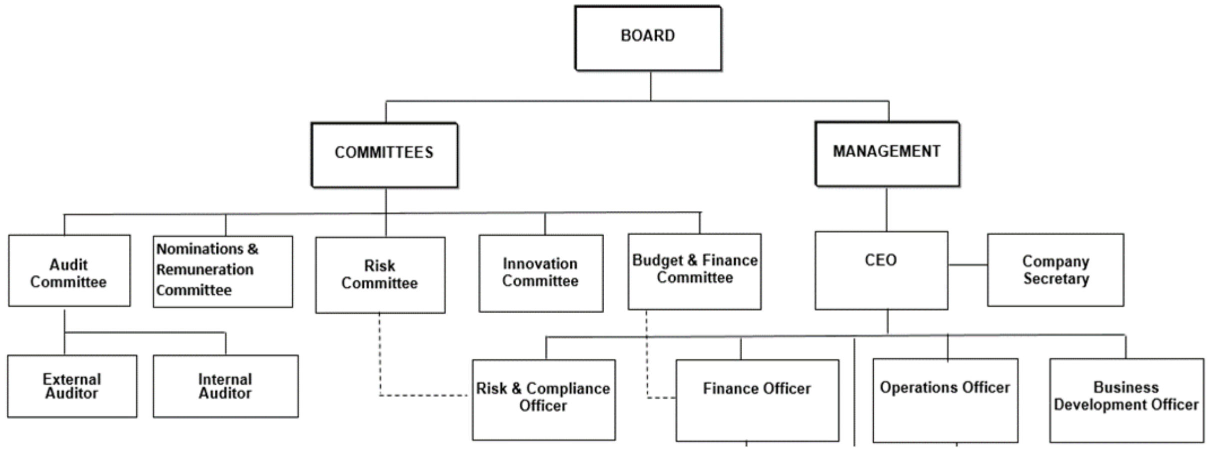
21. FVOCI Reserve

	2022	2021
Opening balance	135,419	186,856
Revaluation of Cuscal shares	341,172	(69,509)
Less: Deferred tax movement	163,723	(18,072)
Transfer balance to retained earnings	(640,314)	-
Closing balance	-	135,419

A transfer to FVOCI reserve was raised due to the revaluation of available-for-sale investments from the accounting changes AASB9. Refer Note 1 for the accounting changes and Note 10 for details on the determination of value.

22. Financial risk management objectives and policies

The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union. The Credit Union's risk management focuses on the major areas of market risk, credit risk and operational risk. Authority flows from the Board of Directors to the Risk Committee and to the Audit Committee which is integral to the management of risk. The following diagram gives an overview of the structure.



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

Risk Committee: This is a key body in the control of risk. The Committee does not form a view on the acceptability of risks but instead reviews risks and controls that are used to mitigate those risks.

This includes the identification, assessment and reporting of risks. Regular monitoring is carried out by management through the monthly review of operational reports. The controls are reviewed by the Risk Officer and the Committee quarterly to confirm whether risks are within the parameters outlined by the Board.

The Committee carries out a regular review of all operational areas to ensure that operational risks are being properly controlled and reported on. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

The Committee monitors compliance with the framework laid out in the policy on a quarterly basis and reports in turn to the Board, where actual exposures to risks are measured against prescribed limits.

Audit Committee: The key role of the Audit Committee is the assessment of the controls that are in place to mitigate risks. The Audit Committee considers and confirms that significant risks and controls are to be assessed within the internal audit plan. The Audit Committee receives the internal audit reports on the assessment and compliance with the controls and provides feedback to the Board for their consideration.

Asset and Liability Committee (ALCO) - Credit Risk: The committee of senior management has responsibility for managing and reporting credit risk exposure. It scrutinises operational reports and monitors exposures against limits determined by the Board. It also determines the credit risk of loans in the banking book, ensures provisioning is accurate and determines controls that need to be put in place regarding the authorisation of new loans.

22. Financial risk management objectives and policies (continued)

The Chief Executive Officer has responsibility for implementing policies to ensure that all large credit exposures are properly pre-approved, measured and controlled. Details concerning a prospective borrower are subject to a criteria-based decision-making process. Criteria used for this assessment include: credit references, loan-to-value ratio on security and borrower’s capacity to repay which vary according to the value of the loan or facility.

All large credit exposure facilities above policy limits are approved by the Board.

All loans are managed weekly through the monitoring of scheduled repayments. Accounts where the arrears balances are over 90 days or over limit facilities over 14 days have collective provisions charged against them. Other provisions are taken up on accounts considered doubtful and the status of these loans is reported to the Board monthly.

Arrears are strictly controlled. The size of the loan book is such that it is possible to monitor each individual exposure to evaluate whether specific provisions are necessary and adequate. A dedicated credit control team, which reports to the Chief Executive Officer, implements the Credit Union’s credit risk policy. Additionally, a collective provision is held to cover any losses where there is objective evidence that losses are present in components of the loans and advances portfolio at the reporting date.

The Chief Executive Officer has responsibility for liaising with the operational function to ensure timely production of information for the Audit and Risk Committees and ensuring that instructions passed down from the Board via the Committees are implemented.

Market Risk: Senior management meets regularly and has responsibility for managing interest rate risk exposures, and ensuring that the treasury and finance functions adhere to exposure limits as outlined in the policies for interest rates.

Internal Audit: Internal audit has responsibility for implementing the controls testing and assessment as required by the Audit Committee.

Key risk management policies included in the overall risk management framework consist of:

- Interest rate risk management;
- Liquidity management;
- Credit risk management; and
- Operations risk management including data risk management.

a. Market risk policy

The objective of the Credit Union’s market risk management is to manage and control market risk exposures in order to optimise risk and return.

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the Credit Union's financial condition or results. The Credit Union is not exposed to currency risk, and other significant price risk. The Credit Union does not trade in the financial instruments it holds on its books. The Credit Union is exposed only to interest rate risk arising from changes in market interest rates.

22. Financial risk management objectives and policies (continued)

The management of market risk is the responsibility of the Management, which reports directly to the Board.

Interest rate risk

Interest rate risk is the risk of variability of the fair value of future cash flows arising from financial instruments due to the changes in interest rates. Most Credit Unions are exposed to interest rate risk within its Treasury operations. This Credit Union does not have a treasury operation and does not trade in financial instruments.

Interest rate risk in the banking book

The Credit Union is exposed to interest rate risk on its banking book due to mismatches between the repricing dates of assets and liabilities. The interest rate risk on the banking book is measured daily and reported to the board monthly.

In the banking book the most common risk the Credit Union faces arises from fixed rate assets and liabilities. This exposes the Credit Union to the risk of sensitivity should interest rates change.

The level of mismatch on the banking book is set out in Note 24. The table set out at Note 24 displays the period that each asset and liability will reprice as at the balance date. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

b. Method of managing risk

The Credit Union manages its interest rate risk by the use of interest rate sensitivity analysis. The detail and assumptions used are set out below.

Interest rate sensitivity

The Credit Union's exposure to market risk is measured and monitored using interest rate sensitivity models.

The policy of the Credit Union to manage the risk is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The gap is measured quarterly to identify potentially large exposures to interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposits liabilities to rectify the imbalance to within acceptable levels. The policy of the Credit Union is not to undertake derivatives to match the interest rate risks. The Credit Union's exposure to interest rate risk is set out in Note 25 which details the contractual interest change profile.

The Credit Union performs a quarterly sensitivity analysis to measure market risk exposures.

Based on the calculations as at balance date a 1% upwards movement in interest rates would result in an increase (decrease) in net income of $742,649 [2021 $643,576]. Conversely, a 1% downwards movement in interest rates would result in an equivalent decrease in annual net income.

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

22. Financial risk management objectives and policies (continued)

- the interest rate change would be applied equally over to the loan products and term deposits;
- 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, or be replaced by deposit with similar terms and rates applicable;
- savings deposits would reprice in the event of a rate change;
- fixed rate loans would all reprice to the new interest rate at the contracted date;
- mortgage loans would all reprice to the new interest rate within 28 days;
- personal loans would reprice after a 3-month delay;
- all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
- the value and mix of at call savings to term deposits will be unchanged; and
- the value and mix of personal loans to mortgage loans will be unchanged.

There has been no change to the Credit Union's exposure to market risk or the way the Credit Union manages and measures market risk in the reporting period.

c. Liquidity risk

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

The Credit Union manages liquidity risk by:

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

The Credit Union has a longstanding arrangement with the industry liquidity support scheme, Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support to the Credit Union should it be necessary at short notice. LCU has not had any need to access funds from this service.

The Credit Union is required to maintain at least 12% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours as determined by APRA under the minimum liquidity holding [MLH] regime. As a minimum, the Credit Union policy is to hold 15% MLH to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level the management and board are to address the matter and ensure that the liquid funds are obtained from new deposits, or borrowing facilities available. Note 28 describes the borrowing facilities as at the balance date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms are set out in the specific Note 24.

22. Financial risk management objectives and policies (continued)

d. Credit risk

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

Credit risk – loans

The analysis of the Credit Union's loans by class is as follows:

	2022			2021		
Loans to members	**Carrying Value**	**Off balance sheet**	**Max exposure**	**Carrying Value**	**Off balance sheet**	**Max exposure**
	$	$	$	$	$	$
Mortgage	153,357,790	33,828,774	187,186,564	148,875,118	25,658,816	174,533,934
Personal	1,012,572	-	1,012,572	1,419,537	-	1,419,537
Overdrafts	740,836	1,745,356	2,486,192	720,015	1,807,400	2,527,415
Total to natural persons	155,111,198	35,574,130	190,685,328	151,014,670	27,466,216	178,480,886
Corporate borrowers	1,617,371	-	1,617,371	2,674,408	-	2,674,408
Total	156,728,569	35,574,130	192,302,699	153,689,078	27,466,216	181,155,294

The analysis of the Credit Union's loans by class is set out in Note 7.

Carrying value is the value on the statement of financial position**.** Maximum exposure is the value on the statement of financial position plus the undrawn facilities (loans approved not advanced, redraw facilities; line of credit facilities; overdraft facilities). The details are shown in Note 27.

All loans and facilities are within Australia. The geographic distribution is not analysed into significant areas within Australia as the exposure classes are not considered material. Concentrations are described in Note 7c.

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 on a weekly basis. The credit policy has been endorsed by the board to ensure that loans are only made to members that are creditworthy (capable of meeting loan repayments).

22. Financial risk management objectives and policies (continued)

The Credit Union has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value to individual borrowers, non-mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies.

A regular review of compliance is conducted as part of the internal audit scope.

e. Credit risk – liquid investments

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

The credit policy is that investments are only made to institutions that are credit worthy. The Board have established policies that limit the amount that can be invested with any one financial institution at a time.

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the limits to concentration on one Credit Union. Also, the relative size of the Credit Union as compared to the industry is relatively low and as such the risk of loss is reduced.

Under the liquidity support scheme at least 3% of the total assets must be held on high-quality liquid assets (HQLA) investments to allow the scheme to have adequate resources to meet its obligations if needed.

All other investments must be with a Financial Institution with a rating in excess of BBB. The Credit Union may invest excess liquidity with unrated Mutual ADIs.

f. External credit assessments for institution investments

The Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APRA prudential guidance AGN112. The credit quality assessment scale within this standard has been complied with.

22. Financial risk management objectives and policies (continued)

Investments with	2022 Carrying Value $	2022 Past due value $	2022 Provision $	2021 Carrying Value $	2021 Past due value $	2021 Provision $
Cuscal - rated A+	4,140,000	-	-	3,240,000	-	-
ADI's rated A and above	23,578,139	-	-	20,126,604	-	-
ADI's rated above BBB	12,100,000	-	-	14,200,000	-	-
Unrated ADI's – Credit Unions/Mutuals	23,000,000	-	-	18,750,000	-	-
Unrated – Non ADI's	8,000,000	-	-	6,000,000	-	-
Total	70,818,139	-	-	62,316,604	-	-

g. Operational risk

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

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses through the implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of 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 the whistleblowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff;
- education of members to review their account statements and report exceptions to the credit union promptly;
- effective dispute resolution procedures to respond to member complaints;
- effective insurance arrangements to reduce the impact of losses; and
- contingency plans for dealing with the loss of functionality of systems or premises or staff.

h. Fraud

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

22. Financial risk management objectives and policies (continued)

i. IT Systems

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

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

j. Capital management

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

- Credit Risk;
- Market Risk (trading book); and
- Operations Risk.

The Market Risk component is not required as the Credit Union is not engaged in trading book activities.

Capital resources
Tier 1 Capital
The vast majority of Tier 1 capital comprises

- Retained profits; and
- Realised reserves.

Additional Tier 1 Capital
This is a new classification of capital and includes preference share capital approved by APRA and qualifies as Tier 1 capital.

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

Tier 2 capital generally comprises:

- A General Reserve for Credit Losses; and
- Approved subordinated loans.

22. Financial risk management objectives and policies (continued)

Capital in the Credit Union is made up as follows:

	2022	2021
Tier 1	**$**	**$**
Share capital	-	-
Capital reserve	28,890	27,870
FVOCI Reserve	-	135,419
Retained earnings	16,511,180	15,520,887
	16,540,070	15,684,176
Less: Prescribed deductions	(429,190)	(809,998)
Net tier 1 capital	16,110,880	14,874,178
Tier 2		
Reserve for credit losses	-	340,709
	-	340,709
Less: Prescribed deductions	-	-
Net tier 2 capital	-	340,709
Total Capital	16,110,880	15,214,887

As at the balance date, the Credit Union's capital ratio stood at 15.60%. The Board's minimum capital adequacy requirement is 12%.

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

2022	2021	2020	2019	2018
15.60%	**15.23%**	**15.78%**	**16.14%**	**16.23%**

The level of capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix and the risk weighting of assets.

To manage the Credit Union's capital the Credit Union reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the regulator if the capital ratio falls below 14.5%. Further a 5 year capital projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Pillar 2 Capital on operational risk

The Credit Union uses the Standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams. The Operational Risk Capital Requirement is calculated by mapping the Credit Union's three year average net interest income and net non-interest income to the Credit Union's various business lines.

22. Financial risk management objectives and policies (continued)

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

- Operational risk capital $1,081,800 (2021 - $996,059).

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

Total Capital

2022	2021
$16,110,880	$15,579,545

k. Internal Capital Adequacy Management

The Credit Union manages its internal capital levels for both current and future activities through the functions of the Board. The capital required for any change in the Credit Union's forecast for asset growth, or unforeseen circumstances, are assessed by the Board.

The optional additional capital charge recognised by the Board equates to $Nil (2021: Nil).

23. Categories of financial instruments

The following information classifies the financial instruments into measurement classes:

	2022 $	2021 $
Financial assets - amortised cost		
Cash and cash equivalents	5,855,047	3,325,895
Receivables from financial institutions	70,831,042	62,363,207
Receivables	152,089	82,563
Loans to members	156,646,499	153,627,784
Other loans	12,269,419	10,493,966
	245,754,096	229,893,415
Financial assets - FVOCI		
Investment securities	24,000	447,524
Total financial assets	245,778,096	230,340,939
Financial liabilities		
Creditors and settlement accounts	753,952	966,257
Deposits from members	228,197,188	213,212,807
Total financial liabilities	228,951,140	214,179,064

24a. Maturity profile of financial assets and liabilities

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and in the case of loans the repayment amount and frequency.

The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event that current repayment conditions are varied.

Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly, these values will not agree to the Statement of Financial Position.

2022	Book value $	Up to 3 months $	3-12 months $	1-5 years $	After 5 years $	No Maturity $	Total cash flows $
ASSETS							
Cash & cash equivalents	5,855,047	5,855,047	-	-	-	-	5,855,047
Receivables from financial Inst.	70,831,042	32,837,679	16,450,000	21,550,000	-	-	70,837,679
Receivables	152,089	152,089	-	-	-	-	152,089
Loans to members	156,646,499	2,959,793	8,460,856	43,159,640	146,283,077	-	200,863,366
Other loans	12,269,419	126,249	373,663	5,077,368	15,631,964	-	21,209,244
Investment securities	24,000	-	-	-	-	24,000	24,000
Total financial assets	**245,778,096**	**41,930,857**	**25,284,519**	**69,787,008**	**161,915,041**	**24,000**	**298,941,425**
LIABILITIES							
Creditors & settlements	753,952	753,952	-	-	-	-	753,952
Deposits from members	228,197,188	181,122,539	45,559,415	1,515,233	-	-	228,197,187
	228,951,140	181,876,491	45,559,415	1,515,233	-	-	228,951,139
Undrawn loan commitments	35,574,130	35,574,430	-	-	-	-	35,574,430
Total financial liabilities	**264,525,270**	**217,450,921**	**45,559,415**	**1,515,233**	**-**	**-**	**264,525,569**

24a. Maturity profile of financial assets and liabilities (continued)

2021	Book value	Up to 3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total cash flows
	$	$	$	$	$	$	$
ASSETS							
Cash & cash equivalents	3,325,895	3,247,214	-	-	-	78,681	3,325,895
Receivables from financial Inst.	62,363,207	23,520,245	5,595,463	33,974,788	-	-	63,090,496
Receivables	82,563	82,563	-	-	-	-	82,563
Loans to members	153,627,784	2,871,927	8,282,916	42,451,043	143,657,069	-	197,262,955
Other loans	10,493,966	116,973	310,904	4,157,575	13,115,878	-	17,701,330
Investment securities	447,524	-	-	-	-	447,524	447,524
Total financial assets	**230,340,939**	**29,838,922**	**14,189,283**	**80,583,406**	**156,772,947**	**526,205**	**281,910,763**
LIABILITIES							
Creditors & settlements	966,257	966,257	-	-	-	-	966,257
Deposits from members	213,212,807	161,669,462	42,612,415	9,891,015	-	-	214,172,892
	214,179,064	162,635,719	42,612,415	9,891,015	-	-	215,139,149
Undrawn loan commitments	27,466,216	27,466,216	-	-	-	-	27,466,216
Total financial liabilities	**241,645,280**	**190,101,935**	**42,612,415**	**9,891,015**	**-**	**-**	**242,605,365**

24b. Non-current profile of financial assets and liabilities

The table below represents the above maturity profile summarised at undiscounted values. The contractual arrangements best represents the estimated minimum amount of repayment on the loans, liquid investments and on the member deposits. While the liquid investments and member deposits are presented in the table below on a contractual basis, as part of our normal banking operations we would expect a large proportion of these balances to roll over. Loan repayments are generally accelerated by members choosing to repay loans earlier. These advance repayments are at the discretion of the members and not able to be reliably estimated.

		2022			2021	
	Within 12 months $	**After 12 months $**	**Total $**	**Within 12 months $**	**After 12 months $**	**Total $**
FINANCIAL ASSETS						
Cash & cash equivalents	5,855,047	-	5,855,047	3,325,895	-	3,325,895
Receivables from financial institutions	37,281,042	33,550,000	70,831,042	28,813,207	33,550,000	62,363,207
Receivables	152,089	-	152,089	82,563	-	82,563
Loans to members	92,041,255	52,421,115	144,462,370	62,725,479	90,902,305	153,627,784
Other loans	11,467,959	801,460	12,269,419	7,123,895	3,370,071	10,493,966
Investment securities	-	24,000	24,000	-	447,524	447,524
Total financial assets	146,797,392	86,796,575	233,593,967	102,071,039	128,269,900	230,340,939
FINANCIAL LIABILITIES						
Creditors & settlements	753,952	-	753,952	966,257	-	966,257
Deposit from members	226,713,964	1,483,223	228,197,187	203,551,307	9,661,500	213,212,807
Total financial liabilities	227,467,916	1,483,223	228,951,139	204,517,564	9,661,500	214,179,064

25. Interest rate change profile of financial assets and liabilities

Financial assets and liabilities have conditions which allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings). The table below shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date, or maturity date.

	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	Noninterest bearing $	Total $
2022						
ASSETS						
Cash & cash equivalents	5,855,047	-	-	-	-	5,855,047
Receivables from financial Institutions	14,837,679	18,000,000	16,443,636	21,550,000	-	70,831,315
Receivables	-	152,089	-	-	-	152,089
Loans to members	25,937,300	5,895,739	20,588,076	92,041,255	-	144,462,370
Other loans	8,440,200	-	3,027,759	801,460	-	12,269,419
Investment securities	-	-	-	-	24,000	24,000
Total financial assets	55,070,226	24,047,828	40,059,471	114,392,715	24,000	233,594,240
LIABILITIES						
Creditors & settlements	-	-	-	-	753,952	753,952
Deposits from members	157,158,612	23,963,927	45,559,415	1,483,223	32,010	228,197,187
	157,158,612	23,963,927	45,559,415	1,483,223	785,962	228,951,139
Undrawn loan commitments	35,574,130	-	-	-	-	35,574,130
Total financial liabilities	192,732,742	23,963,927	45,559,415	1,483,223	785,962	264,525,269
2021						
ASSETS						
Cash & cash equivalents	3,247,214	-	-	-	78,681	3,325,895
Receivables from financial Institutions	18,313,207	37,300,000	6,750,000	-	-	62,363,207
Receivables	-	82,563	-	-	-	82,563
Loans to members	51,156,439	3,511,466	36,234,400	62,725,479	-	153,627,784
Other loans	5,905,017	-	1,218,878	3,370,071	-	10,493,966
Investment securities	-	-	-	-	447,524	447,524
Total financial assets	78,621,877	40,894,029	44,203,278	66,095,550	526,205	230,340,939
LIABILITIES						
Creditors & settlements	-	-	-	-	966,257	966,257
Deposits from members	136,572,500	24,646,417	42,300,030	9,661,500	32,360	213,212,807
	136,572,500	24,646,417	42,300,030	9,661,500	998,617	214,179,064
Undrawn loan commitments	27,466,216	-	-	-	-	27,466,216
Total financial liabilities	164,038,716	24,646,417	42,300,030	9,661,500	998,617	241,645,280

26. Fair value of financial assets and liabilities

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability.

Significant assumptions used in determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts.

The information is only relevant to circumstances at the reporting date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Credit Union, and there is no active market to assess the value of the financial assets and liabilities. The values reported have not been adjusted for the changes in credit ratings of the assets. The calculation reflects the interest rate applicable for the remaining term to maturity not the rate applicable to the original term.

	2022			2021		
	Fair Value	Carrying Value	Variance	Fair Value	Carrying Value	Variance
	$	$	$	$	$	$
FINANCIAL ASSETS						
Cash & cash equivalents	5,855,047	5,855,047	-	3,325,895	3,325,895	-
Receivables from financial institutions	70,831,043	70,831,043	-	62,363,207	62,363,207	-
Receivables	152,089	152,089	-	82,563	82,563	-
Loans to members	160,182,826	156,646,499	3,536,327	124,181,043	153,627,784	(29,446,741)
Other loans	15,280,844	12,269,419	3,011,425	9,989,089	10,493,966	(504,877)
Investment securities	24,000	24,000	-	447,524	447,524	-
Total financial assets	252,325,849	245,778,097	6,547,752	200,389,321	230,340,939	(29,951,618)
FINANCIAL LIABILITIES						
Creditors & settlements	753,952	753,952	-	966,257	966,257	-
Deposits from members	228,374,024	228,197,188	176,836	213,028,513	213,212,807	(184,294)
Total financial liabilities	229,127,976	228,951,140	176,836	213,994,770	214,179,064	(184,294)

Assets where the fair value is lower than the book value have not been written down in the accounts of the Credit Union on the basis that they are to be held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

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

Liquid assets and receivables from other financial institutions
The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 12 months approximate their fair value as they are short term in nature or are receivable on demand.

Loans and advances
The carrying value of loans and advances is net of unearned income and both general and specific provisions for doubtful debts.

For variable rate loans, (excluding impaired loans) the amount shown in the statement of financial position is considered to be a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the period to maturity of the loans. The discount rates applied were based on the current applicable rate offered for the average remaining term of the portfolio.

26. Fair value of financial assets and liabilities (continued)

The fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Deposits from members

The fair value of call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the statement of financial position. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related period maturity.

		2022 $	2021 $
27.	**Financial commitments**		
a.	**Outstanding loan commitments**		
	Loans approved but not funded	7,680,258	4,256,442
b.	**Loan redraw facilities**		
	Loan redraw facilities available	21,148,516	21,402,374
c.	**Undrawn loan facilities**		
	Loan facilities available to members for overdrafts and line of credit loans are as follows:		
	Total value of facilities approved	2,486,192	2,527,415
	Less: Amount advanced	(740,836)	(720,015)
	Net undrawn value	1,745,356	1,807,400

These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.

	2022 $	2021 $
Total financial commitments	35,574,130	27,466,216

		2022 $	2021 $
d.	**Computer licence commitments**		
	The costs committed under contracts with Ultradata are as follows:		
	Not later than one year	263,856	263,856
	Later than 1 year but not 5 years	692,127	955,983
	Later than 5 years	-	-
		955,983	1,219,839

Licence commitments with Ultradata were extended in 2021 for another 5 years to 30 of June 2026.

28. Standby borrowing facilities

The Credit Union has a borrowing facility with Credit Union Services Corporation (Australia) Limited ("Cuscal") of:

	Gross $	Current Borrowing $	Net Available $
2022			
Overdraft facility	500,000	-	500,000
Total standby borrowing facilities	500,000	-	500,000
2021			
Overdraft Facility	500,000	-	500,000
Total standby borrowing facilities	500,000	-	500,000

Withdrawal of the loan facility is subject to the availability of funds at Cuscal.

Cuscal holds term deposits security against loan and overdraft amounts drawn under the facility arrangements.

29. Contingent liabilities

Liquidity support scheme

The Credit Union is a member of the Credit Union Financial Support Scheme Limited (CUFSS), a Company limited by guarantee, established to provide financial support to member Credit Unions in the event of a liquidity or capital problem. As a member, the Credit Union is committed to maintaining 3% of the total assets as deposits and investments in eligible ADI's.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating credit union would be 3% of the Credit Union's total assets under loans and facilities. This amount represents the participating Credit Union's irrevocable commitment under the ISC. At the reporting date there were no loans issued under this arrangement.

30. Disclosures on directors and other key management personnel

a. Remuneration of key management persons

Key management persons (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any director (whether executive or otherwise) of that Credit Union. *Control* is the power to govern the financial and operating policies of a Credit Union so as to obtain benefits from its activities.

Key management persons have been taken to comprise the directors and the members of the executive management responsible for the day to day financial and operational management of the Credit Union.

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

AASB 124 Related Party Disclosures does not specifically require the separation of the directors and executive remuneration. The table below represents the aggregate remuneration for the key management personnel

		2022 $	2021 $
(a)	short-term employee benefits;	337,721	396,902
(b)	post-employment benefits - superannuation contributions	50,000	55,332
(c)	other long-term benefits – net increases in long service leave provision	7,083	7,083
(d)	termination benefits;	-	-
(e)	share-based payment.	-	-
	Total	394,804	459,317

In the above table, remuneration shown as short-term benefits means (where applicable) wages, salaries and superannuation contributions, paid annual leave and paid sick leave, profit-sharing and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

All remuneration to directors was approved by the members at the previous Annual General Meeting of the Credit Union.

b. Loans to directors and other key management persons

The Credit Union's policy for lending to directors and management is that all loans are approved and deposits accepted on the same terms and conditions which applied to members for each class of loan or deposit.

There are no loans which are impaired in relation to the loan balances with director's or other KMP.

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

30. Disclosures on directors and other key management personnel (continued)

The detail of transactions during the year is as follows:

	2022 Mortgage secured $	2022 Other term loans $	2022 Revolving Credit $	2021 Mortgage secured $	2021 Other term loans $	2021 Revolving Credit $
Funds available to be drawn	-	-	50,500	-	-	50,500
Balance	3,045,309	-	-	3,235,371	-	-
Amounts disbursed or facilities increased in the year	140,832	-	-	563,900	-	-
Interest and other revenue earned	67,928	-	-	72,789	-	-

Other transactions between related parties include deposits from directors, and other KMP are:

	2022 $	2021 $
Total value term and savings deposits from KMP	2,413,990	2,128,939
Total interest paid on deposits to KMP	6,546	6,194

The Credit Union's policy for receiving deposits from KMP is that all transactions are approved and deposits accepted on the same terms and conditions which applied to members for each type of deposit.

c. Transactions with other related parties

Other transactions between related parties include deposits from director related entities or close family members of directors, and other KMP.

The Credit Union's policy for receiving deposits from related parties is that all transactions are approved and deposits accepted on the same terms and conditions which applied to members for each type of deposit.

There are no benefits paid or payable to the close family members of the key management persons.

There are no service contracts to which key management persons or their close family members are an interested party.

31. Superannuation liabilities

The Credit Union contributes to the NGS Super Plan for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of employees. The plan is administered by an independent corporate trustee. The Credit Union has no interest in the superannuation plan (other than as a contributor) and is not liable for the performance of the plan, or the obligations of the plan.

32. Notes to statement of cash flows

	Note	2022 $	2021 $
Reconciliation of cash			
Cash comprises:			
Cash on hand		-	78,681
Deposits at call with other financial institutions		5,855,047	3,247,214
Total cash		5,855,047	3,325,895

Reconciliation of net cash flows from revenue activities to accounting profit
The net cash flows from revenue activities is reconciled to the profit after tax:

	Note	2022 $	2021 $
Profit after income tax		152,571	705,362
Add/(Deduct):			
Increase in provision for loans	2.d	4,606	46
Bad debts written off		11,327	21,958
Depreciation expense	2.e	123,800	135,441
Amortisation of intangible assets	13	121,965	121,304
Written off intangible assets		10,275	6,952
Profit on sale of property, plant & equipment		(28,951)	-
Right of use adjustment		(67,361)	-
(Decrease)/Increase in provisions for staff leave		(1,114)	26,655
(Decrease)/Increase in provision for income tax		(148,563)	81,539
Increase in provision for IT Strategic Initiatives		400,000	-
(Decrease)/Increase in accrued expenses		4,202	(77,215)
Decrease/(Increase) in prepayments		(5,413)	55,322
(Decrease)/Increase in other provisions		-	(83,173)
Decrease in Interest payable		(141,537)	(378,186)
Increase in deferred tax assets		(103,733)	(9,942)
Increase/(Decrease) in interest receivable		(69,526)	3,776
Net cash from revenue activities		262,548	609,839
(Increase) in member loans (net movement)		(3,039,491)	(12,976,289)
(Increase) in other loans (net movement)		(1,770,610)	(5,346,994)
Decrease in member deposits & shares (net movement)		14,909,411	19,412,264
Decrease in deposits to other financial institutions (net)		(8,467,835)	(4,746,910)
Net cash flows from operating activities		1,894,023	(3,048,090)

33. Outsourcing arrangements

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

a. Cuscal Limited

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

- provides the license rights to Visa Card in Australia and settlement to other institutions for ATM, Visa Card and cheque transactions, direct entry transactions, as well as the production of Visa Cards for use by members;
- operates the computer network used to link Visa cards to approved ATM providers to the Credit Union's EDP system; and
- provides treasury and money market facilities to the Credit Union

b. Ultradata Australia Pty Ltd

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

c. TransAction Solutions Ltd

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

34. Corporate information

The address of the registered office is:

No. 1 The Village, Riverside Corporate Park, 3
Julius Ave NORTH RYDE NSW 2113

The address of the principal place of business is:

No.1 The Village, Riverside Corporate Park, 3
Julius Ave NORTH RYDE NSW 2113

35. Events occurring after the reporting period

No matters or circumstances have arisen since the end of the financial year and up until the date of this report which significantly affect the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union in subsequent years.