Laboratories Credit Union

69th Annual Report 2022/23

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

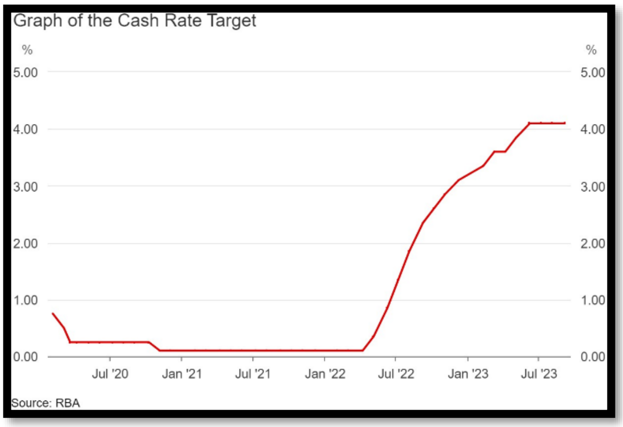
LCU
banking you can trust

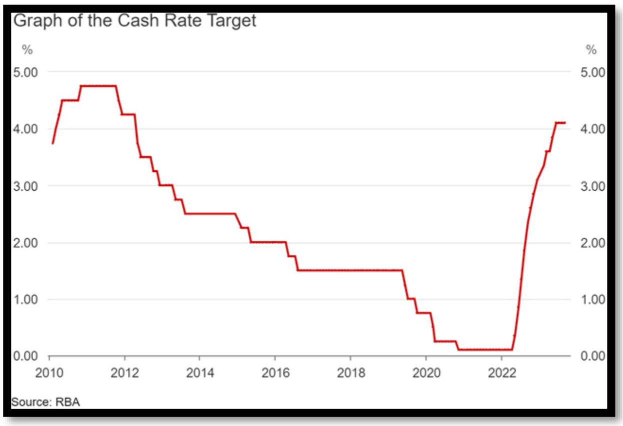
Chairman's Report 2023

A Year of Extensive Change

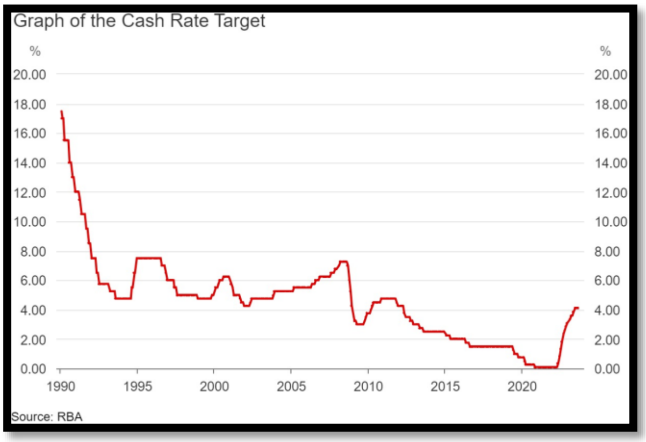
Last year, I wrote about the planned changes at LCU with the transition of our business leader from GM Leanne Harris to our new CEO, Helen Lorigan. While we expected change to accompany this leadership transition, we did not anticipate that during this 69th year for LCU, the pace of change would be so high. That pace brought many challenges your Board has navigated over the past financial year.

Of course, I am referring to the dramatic external environment during the lead-up to and into the 2023 financial year. During the financial year of 2023, we saw interest rates increase ten times over a 12-month period after years of very low interest rates. The rapidity of this change can be seen in the steepness of the left graph below.





To put this in context, you can see in the right graph above the relative stability of rates over the last ten years. In my Chair's report last year, I commented that such conditions were unknown to this generation of borrowers. With continued rapid increase in rates, reaching 4.10% at the end of the financial year, we can confidently say that no one has seen such a rapid and sustained level of rate increases, even those who recall the heights of rates in the 1980s.



During this period, LCU continued to provide home loans to members who had signed up during the time of extraordinarily low interest rates, with many members benefiting from the low, competitive rates offered only one to two years ago. While many of those borrowers sensibly took the opportunity to get ahead on their mortgages, we are very conscious that as these members roll over from the historically low rates, they will be entering an environment of significantly higher home loan rates, and this interest rate transition can dramatically impact household finances. We continue to serve all these members and provide assistance as they step through what can only be described as a huge change. The Board and management are comforted by the loan assessment process conducted on all new loans which considers scenarios such as this, and therefore, we can be confident that members who borrowed at those historically low rates would be able to service their loans if (as they did) interests rates increased by several percent.

At the same time as these mortgage increases are being applied, our depositors are naturally looking for LCU to support them with rates that are competitive in the market. This challenge is only able to be met by LCU because of its careful financial management, having one of the lowest cost bases in the industry. In addition to this, your Board took a long-term view, knowing returns would be made on our capital built up over the years. At the beginning of the 2023 financial year, we had strategic plans for involvement in partnerships to grow LCU into new areas to grow the banking book. However, these plans naturally had to give way to a more short-term focus on the banking book when interest rates moved so quickly and challenged our margins. Rest assured, our longer-term plans are still very much in the mind of your Board to ensure LCU's sustainable growth.

Your Board is conscious that in the future, LCU's low cost base will be further challenged by the mandatory investment in IT infrastructure required by government initiatives like the continuous demands of the Open Banking Program, increasing expectations by members for improved service and availability, and the ever-increasing requirements of cyber security.

In 2021-2022, LCU benefitted from the sale of its small shareholding of shares in CUSCAL, originally an industry body owned by credit unions. We have invested the proceeds in our future through IT development by making an IT provision of $400,000. Although our intention had been to expend those funds during 2022-2023, your Board is carefully reviewing its options for infrastructure changes and has retained the bulk of this provision this year to benefit future IT investment plans.

Our financial metrics are:

- Net interest margin (the average difference between lending and borrowing rates) of 1.70%, which compares with 1.61% in 2022.
- Continuing to keep fees and charges at sector-leading low levels, with low interest rates meaning low returns on our capital, our 69th consecutive pre-tax surplus (excluding extraordinary items) increased from $152,571 in 2022 to $189,201.
- This surplus grows LCU members' total capital to $16,367,721 and corresponds to a return on assets of 0.08% (0.06% in 2022). This is a short-term low growth rate, which your Board sees increasing next financial year.
- Our critical financial resilience metrics remain within our target comfort zones and well in excess of prudential requirements. The capital adequacy ratio was 20.55% under the new APRA calculation. (cf. 15.6% in 2022 under the old calculation). The minimum liquid holdings were 16.03% (cf. 16.94% in 2022).
- This year, LCU has achieved loan growth of 5.33% (3.14% last year), combined with 0.28% deposit growth (7.03% last year).
- Total assets ending June 2023 were $249 million ($246 million last year).

LCU has not benefited from the Government support of prior COVID years ($257,900 in 2021 and $83,000 in 2020) nor the rental reductions (2022 accounts allowed over $50,000, 2021 nearly $88,000). We took the decision not to move premises as we'd originally intended in the second half of FY2023, instead remaining in our existing location in Julius Ave in North Ryde. That decision afforded us significant rental savings compared with moving to more modern premises.

Community

The LCU Tertiary Scholarship program continued in 2022-23 with awards to 10 young people: Nayan Sivaraman, Lachlan Sleath, Gemma De Rosa, Sarma Indie, Amy Peachey, Tia Darlow, Kate Springer, Cameron Kemmis and Georgia Brown, with the McDonald Clark Award for the highest ATAR going to Darcy Greenwood. These awards were presented on 29 March 2023 in conjunction with the CSIRO Alumni Scholarship in Physics. Since LCU launched these scholarships in 1990, we have awarded over $300,000 to 330 recipients.

Board and Staff Movements

The theme of change continued this year with more than the usual amount of movement. We saw a number of retirements in 2022/23, many of which had been planned for but nevertheless created change. We thank Joanne O'Donnell (Risk and Compliance), Eileen Thoms (Chief Operations Officer and Assistant GM) and Kerrie Griffiths (Member Service Officer), each of whom kindly remained with LCU beyond their initial plans to continue to provide high-quality service to our members. We say thank you and farewell to other team members who have decided to pursue other careers, with Nalini Mannie, Tejas Daulat, Sally Boswell and Kugan Thiru also leaving during the year. The Board would like to extend its thanks and appreciation for these staff members, who many members will know, having benefited from their expertise over the years.

Joining the team this year has been James McKid (Chief Operations Officer), who has years of experience in the mutual banking sector and has benefited from a long handover from Eileen. We also welcome Sarah Naughton as our new Chief Risk and Compliance Officer, who has extensive experience in the banking sector and benefited from an extended handover from Joanne. We also have a new Lending Manager, Nicole Heighway, who brings many years of lending experience in the mutual sector. Finally, Sapna Phatke has joined us as a Lending Officer and has quickly become a valuable team member.

From the Board, Dr Paul Swan retired from LCU during the year and has not yet been replaced. The Board thanks Dr Swan for his contributions, especially to strategy, his enthusiasm and hard work on a wide range of innovation and other matters. Dr Swan was Deputy Chair from November 2021 to March 2023 and our inaugural Chair of the Innovation Committee.

I would also like to thank my fellow Directors, Frank Benito de Valle, Scott Martin, Tony Murphy (Chair of the Risk Committee), Gordana Papic (Chair of the IT and Innovation Committee), and John Stephens (Chair of the Board Audit Committee) for their contributions over this past year, particularly their significant additional time commitments on a variety of matters such as strategic initiatives and recruitment of senior staff, which has fallen on the smaller number of directors.

On behalf of the Board, I would also like to acknowledge the small group of LCU employees who have continued to provide consistently professional and quality service in an environment of substantial change. They have brought you the friendly LCU service during 2023 under the leadership of Helen Lorigan: Helen herself, of course, and Eileen Thoms, Kerrie Griffiths, Susanne Tran-Lowder, Matthew Thoms, Joanne O'Donnell, Betty Ho, Tejas Daulat, Sally Boswell, Kugan Thiru, James McKid, Sarah Naughton, Shervin Tavoosi, and Maryam Mousavin. This year of extraordinary external and internal change has been managed with grace and goodwill towards members, which has provided a strong foundation to grow into the future.

Allison Smart
Chairman 29 September 2023

LABORATORIES

CREDIT UNION LIMITED

A.B.N. 77 087 650 217

Incorporated in Australia

30 June 2023
Financial Statements

Registered Office:

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

Contents

Directors' Report

Directors present their report on the Laboratories Credit Union Limited (LCU) for the financial year ended 30 June 2023. LCU 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 financial year are:

A.J. Smart	Chairman	BCom, LLB, LLM, FCIS.	Director since December 2012 Chairman since November 2019 Remuneration and Nominations Committee Chairman since November 2015 Budget 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
F.J Benito de Valle	Director	B Econ, FAICD, FCIS, FCPA, JP	Director since January 2000 Budget 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
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
G.Papic	Director	DipCom	Director since June 2022 Member of the Budget Committee, Audit Committee and Risk Committee
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 to March 2023

* P.G. Swan retired as a Director on 17 March, 2023.

The name of the Company Secretary in office at the end of the financial year 2023 is:

Name	Qualifications	Experience
L Harris	Dip. Fin. Services, MBA, MAICD	Company Secretary from May 2015 to 31 October 2022
K Thiru	MBA, MCom, Prof. Accounting, B BA, FIPA	Company Secretary from 1 November to 14 February 2023
H Lorigan	B Com GAICD SF Fin	Company Secretary since 15 February 2023

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
F.J. Benito de Valle	12	11	1	1	4	4				
A.S. Martin	12	12			4	4				
A.B Murphy	12	12	1	1			4	4		
A.J. Smart	12	12	1	1						
R.J. Stephens	12	12	1	1	4	4	4	4		
G. Papic	12	12			2	2	2	1		
P.G. Swan	8	8					3	3		

* No meetings of the Remuneration and Nominations Committee were held during the financial year 2023.
* P.G. Swan was a Director up until 17 March, 2023.

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 LCU 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 LCU, 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 LCU. 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 LCU.

Principal activities

The principal activities of LCU 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 LCU for the year after providing for income tax was $189,201 [2022: $152,571].

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 LCU.

Review of results

The results of LCU'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 challenges mainly resulting from consecutive cash rate increases throughout the year. The cash rate was 4.10% as at 30th of June 2023 which was the highest recorded since 2012. The successive 10 interest rate rises increased competition in the industry which in turn impacted loans growth.

LCU is forecasting stronger loans growth throughout the FY24 as further rate increases by the Reserve Bank of Australia (RBA) start to abate and LCU explores new channels and markets for loans.

Significant changes in state of affairs

There were no significant changes in the state of the affairs of LCU 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:

i. The operations of LCU;
ii. The results of those operations; or
iii. The state of affairs of LCU

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 LCU, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of LCU for all or part of those proceedings.

Rounding

Laboratories Credit Union Ltd is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

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 ________________________
Director

Richard John Stephens________________________
Director

Signed and dated this 29th day of September 2023.

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 2023, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton.

Grant Thornton Audit Pty Ltd
Chartered Accountants

Tari Makanda.

Tari Makanda
Partner – Audit & Assurance

Sydney, 29 September 2023

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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 2023, 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 2023 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 2023, 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

Tari Makanda.

Tari Makanda
Partner – Audit & Assurance

Sydney, 29 September 2023

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 2023 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 ASmart	Richard John Stephens R J Stephens
Director	Director

Signed and dated this 29th day of September 2023.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	2023 $	2022 $
Interest revenue	2.a	7,201,895	4,460,240
Interest expense	2.c	(2,996,109)	(608,816)
Net interest income		4,205,786	3,851,424
Other income	2.b	140,305	280,362
Net operating income		4,346,091	4,131,786
Less:			
Non-interest expenses			
Impairment (gain)/loss on loans receivable from members	2.d	(4,215)	20,776
Impairment (gain)/loss on loans receivable from other loans	2.d	235	(4,843)
Fee and commission expenses		288,992	249,316
General administration			
- Employee's compensation and benefits		1,852,182	1,347,269
- Depreciation and amortisation	2.e	245,249	249,539
- Information technology		586,026	1,048,013
- Office occupancy		2,521	6,061
- Other administration		338,122	373,002
Other operating expenses		784,649	717,883
Total non-interest expenses		4,093,761	4,007,016
Profit before income tax		252,330	124,770
Income tax expense / (benefit)	3	63,129	(27,801)
Profit after income tax		189,201	152,571
Other Comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Change in fair value		-	341,172
Income tax relating to other comprehensive income		-	1,163,723
Total comprehensive income, net of income tax		-	504,895
Total comprehensive income for the period		189,201	657,466

Statement of Changes in Member Equity

For the year ended 30 June 2023

	General Reserve for Credit Losses $	Retained Earnings $	Capital & Other Reserves $	FVOCI Reserve $	Total $
Total at 1 July 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 at 30 June 2022	-	16,511,180	28,890	-	16,540,070
Profit for the year	-	189,201	-	-	189,201
Transfer to capital reserve on redemption of shares	-	(710)	710	-	-
Transfer (from)/to reserve for credit losses in the year	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	-
Total as at 30 June 2023	-	16,699,671	29,600	-	16,729,271

Statement of Financial Position

As at 30 June 2023

	Note	2023 $	2022 $
ASSETS			
Cash and cash equivalents	4	11,501,574	5,855,047
Receivables from financial institutions	5	59,422,267	70,831,042
Other receivables	6	486,520	206,110
Loans to members	7 & 8	165,008,335	156,655,468
Other loans	9	12,176,307	12,260,450
Investment securities	10	24,000	24,000
Property, plant and equipment	11	37,241	67,175
Taxation assets	12	363,724	270,174
Intangible assets	13	157,169	178,770
Right-of-use assets	14(a)	235,702	61,189
TOTAL ASSETS		249,412,839	246,409,425
LIABILITIES			
Deposits from members	15	228,831,756	228,197,188
Creditor accruals and settlement accounts	16	3,093,198	840,811
Taxation liabilities	17	-	-
Provisions	18	520,915	786,413
Lease liabilities	14(b)	237,699	44,943
TOTAL LIABILITIES		232,683,568	229,869,355
NET ASSETS		16,729,271	16,540,070
MEMBERS' EQUITY			
Capital reserve account	19	29,600	28,890
General reserve for credit losses	20	-	-
FVOCI Reserve	21	-	-
Retained earnings		16,699,671	16,511,180
TOTAL MEMBERS' EQUITY		16,729,271	16,540,070

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

Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 $	2022 $
OPERATING ACTIVITIES			
Revenue inflows/(outflows)			
Interest received		7,011,415	4,390,714
Fees and commissions		153,405	127,860
Dividends		1,200	62,224
Other income		-	71,604
Interest paid		(1,930,023)	(750,353)
Suppliers and employees		(3,080,185)	(3,415,006)
Income taxes paid		(156,679)	(224,495)
Net cash flow from revenue activities		1,999,133	262,548
Inflows/(outflows) from other operating activities			
(Increase)/decrease in member loans (net movement)		(8,349,973)	(3,039,491)
(Increase)/decrease in other loans (net movement)		85,229	(1,770,610)
Increase in member deposits & shares (net movement)		700,934	14,909,411
(Increase)/decrease in deposits to other financial institutions (net)		11,408,775	(8,467,835)
Net cash flows (used in)/from operating activities	32	5,844,098	1,894,023
INVESTING ACTIVITIES			
Inflows/(outflows)			
Proceeds on sale of property, plant and equipment		38,823	30,501
Proceeds on sale of shares		-	764,696
Net movement in investments		-	21,443
Purchase of intangible assets		(97,947)	(68,842)
Purchase of property plant and equipment		(36,598)	(49,601)
Purchase of investment securities		-	-
Net cash flows (used in)/from used in investing activities		(95,722)	698,197
FINANCING ACTIVITIES			
Inflows/(outflows)			
Lease principal payments	14	(101,849)	(63,068)
Net cash flows (used in) financing activities		(101,849)	(63,068)
Net increase/(decrease) in cash		5,646,527	2,529,152
Cash at beginning of year		5,855,047	3,325,895
Cash at end of year	4	11,501,574	5,855,047

Notes to the Financial Statements

For the year ended 30 June 2023

1. Statement of significant accounting policies

This financial report is prepared for Laboratories Credit Union Limited, for the year ended the 30 June 2023. The report was authorised for issue on 27th September 2023 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 (LCU) 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 accrual 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

LCU has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current period.

None of the adopted Accounting Standards and Interpretations had a material impact on the financial statements of LCU.

Any new or amended Accounting Standards and Interpretations that are not yet mandatory have not been adopted.

Financial assets and financial liabilities

Financial assets and financial liabilities are recognised when LCU 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); and
- 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:

- LCU'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 financial assets at Fair Value through Profit or Loss (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. LCU'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.

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 – 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. LCU'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
LCU's financial assets carried at amortised cost are subject to the three-stage expected credit loss model. LCU 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.

b. Loans to members

Loans to Members 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' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that LCU does 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 LCU 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)

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 LCU 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.

LCU also has loans to non-Members (refer to Note 9). There are two components to non-members;
Personal unsecured loans these are managed by MoneyMe or Plenti. LCU is advised by MoneyMe or Plenti monthly of the repayment breakdowns and outstanding balances.
Mortgage secured loans are treated similarly to LCU loans to members in terms of classification and measurement. Interest is calculated daily and recorded monthly.

To the extent relevant, any fees and charges are treated in the same way as Member loans.

c. Loan Impairment

AASB 9's impairment requirements use forward looking information to recognise expected credit losses - the 'expected credit loss' (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 guarantor that are not measured at fair value through profit or loss.

LCU considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current local and global macro-economic conditions, changes in interest rates, cost of living pressures, 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 or performing loans and past 30 days due ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low at past 60 days due ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment or loans in default at past 90 days 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 LCU in accordance with the contract and the cash flows that LCU 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 LCU if the commitment is drawn down and the cash flows that LCU expects to receive; and
- *financial guarantee contracts:* the expected payments to reimburse the holder less any amounts that LCU 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

Restructured financial assets

If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, LCU shall assess whether there has been a significant increase in the credit risk of the financial instrument by comparing:

a. the risk of a default occurring at the reporting date (based on modified contractual terms); and
b. the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

At each reporting date, LCU 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 guarantor;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by LCU on terms that LCU would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

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 LCU cannot identify the ECL on the loan commitment component separately from those on the drawn component:* LCU 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.

1. Statement of significant accounting policies (continued)

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 LCU 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 LCU's procedures for recovery of amounts due

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 LCU. 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 $1,500 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 deposits is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on deposits 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 LCU expects to pay as a result of the unused entitlement.

Provision is made for LCU's liability for employee benefits arising from services rendered by employees to balance date.

Provision for long service leave is on a pro-rata basis from commencement of employment with LCU 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 LCU 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% (2022: 25%).

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 LCU 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.

k. Intangible assets

Items of computer software which are not integral to the computer hardware owned by LCU 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 LCU 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.

1. Statement of significant accounting policies (continued)

l. Goods and services tax (GST)

As a financial institution, LCU is input taxed on all income except for income from 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 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 LCU 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.

o. Accounting estimates and judgements

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

2. Statement of profit or loss and other comprehensive income

	2023 $	2022 $
a. Analysis of interest revenue		
Interest revenue on assets carried at amortised cost		
Cash – deposits at call	204,000	-
Receivables from financial institutions	1,974,565	536,014
Loans to members and other loans	5,023,330	3,924,226
Total interest revenue	7,201,895	4,460,240
b. Fee, commission and other income		
Fee and commission revenue		
Fee income on loans – other than loan origination fees	2,000	4,000
Other fee income	94,728	77,354
Other commissions	56,677	46,506
	153,405	127,860
Other income		
Dividends received on investment securities (FVOCI)	1,200	62,224
Bad debts recovered	3,622	9,507
Gain on disposal of assets		
- Property, plant and equipment	2,382	28,951
Miscellaneous income[1]	(20,304)	51,820
Government grant income	-	-
	(13,100)	152,502
Total fee, commission and other income	140,305	280,362
c. Interest expense		
Short term borrowings - overdraft	-	-
Deposits from members	3,002,044	603,942
Interest expense (adjustment) on lease liabilities[2]	(5,935)	4,874
Total interest expense	2,996,109	608,816

[1] Adjustment to prior COVID concession
[2] Adjustments to renegotiated lease contracts

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

d. Impairment losses	Note	2023 $	2022 $
Loans and advances			
Member Loans			
(Decrease)/Increase in provision for impairment		(4,215)	20,776
Bad debts written off directly against profit		-	-
		(4,215)	20,776
Other Loans			
Decrease in provision for impairment		(948)	(16,170)
Bad debts written off directly against profit		1,183	11,327
		235	(4,843)
Total impairment		(3,980)	15,933

e. Other prescribed disclosures

General administration			
Depreciation and amortisation			
- depreciation of plant and equipment	11	30,092	21,316
- amortisation of Intangible - software	13	119,548	123,356
- depreciation of Right-of-use-asset	14	95,609	104,867
		245,249	249,539
Other operating expenses			
Auditor's remuneration (excluding GST)			
- Audit fees		39,250	54,700
- Other Services – taxation		13,000	15,000
- Other Services – compliance		14,920	-
- Other Services – other		10,215	3,835
		77,385	73,535
Defined contribution superannuation expenses		224,571	217,025

3. Income tax expense

a. The income tax expense comprises amounts set aside as:	2023	2022
Current tax charge (benefit) – (Note 17)	(26,700)	71,245
Adjustments for prior years	(78)	(34,530)
Deferred tax:		
Movement in temporary differences (Note 12)	89,907	(99,392)
Under provision in respect of prior years	-	34,877
Total income tax expense/(benefit) in statement of profit or loss	63,129	(27,800)

3. Income tax expense (continued)

	2023 $	2022 $

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

	2023 $	2022 $
Profit	252,330	124,770
Prima facie tax payable on profit before income tax at 25% (2022: 25%)	63,083	31,192
Add tax effect of expenses not deductible		
- Other non-deductible expenses	125	56,125
- Prior year (over)/under	(79)	124,855
	63,129	212,172
Less		
- Franking rebate	-	(239,973)
Total income tax (benefit)/expense in income statement	63,129	(27,801)

c. Franking credits

	2023 $	2022 $
Franking credits held by LCU 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:	5,812,101	5,655,423

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

	2023 $	2022 $
Cash on hand	-	-
Deposits at call	11,501,574	5,855,047
	11,501,574	5,855,047

5. Receivables from financial institutions

a. Investments at amortised cost

	2023 $	2022 $
Bonds	32,575,392	41,012,904
Deposits with financial institutions (5b)	26,846,875	29,818,138
	59,422,267	70,831,042

		2023	2022
5.	**Receivables from financial institutions (continued)**	**$**	**$**
b.	**Dissection of receivables**		
	Deposits with industry bodies - Cuscal (Note 33a)	4,140,000	4,140,000
	Deposits with other financial institutions	13,000,000	13,000,000
	Deposits with banks	9,706,875	12,678,138
		26,846,875	29,818,138
6.	**Other receivables**		
	Prepayments	143,951	54,021
	Interest receivable on deposits with financial institutions	342,569	152,089
		486,520	206,110
7.	**Loans to members**		
a.	**Amount due comprises:**		
	Overdrafts and revolving credit	641,706	740,836
	Term loans	164,435,653	155,987,733
	Subtotal	165,077,359	156,728,569
	Less: Provision for impaired loans (Note 8)	(69,024)	(73,101)
		165,008,335	156,655,468
b.	**Credit quality - Security held against loans**		
	Secured by mortgage over real estate	164,044,111	154,581,278
	Partly secured by goods, mortgage	688,285	631,767
	Wholly unsecured	275,939	1,442,423
		165,008,335	156,655,468

LCU 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, LCU is exposed to risks in the reduction of the Loan to Value Ratio (LVR) 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:

	2023 $	2022 $
• loan to valuation ratio of less than 80%	163,571,305	154,047,190
• loan to valuation ratio of more than 80% but mortgage insured	-	-
• loan to valuation ratio of more than 80% and not mortgage insured	472,806	534,088
	164,044,111	154,581,278

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 LCU's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of LCU'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 10% of the capital base.

Concentration risk – industry

LCU has a concentration in the consumer lending for members who comprise employees and family in the Scientific Technology, Engineering Mathematics (STEM) and Research industries. This concentration is considered acceptable on the basis that LCU 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 following values are as at the end of the financial year.

		2023 $	2022 $
(i)	Loans to Individual or related groups of members which exceed 10% of reserves in aggregate	8,616,926	8,697,231

(ii) Loans to members are concentrated to individuals employed primarily in the Scientific Technology, Engineering Mathematics (STEM) and Research industries.

7. Loans to members (continued)

Geographical concentrations:

2023	**Housing**	**Personal**	**Business**	**Total**
Australia	**$**	**$**	**$**	**$**
NSW	137,083,283	789,332	1,699,286	139,571,901
Victoria	8,726,487	121,256	-	8,847,743
Queensland	6,691,847	433,694	-	7,125,541
South Australia	1,270,090	-	-	1,270,090
Western Australia	2,051,153	12,722	-	2,063,875
Tasmania	1,429,173	1,472	-	1,430,645
Northern Territory	-	-	-	-
ACT	4,712,566	54,998	-	4,767,564
Total per statement of financial position	161,964,599	1,413,474	1,699,286	165,077,359

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

8. Provision on impaired loans

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 2023 $	ECL Allowance 2023 $	Carrying value 2023 $	Gross Carrying value 2022 $	ECL Allowance 2022 $	Carrying value 2022 $
Loans to members						
Mortgages	161,964,599	-	161,964,599	153,357,790	-	153,357,790
Personal	771,768	(69,024)	702,744	1,012,572	(73,101)	939,471
Overdrafts	641,706	-	641,706	740,836	-	740,836
Total to natural persons	163,378,073	(69,024)	163,309,049	155,111,198	(73,101)	155,038,097
Corporate borrowers	1,699,286	-	1,699,286	1,617,371	-	1,617,371
Total	165,077,359	(69,024)	165,008,335	156,728,569	(73,101)	156,655,468

An analysis of LCU'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 2023 $	Stage 2 Lifetime ECL 2023 $	Stage 3 Lifetime ECL 2023 $	Purchased credit impaired 2023 $	Total 2023 $
Loans to members					
Mortgages	-	-	-	-	-
Personal	-	68,390	634	-	69,024
Overdrafts	-	-	-	-	-
Corporate borrowers	-	-	-	-	-
Loss allowance	-	68,390	634	-	69,024
Carrying amount	-	68,390	634	-	69,024

	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	34,046	21,653	17,402	-	73,101
Overdrafts	-	-	-	-	-
Corporate borrowers	-	-	-	-	-
Loss allowance	34,046	21,653	17,402	-	73,101
Carrying amount	34,046	21,653	17,402	-	73,101

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 2023 $	Stage 2 Lifetime ECL 2023 $	Stage 3 Lifetime ECL 2023 $	Purchased credit impaired 2023 $	Total 2023 $
Loans to members					
Balance at 1 July	34,046	21,653	17,402	-	73,101
Changes in the loss allowance					
- Transfer stage 1	12,691	-	-	-	12,691
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	(16,768)	-	(16,768)
- Net movement due to change in credit risk	-	-	-	-	-
- Write-offs	-	-	-	-	-
Balance at 30 June	46,737	21,653	634	-	69,024

	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	8153	45,218	7,923		61,294
Changes in the loss allowance	-	-	-	-	-
- Transfer to stage 1					-
- Transfer to stage 2	25,893	-	-	-	25,893
- Transfer (to) stage 3	-	(23,565)	-	-	(23,565)
- Net movement due to change in credit risk	-	-	9,479	-	9,479
- Write-offs	-	-	-	-	-
Balance at 30 June	34,046	21,653	17,402	-	73,101

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

LCU 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, LCU 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 2023 LCU's allowance for expected credit losses decreased by $4,077. This allowance for expected credit losses includes consideration of the increased cost of living environment, interest rates and an anticipated increase in credit risk.

In responding to this anticipated increase in credit risk LCU 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; and
- A review of the personal loans under repayment deferral arrangements and the impact of anticipated increases in unemployment. No additional provision was raised following this review from the prior financial year.

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. LCU 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. LCU 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. LCU 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 revolving credit; and
- Loans to non-members.

Stage 3 of the impairment model are 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 LCU 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 60 days past due;
- with more than 2 instances of arrears experience in the previous 12 months; and
- with approved hardship or modified terms.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, LCU 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 LCU's historical experience and expert judgement, relevant external factors and including forward-looking information.

The approach to determining the ECL includes forward-looking information. LCU 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 LCU 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.

8. Provision on impaired loans (continued)

LCU continuously monitors credit risk in order to determine if a loan or portfolio of loans are subject to a significant increase in credit risk since initial loan recognition.

As at 30 June 2023, LCU had only one loan in financial hardship, an investment property loan with a balance of $352,989.30 with an estimated current valuation of $705,000. This loan has been in arrears for more than 90 days and less than 182 days, however the security value and substantial equity in the property does not evidence significant impairment to be categorised as a Stage 3 credit impaired loan.

LCU considers potential future changes in macro- economic conditions including the impact of 12 interest rate increases, inflation, cost of living pressures, and employment data when assessing individual credit exposures and its credit portfolio under normal and stressed conditions.

From 30 June 2022 to 30 June 2023, the Reserve Bank of Australia (RBA) target cash rate has increased by 3.25% from .85% to 4.1%.

A monthly repayment for a mortgage of $500,000 over 20 years at:

- 2% is $2,529.42;
- 6% is $3,582.16 which is an increase of $1,052.74 a month and $12,632.88 a year.

A monthly repayment for a mortgage of $1 million over 20 years at:

- 2% is $5,058.33;
- 6% is $7,164.31 which is an increase of $2,105.98 a month and $25,271.76 a year.

LCU members who are on a fixed rate mortgage will be directly impacted by rate increases when their loan either rolls on to higher variable rate or fixed monthly repayments. Any rate increases above their previous fixed rate, will result in increased mortgage repayments. Changes to members' repayments, cost of living, and inflation may impact the member's ability to service and repay loans. This has the potential to result in increased arrears and defaults. LCU has taken into consideration these factors and possible impact on members in it's ECL assessment.

However, the unemployment rate has remained low at around 3.5% for the past 12 months, there has been two consecutive quarters of lower inflation from a peak of 7.8% in the December quarter to an annualised increase of 6%.

Given the current uncertainty and judgement applied to determine the expected credit losses (ECL) reported by LCU are considered a best estimate in the current environment. The ECL provision continues to be closely monitored and measured with appropriate adjustments and professional judgement applied.

9.	Other loans	2023 $	2022 $
a.	Loans to non-members – (unsecured)	3,357,090	3,304,161
	Less provision for impairment (movement to P&L)	(2,905)	(3,853)
		3,354,185	3,300,308
	Loans to non-members – (mortgage secured)	8,830,953	8,969,111
	Less provision for impairment (movement to P&L)	(8,831)	(8,969)
		8,822,122	8,960,142
	Total value of other loans	12,176,307	12,260,450
b.	**Impaired loans written off**		
	Amounts written off against the provision for impaired loans	-	-
	Amounts written off directly against expense	1,183	11,327
	Total Bad Debts	1,183	11,327
c.	**Bad debts recovered in the period**	2,147	5,060

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

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

LCU 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 MoneyMe 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 2023 $	ECL Allowance 2023 $	Carrying value 2023 $	Gross Carrying value 2022 $	ECL Allowance 2022 $	Carrying value 2022 $
Loans to non-members						
Mortgages	8,830,953	(8,831)	8,822,122	8,969,111	(8,969)	8,960,142
Personal	3,357,090	(2,905)	3,354,185	3,304,161	(3,853)	3,300,308
Overdrafts	-	-		-	-	-
Total to natural persons	12,188,043	(11,736)	12,176,307	12,273,272	(12,822)	12,260,450
Corporate borrowers	-	-		-	-	-
Total	12,188,043	(11,736)	12,176,307	12,273,272	(12,822)	12,260,450

	Stage 1 12-month ECL 2023 $	Stage 2 Lifetime ECL 2023 $	Stage 3 Lifetime ECL 2023 $	Purchased credit impaired 2023 $	Total 2023 $
Loans to non-members					
Mortgages	8,831	-	-	-	8,831
Personal	1,913	-	992	-	2,905
Loss allowance	10,744	-	992	-	11,736
Carrying amount	10,744	-	992	-	11,736

	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	8,969	-	-	-	8,969
Personal	2,681	-	1,172	-	3,853
Loss allowance					
Carrying amount	11,650	-	1,172	-	12,822

9. Other loans (continued)

	Stage 1 12-month ECL 2023 $	Stage 2 Lifetime ECL 2023 $	Stage 3 Lifetime ECL 2023 $	Purchased credit impaired 2023 $	Total 2023 $
Loans to non- members					
Balance as at 1 July 2022	11,650	-	1,172	-	12,822
Changes in the loss allowance					
- Transfer (from) stage 1	(906)	-	-	-	(906)
- Transfer to stage 2	-	-	-	-	-
- Transfer (from) stage 3	-	-	(180)		(180)
- Net movement due to change in credit risk	-	-	-	-	-
- Write-offs	-	-	-	-	-
Balance at 30 June 2023	10,744	-	992	-	11,736

	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 at 1 July 2021	13,978	-	6,045	-	20,023
Changes in the loss allowance					
- Transfer to stage 1	(2,328)	-	-	-	(2,328)
- 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 2022	11,650	-	1,172	-	12,822

10. Investment securities

	2023 $	2022 $
Equity investment securities designated as at FVOCI		
- Cuscal	-	-
- Shared Lending	24,000	24,000
Total value of investment securities	24,000	24,000
Cuscal		
Opening balance	-	423,524
Disposal of investment	-	(49,999)
Increase/(Decrease) in revaluation	-	(373,525)
Closing balance	-	-
Shared Lending		
Opening balance	24,000	24,000
Increase in share purchase	-	-
Closing balance	24,000	24,000

Disclosures on shares held at FVOCI valued with unobservable inputs

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. LCU is not intending to dispose of these shares.

11. Property, plant and equipment

		2023 $	2022 $
a.	**Fixed assets**		
	Plant and equipment – at cost	64,243	308,996
	Less: accumulated depreciation	(27,002)	(241,821)
		37,241	67,175
	Closing balance	37,241	67,175

11. Property, plant and equipment (continued)

b. Movement during the year were:

	2023		2022	
	Plant & equipment $	Total $	Plant & equipment $	Total $
Opening Balance	67,175	67,175	40,440	40,440
Purchases	36,598	36,598	49,601	49,601
Assets disposed	(238,815)	(238,815)	(26,329)	(26,329)
Depreciation charge	(30,092)	(30,092)	(21,316)	(21,316)
Depreciation on disposals	202,375	202,375	24,780	24,780
Balance at the end of the year	37,241	37,241	67,176	67,176

12. Taxation assets

	2023 $	2022 $
Deferred Tax Assets	180,379	226,419
Deferred tax assets comprise:		
Accrued expenses not deductible until incurred	136,730	132,658
Provisions for employee benefits	58,855	107,223
Depreciation on fixed assets	(42,406)	(30,766)
AASB16 - Leases	500	32,715
Tax losses	26,700	-
Deferred Tax Liability - tax due on assets held at fair value through OCI – held in equity	-	(15,411)
	180,379	226,419
Current income tax receivable (Note 17)	183,345	43,755
Taxation assets	363,724	270,174

13. Intangible assets

	2023	2022
Computer software	378,570	1,126,325
Less accumulated amortisation	(221,401)	(947,555)
	157,169	178,770

Movement in the assets balances during the year were:

	2023	2022
Opening balance	178,770	239,787
Purchases	97,947	68,842
Assets disposed or written off	-	(7,894)
Amortisation charge	(119,548)	(121,965)
Balance at the end of the year	157,169	178,770

14. Right of use assets

		2023 $	2022 $
a.	Property	252,787	361,028
	Less: accumulated depreciation	(28,087)	(314,033)
	Total property	224,700	46,995
	IT equipment	15,718	15,718
	Less: accumulated depreciation	(4,716)	(1,524)
	Total IT equipment	11,002	14,194
	Total right-of-use assets	235,702	61,189

Movement in the asset balances during the year were:

	Property $	IT equipment $	Total $
Balance 1 July 2022	46,995	14,194	61,189
Additions	252,787	-	252,787
Lease adjustment	17,335	-	17,335
Disposals	-	-	-
Impairment	3,192	(48)	3,144
Depreciation	(95,609)	(3,144)	(98,753)
Balance 30 June 2023	224,700	11,002	235,702

	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

LCU has a lease for an office premise and phone equipment. LCU ‘s office lease ended at the end of December 2022 but was allowed a 2-month extension resulting in the revaluation of the lease. On the 1st of March 2023, a new 3-year lease contract was granted to the end of 28th of February 2026. 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. LCU 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 LCU.

14. Right of use assets (continued)

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

	2023 $	2022 $
b. Lease liabilities		
Current	82,959	33,672
Non-current	154,740	11,271
	237,699	44,943

	2023 $	2022 $
Opening balance	44,943	173,594
Additions	252,787	15,718
Revaluation	17,335	(13,939)
Payments for leases	(101,849)	(63,068)
Interest expenses	3,700	4,506
Modifications	20,783	-
Other adjustments – including COVID rent relief	-	(71,868)
Balance at the end of the year	237,699	44,943

The future minimum lease payments were as follows:

Minimum lease payments due

30 June 2023	Within 1 year $	Between 2-5 years $	After 5 years $	Total $
Lease payments	91,574	160,791	-	252,365
Finance charges	(8,615)	(6,051)	-	(14,666)
Net present values	82,959	154,740	-	237,699

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

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;
- LCU 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
- LCU has the right to direct the use of the identified asset throughout the period of use. LCU 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, LCU allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property, LCU has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

LCU 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 LCU at the end of the lease term or LCU 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 LCU's incremental borrowing rate is used, being the rate that LCU 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, LCU 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).

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 LCU under residual value guarantees;
- the exercise price of a purchase option if LCU is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease unless LCU is reasonably certain not to terminate the lease early.

14. Right of use assets (continued)

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 LCU'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.

During the financial year, LCU re-measured the lease liability due to changes in the fixed lease payments as well as changes to LCU's incremental borrowing rate to take into account impact of interest rate rises.

Short-term leases and leases of low-value assets
LCU does not have any short term and low value leases.

15. Deposits from members

	2023 $	2022 $
Member Deposits		
- at call	143,810,808	148,289,124
- term	84,988,658	79,876,054
Member withdrawable shares	32,290	32,010
	228,831,756	228,197,188

Concentration of member deposits

	2023	2022
(i) Significant individual member deposits which in aggregate represent more than 10% of the total liabilities:	-	-

15. Deposits from members (continued)

	2023 $	2022 $
(ii) Geographical concentrations		
Australia		
NSW	212,487,338	209,850,986
Victoria	3,766,871	2,757,973
Queensland	5,733,428	7,007,882
South Australia	743,816	1,519,106
Western Australia	1,286,735	1,763,975
Tasmania	2,266,607	2,911,773
Northern Territory	65,620	12,675
ACT	2,481,341	2,372,818
Total per statement of financial position	228,831,756	228,197,188

16. Creditor accruals and settlement accounts

	2023 $	2022 $
Annual leave	109,243	86,859
Creditors and accruals	1,242,748	145,198
Interest payable on deposits	1,332,821	266,735
Sundry creditors	408,386	342,019
	3,093,198	840,811

17. Taxation liabilities

	2023	2022
Current income tax receivable	183,346	43,755
Current income tax comprises:		
Opening balance	43,755	(104,808)
Less: Amounts paid	-	139,339
(Over)/understatement of prior year	43,755	34,531
Receivable/(Liability) for income tax (Note 3)	26,700	(71,245)
Instalments paid during year	156,645	115,000
Closing balance receivable (Note 12)	183,345	43,755
Current income tax liability	-	-

18. Provisions

	2023	2022
Long service leave	126,185	342,033
Provisions – other	394,730	444,380
	520,915	786,413

19. Capital reserve account

	2023 $	2022 $
Opening balance	28,890	27,870
Transfer from retained earnings on share redemptions	710	1,020
Closing balance	29,600	28,890

Share Redemption

The accounts represent the amount of redeemable preference shares redeemed by LCU 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

	2023 $	2022 $
General reserve for credit losses	-	-

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 was transferred in the prior year to retained earnings. Refer to note 8 for assessed provisions for Expected Credit Loses (ECL) requirements.

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

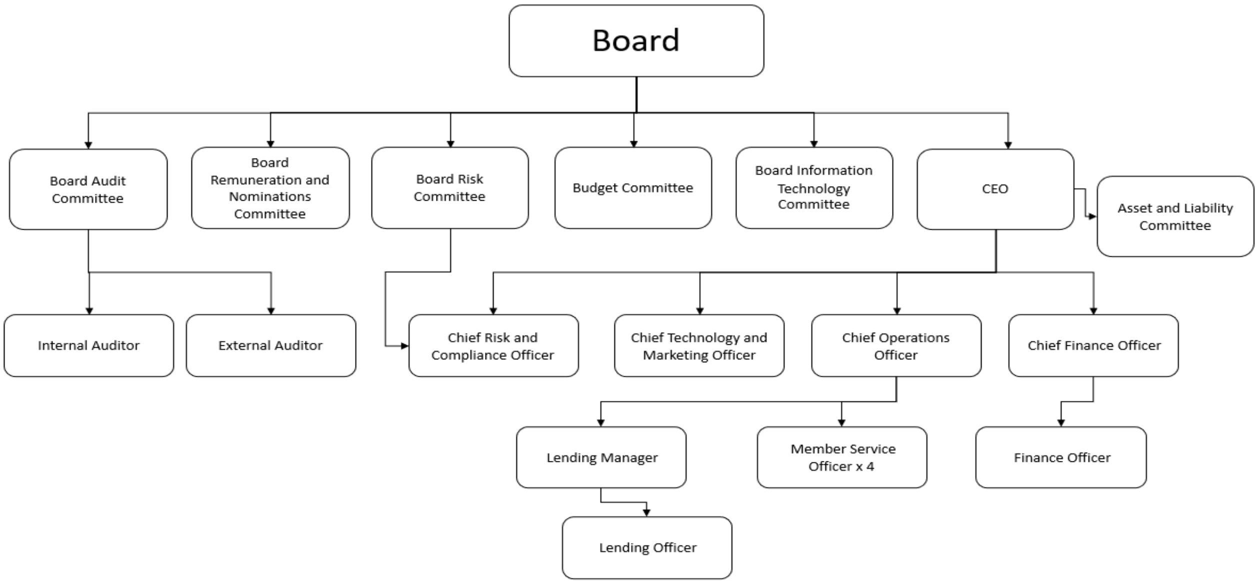
21. FVOCI Reserve

Opening balance	-	135,419
Revaluation of Cuscal shares	-	341,172
Less: Deferred tax movement	-	163,723
Transfer balance to retained earnings	-	(640,314)
Closing balance	-	-

22. Financial Risk Management objectives and policies

The Board has endorsed the LCU Risk Management Framework (‘RMF’), and Risk Appetite Statement (‘RAS’). LCU’s RMF is based on Australian Standard AS/NZS ISO 31000:2018 Risk Management and APRA Prudential Standard CPS220 Risk Management. Both the RMF and RAS focus on the major areas of risk including but not limited to credit risk, operational risk, market risk, liquidity risk, strategic risk, reputational risk, regulatory risk, governance risk, outsourcing risk, and the risks of exposure to capital including the Internal Capital Adequacy Assessment Process (ICAAP).

The following diagram gives an overview of the Board and Management structure and reporting lines to the Board.



Board: This is the primary governing body. It approves the level of risk that the LCU is willing to accept in the pursuit of its objectives and the framework for reporting and mitigating those risks.

Risk Committee: The Board Risk Committee assists the LCU Board by providing an objective non-executive oversight of the implementation and operation of LCU’s Risk Management Framework.

This includes the identification, assessment and reporting of risks. Regular monitoring is carried out by Management.

Board Audit Committee: The key role of the Audit Committee is to provide an independent and objective review of LCU’s financial systems, processes, compliance with prudential and statutory requirements, controls and to act as a vital link between the Board, Management, the internal auditor, and the external auditor for the purposes of maintaining the financial integrity of LCU.
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. External audit also reports via the Audit Committee.

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)

Management 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 LCU'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.

a. Market risk policy

The objective of the LCU's market Risk Management Policy is to manage and control market risk exposures to changes in interest rates.

Market risk is the risk of profit or loss arising from future changes in market prices. The only market risk to which LCU is exposed is to changes in interest rates. Interest rate risk is the exposure of LCU's financial condition to adverse movements in interest rates. A key element of interest rate risk is the reduction in interest income attributed to the investment of members' equity. LCU is also exposed to repricing risk where mismatches between the repricing dates of assets and liabilities exist.

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 LCU does not have a treasury operation and does not trade in financial instruments.

Interest rate risk in the banking book

LCU 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 LCU faces arises from fixed rate assets and liabilities. This exposes LCU 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

LCU 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

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

LCU manages the risk by maintaining 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. LCU policy is not to undertake derivatives to match the interest rate risks. LCU's exposure to interest rate risk is set out in Note 25 which details the contractual interest change profile.

LCU 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 $616,295 [2022 $742,649]. Conversely, a 1% downwards movement in interest rates would result in an equivalent decrease in annual net income.

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

- 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;

22. Financial Risk Management objectives and policies (continued)

- 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 LCU's exposure to market risk or the way LCU manages and measures market risk in the reporting period.

c. Liquidity risk

Liquidity risk is the financial risk which arises from the uncertainty LCU faces in its ability to meet obligations as they come due, without incurring unacceptable losses. LCU Board policy is to maintain adequate cash reserves and committed credit facilities, so as to meet the member withdrawal demands when requested.

LCU 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.

LCU 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 LCU should it be necessary at short notice. LCU has not had any need to access funds from this service.

LCU 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, LCU 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 LCU which may result in financial losses. Credit risk arises principally from LCU's loan book and investment assets.

Credit risk – loans

The analysis of LCU's loans by class is as follows:

Loans to members	2023 Carrying Value $	2023 Off balance sheet $	2023 Max exposure $	2022 Carrying Value $	2022 Off balance sheet $	2022 Max exposure $
Mortgage	161,964,599	23,438,734	185,403,333	153,357,790	33,828,774	187,186,564
Personal	771,767	-	771,767	1,012,572	-	1,012,572
Overdrafts	641,706	1,162,952	1,804,658	740,836	1,745,356	2,486,192
Total to natural persons	163,378,072	24,601,686	187,979,758	155,111,198	35,574,130	190,685,328
Corporate borrowers	1,699,286	-	1,699,286	1,617,371	-	1,617,371
Total	165,077,358	24,601,686	189,679,044	156,728,569	35,574,130	192,302,699

The analysis of LCU'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)

LCU 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 LCU incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to LCU.

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 LCU. Also, the relative size of LCU 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 from a ratings agency such as S+P Global. LCU may invest excess liquidity with unrated Mutual ADIs.

f. External credit assessments for institution investments

LCU 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 APS112. The credit quality assessment scale within this standard has been complied with.

22. Financial Risk Management objectives and policies (continued)

Investments with	2023 Carrying Value $	2023 Past due value $	2023 Provision $	2022 Carrying Value $	2022 Past due value $	2022 Provision $
Cuscal - rated A+	4,140,000	-	-	4,140,000	-	-
ADI's rated A and above	22,000,000	-	-	23,578,139	-	-
ADI's rated above BBB	6,550,000	-	-	12,100,000	-	-
Unrated ADI's – LCUs/Mutuals	18,706,875	-	-	23,000,000	-	-
Unrated – Non ADI's	8,000,000	-	-	8,000,000	-	-
Total	59,396,875	-	-	70,818,139	-	-

g. Operational risk

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

LCU'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 LCU 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. LCU 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 LCU. 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 LCU's core banking and IT network suppliers, to meet customer obligations and service requirements. LCU 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 LCU 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 LCU 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 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 LCU is made up as follows:

	2023	2022
Tier 1	**$**	**$**
Share capital	-	-
Capital reserve	29,600	28,890
FVOCI Reserve	-	-
Retained earnings	16,699,671	16,511,180
	16,729,271	16,540,070
Less: Prescribed deductions	(361,550)	(429,190)
Net tier 1 capital	16,367,721	16,110,880
Tier 2		
Net tier 2 capital	-	-
Total Capital	16,367,721	16,110,880

LCU has complied with all APRA prudential capital requirements throughout the period. The Credit Union's regulatory capital position as at 30 June was 20.55%, noting the change in the capital framework from 1 January 2023. 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:

2023	2022	2021	2020	2019
20.55%	**15.60%**	**15.23%**	**15.78%**	**16.14%**

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 LCU's capital LCU 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.

Based on this approach, LCU's operational risk requirement is as follows:

- Operational risk capital $7,244,880 (2022 - $1,081,800).

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

Total Capital

2023	2022
$16,367,721	$16,110,880

22. Financial Risk Management objectives and policies (continued)

k. Internal Capital Adequacy Management

LCU manages its internal capital levels for both current and future activities through the functions of the Board. The capital required for any change in LCU'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 (2022: Nil).

23. Categories of financial instruments

The following information classifies the financial instruments into measurement classes:

	2023 $	2022 $
Financial assets - amortised cost		
Cash and cash equivalents	11,501,574	5,855,047
Receivables from financial institutions	59,422,267	70,831,042
Receivables	342,568	152,089
Loans to members	165,008,335	156,646,499
Other loans	12,176,307	12,269,419
	248,451,051	245,754,096
Financial assets - FVOCI		
Investment securities	24,000	24,000
Total financial assets	248,475,051	245,778,096
Financial liabilities		
Creditors and settlement accounts	2,983,955	753,952
Deposits from members	228,831,756	228,197,188
Total financial liabilities	231,815,711	228,951,140

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.

2023	Book value $	Up to 3 months $	3-12 months $	1-5 years $	After 5 years $	No Maturity $	Total cash flows $
ASSETS							
Cash & cash equivalents	11,501,574	11,501,574	-	-	-	-	11,501,574
Receivables from financial Inst.	59,422,267	54,396,875	5,000,000	-	-	-	59,396,875
Receivables	342,568	342,568	-	-	-	-	342,568
Loans to members	165,008,335	3,330,585	9,661,930	49,285,350	174,208,703	-	236,486,568
Other loans	12,176,307	152,346	448,015	5,676,238	18,469,721	-	24,746,320
Investment securities	24,000	-	-	-	-	24,000	24,000
Total financial assets	**248,475,051**	**69,723,948**	**15,109,945**	**54,961,588**	**192,678,424**	**24,000**	**332,497,905**
LIABILITIES							
Creditors & settlements	2,983,955	2,983,955	-	-	-	-	2,983,955
Deposits from members	228,831,756	134,303,201	58,282,452	36,213,814	-	-	228,799,467
	231,815,711	137,287,156	58,282,452	36,213,814	-	-	231,783,422
Undrawn loan commitments	24,601,684	24,601,684	-	-	-	-	24,601,684
Total financial liabilities	**256,417,396**	**161,888,841**	**58,282,452**	**36,213,814**	**-**	**-**	**256,385,107**

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

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	156,655,468	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	**245,787,065**	**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**

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 represent 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.

	2023			2022		
	Within 12 months $	After 12 months $	Total $	Within 12 months $	After 12 months $	Total $
FINANCIAL ASSETS						
Cash & cash equivalents	11,501,574	-	11,501,574	5,855,047	-	5,855,047
Receivables from financial institutions	35,872,267	23,550,000	59,422,267	37,281,042	33,550,000	70,831,042
Receivables	342,568	-	342,568	152,089	-	152,089
Loans to members	24,528,717	141,432,946	165,961,663	92,041,255	52,421,115	144,462,370
Other loans	11,235,531	949,607	12,185,138	11,467,959	801,460	12,269,419
Investment securities	-	24,000	24,000	-	24,000	24,000
Total financial assets	83,480,657	165,956,553	249,437,210	146,797,392	86,796,575	233,593,967
FINANCIAL LIABILITIES						
Creditors & settlements	2,983,955	-	2,983,955	753,952	-	753,952
Deposit from members	192,617,943	36,213,813	228,831,756	226,713,964	1,483,223	228,197,187
Total financial liabilities	195,601,898	36,213,813	231,815,711	227,467,916	1,483,223	228,951,139

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 $
2023						
ASSETS						
Cash & cash equivalents	11,501,574	-	-	-	-	11,501,574
Receivables	-	342,569	-	-	-	342,569
Receivables from financial Institutions	10,046,875	44,350,000	5,000,000	-	-	59,396,875
Loans to members	42,878,530	16,857,787	81,696,629	24,528,717	-	165,961,663
Other loans	7,451,561	-	3,783,970	949,607	-	12,185,138
Investment securities	-	-	-	-	24,000	24,000
Total financial assets	71,878,540	61,550,356	90,480,599	25,478,324	24,000	249,411,819
LIABILITIES						
Creditors & settlements					2,983,955	2,983,955
Deposits from members	106,706,590	27,596,611	58,282,452	36,213,813	32,290	228,831,756
	106,706,590	27,596,611	58,282,452	36,213,813	3,016,245	231,815,711
Undrawn loan commitments	24,601,684	-	-	-	-	24,601,684
Total financial liabilities	131,308,274	27,596,611	58,282,452	36,213,813	3,016,245	256,417,395
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

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 LCU, 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.

	2023			2022		
	Fair Value	**Carrying Value**	**Variance**	**Fair Value**	**Carrying Value**	**Variance**
	$	**$**	**$**	**$**	**$**	**$**
FINANCIAL ASSETS						
Cash & cash equivalents	11,501,574	11,501,574	-	5,855,047	5,855,047	-
Receivables from financial institutions	59,422,267	59,422,267	-	70,831,043	70,831,043	-
Receivables	342,569	342,569	-	152,089	152,089	-
Loans to members	161,959,070	165,008,335	(3,049,265)	160,182,826	156,655,468	3,527,358
Other loans	12,144,585	12,176,307	(31,722)	15,280,844	12,260,450	3,020,394
Investment securities	24,000	24,000	-	24,000	24,000	-
Total financial assets	245,394,065	248,475,052	(3,080,987)	252,325,849	245,778,097	6,547,752
FINANCIAL LIABILITIES						
Creditors & settlements	2,983,955	2,983,955	-	753,952	753,952	-
Deposits from members	228,574,387	228,831,756	(257,369)	228,374,024	228,197,188	176,836
Total financial liabilities	231,558,342	231,815,711	(257,369)	229,127,976	228,951,140	176,836

Assets where the fair value is lower than the book value have not been written down in the accounts of LCU 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.

		2023 $	2022 $
27.	**Financial commitments**		
a.	**Outstanding loan commitments**		
	Loans approved but not funded	859,016	7,680,258
b.	**Loan redraw facilities**		
	Loan redraw facilities available	22,579,717	21,148,516
c.	**Undrawn loan facilities**		
	Loan facilities available to members for overdrafts and line of credit loans are as follows:		
	Total value of facilities approved	1,804,657	2,486,192
	Less: Amount advanced	(641,706)	(740,836)
	Net undrawn value	1,162,951	1,745,356

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

		2023 $	2022 $
	Total financial commitments	24,601,684	30,574,130
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	428,271	692,127
	Later than 5 years	-	-
		692,127	955,983

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

28. Standby borrowing facilities

LCU has a borrowing facility with LCU Services Corporation (Australia) Limited ("Cuscal") of:

	Gross $	Current Borrowing $	Net Available $
2023			
Overdraft facility	500,000	-	500,000
Total standby borrowing facilities	500,000	-	500,000
2022			
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

LCU 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, LCU 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

		2023 $	2022 $
(a)	short-term employee benefits;	849,248	470,210
(b)	post-employment benefits – superannuation contributions	101,422	67,571
(c)	other long-term benefits – net increases in long service leave provision	31,571	22,637
(d)	termination benefits;	152,786	-
(e)	share-based payment.	-	-
	Total	1,135,027	560,418

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 LCU.

b. Loans to directors and other key management persons

LCU'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:

	2023 Mortgage secured $	2023 Other term loans $	2023 Revolving Credit $	2022 Mortgage secured $	2022 Other term loans $	2022 Revolving Credit $
Funds available to be drawn	-	-	43,500	-	-	50,500
Balance	2,723,888	-	-	3,045,309	-	-
Amounts disbursed or facilities increased in the year	-	-	-	140,832	-	-
Interest and other revenue earned	86,916	-	-	67,928	-	-

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

	2023 $	2022 $
Total value term and savings deposits from KMP	2,538,715	2,413,990
Total interest paid on deposits to KMP	13,936	6,546

LCU'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.

LCU'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

LCU 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. LCU 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	2023 $	2022 $
Reconciliation of cash			
Cash comprises:			
Cash on hand		-	-
Deposits at call with other financial institutions		11,501,574	5,855,047
Total cash		11,501,574	5,855,047

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	2023	2022
Profit after income tax		189,201	152,571
Add/(Deduct):			
(Decrease)/Increase in provision for loans	2.d	(5,163)	4,606
Bad debts written off		1,183	11,327
Depreciation expense	2.e	128,845	123,800
Amortisation of intangible assets	13	119,548	121,965
Written off intangible assets		-	10,275
Profit on sale of property, plant & equipment		(2,382)	(28,951)
Right of use adjustment		21,339	(67,361)
(Decrease)/Increase in provisions for staff leave		(193,464)	(1,114)
(Decrease)/Increase in provision for income tax		(139,590)	(148,563)
(Decrease)/Increase in provision for IT Strategic Initiatives		(49,648)	400,000
Increase in accrued expenses		1,097,480	4,202
(Increase) in prepayments		(89,931)	(5,413)
(Decrease)/Increase in other provisions		-	-
(Decrease)/Increase in Interest payable		1,066,086	(141,537)
Increase/(Decrease) in deferred tax assets		46,039	(103,733)
Decrease in interest receivable		(190,480)	(69,526)
Net cash from revenue activities		1,999,063	262,548
(Increase) in member loans (net movement)		(8,349,973)	(3,039,491)
Decrease/(Increase) in other loans (net movement)		85,299	(1,770,610)
Decrease in member deposits & shares (net movement)		700,935	14,909,411
Increase/(Decrease) in deposits to other financial institutions (net)		11,408,775	(8,467,835)
Net cash flows from operating activities		5,844,099	1,894,023

33. Outsourcing arrangements

LCU 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. LCU 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 LCU's EDP system; and
- provides treasury and money market facilities to LCU

b. Ultradata Australia Pty Ltd

Provides and maintains the application software utilised by LCU.

c. TransAction Solutions Ltd (trading as 'Experteq)

This company operates the computer facility on behalf of LCU in conjunction with other Credit Unions. LCU has a management contract with the company to supply computer support staff and services to meet the day to day needs of LCU 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 LCU, the results of those operations, or the state of affairs of LCU in subsequent years.