LCU
banking you can trust

2026 ANNUAL REPORT



LCU LIMITED | ABN 77 087 650 217 | AFSL / AUSTRALIAN CREDIT LICENCE 240807

Annual Financial Report 2026

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Our Mission & Core Values

Our Mission

LCU is committed to delivering efficient and sustainable banking services with personalised service which supports members in achieving their financial goals while maintaining strong financial performance and long-term stability.



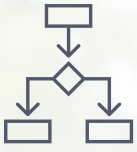
Trust, Integrity and Reliability



Care and Personalised Service



Efficiency and Accountability



Transparency and Continuous Improvement

2026 Highlights

Financial Results

Net profit
▼ 15.48%
$1.3m

Total Assets
▲ 1.63%
$318.0m

Capital Adequacy Ratio
▲ 0.95%
19.93%

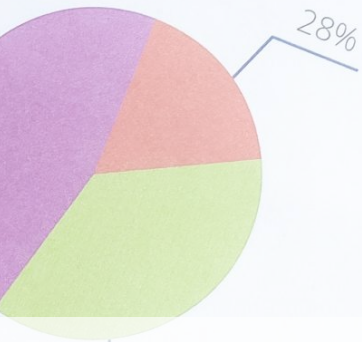
Expense to Income
▲ 4.39%
75.04%

Loans
▲ 5.75%
$257.3m

Deposits
▲ 1.70%
$292.9m

Return on Assets
▼ 0.08%
0.41%





Financial Overview

2024-2026 movements

2024-2026 movement	2024	2025	2026
Net profit ▲ 63.59%	$0.8m	$1.5m	$1.3m
Total Assets ▲ 18.00%	$269.5m	$312.9m	$318.0m
Capital Adequacy Ratio ▲ 0.31%	19.62%	18.98%	19.93%
Expense to Income ▼ 6.12%	81.16%	70.65%	75.04%
Loans ▲ 33.68%	$192.5m	$243.4m	$257.3m
Deposits ▲ 17.82%	$248.6m	$288.0m	$292.9m
Return on Assets ▲ 0.11%	0.30%	0.49%	0.41%

Community

Support Programs

Investing in people. Strengthening our community.

As a member owned credit union, giving back is at the heart of who we are. Through scholarships, education initiatives and community partnerships, LCU continues to invest in opportunities that support our members, strengthen our communities and help shape future generations.

LCU Tertiary Scholarships Program

Since 1990, LCU has invested in the future of our members through the Tertiary Scholarship Program, recognising students who demonstrate academic excellence and a commitment to making a difference. This year, 11 scholarships were awarded to outstanding students embarking on tertiary and vocational studies across Australia.

We were delighted to welcome a number of recipients to our scholarship presentation ceremony, celebrating their achievements and recognising the bright futures ahead of them.

By investing in education, LCU continues its long-standing commitment to supporting the next generation of leaders, professionals and innovators.

- $15,400 in scholarships have been awarded in 2025-2026
- $329,400 has been awarded since 1990

We were also proud to celebrate the 11 recipients of the LCU Tertiary Scholarships:

- ✓ **The McDonald Clark Award** is presented to the student with the highest ATAR. In 2025, **Arrianne Bannister** was recognised for her outstanding achievement.
- ✓ **Aiden Burns** (Bachelor of Engineering Honours and Bachelor of Project Management, University of Sydney)
- ✓ **Emily Gonzalez** (Bachelor of Occupational Therapy, Australian Catholic University)
- ✓ **Cara McIlroy** (Bachelor of Engineering Honours, University of New South Wales)
- ✓ **Angus Favretti** (Certificate III in Plumbing, TAFE NSW)
- ✓ **Aidan Haire** (Bachelor of Advanced Computing and Bachelor of Science, University of Sydney)
- ✓ **Lauren Chang** (Bachelor of Double Law, University of New South Wales)
- ✓ **Issac Heming** (Bachelor of Engineering Honours, Queensland University of Technology)
- ✓ **Siting Liu** (Bachelor of Economics and Bachelor of Advanced Studies (with a Mathematics Major) University of New South Wales)
- ✓ **Hugo Shelton** (Bachelor of Engineering Honours (Mechatronic Engineering), University of Sydney)
- ✓ **Jack Hollis** (Bachelor of Commerce, The University of Sydney)



Community
Support Programs



Scholarship Recipient – Emma Paterson

CSIRO Alumni In Physics Scholarships

LCU proudly supported the 2026 CSIRO Alumni Scholarship recipient, strengthening pathways for emerging physics researchers. This year's recipient was Emma Paterson from the University of Western Australia for her contribution to Quantum Technologies and Dark Matter research.

Australian Institute of Physics Community Outreach Award

LCU is proud to sponsor the Australian Institute of Physics NSW Community Outreach to Physics Award, highlighting outstanding contributions to physics education and public engagement across New South Wales. Dr Danielle Holmes from the University of NSW Sydney was awarded the 2025 Award for her outstanding achievements in quantum computing and education.



AIP Community Outreach to Physics Recipient – Dr Danielle Holmes



Australian Institute of Physics Summer Meeting

Australian Institute of Physics Summer Meeting

LCU's CEO and Team members were proud to sponsor and attend the Australian Institute of Physics Summer Meeting 2025 which was held at the University of Wollongong. As our first year in attendance, it was great for our team to be involved.

The Frontiers of Science Forum

Members of the LCU team had the pleasure of attending the 7th Frontiers of Science Forum, marking our 7th year supporting this incredible event. For many years, LCU has had strong connections with Australia's scientific and research communities, and it is always a privilege to attend events that bring together researchers and educators to share ideas and perspectives on the future of science and innovation in Australia.



The Frontiers of Science Forum

Chair & CEO's Report



Gordana Papic
Chair



Helen Lorigan
CEO

Dear Members,

It is our pleasure to present the Chair and CEO's Report for Laboratories Credit Union Limited for the year ended 30 June 2026.

The past two years have been a period of growth, investment, and continued strengthening of LCU. Despite ongoing economic uncertainty, cost-of-living pressures, changing interest rates, and increasing regulatory requirements, LCU has remained focused on delivering value to members while maintaining a strong and sustainable financial position.

As a customer-owned financial institution, everything we do is guided by the interests of our members. Our priority remains providing secure, accessible, and competitive banking services while ensuring the long-term financial strength of the organisation.

Financial Strength and Growth

LCU continued to deliver strong financial results during 2025 and 2026, achieving:

- Profit after tax of $1.31 million in 2026 following a result of $1.55 million in 2025;
- Members' equity has grown from $17.5 million in June 2024 to $20.4 million in June 2026.
- Capital Adequacy Ratio was 19.93% which remains within our target comfort zones and prudential requirements;
- Expense to Income Ratio was 75.04% due to higher operating expenses relative to income growth during the period;
- Lending continued to expand, increasing by approximately 34% over the two-year period to $257.3 million; and
- Deposits also increased strongly, growing by 18% over the same period to $292.9 million.

Importantly, growth has been achieved without compromising the quality of our lending portfolio. The Board continues to maintain a conservative approach to risk management and responsible lending practices to protect members and the long-term stability of LCU.

Chair & CEO's Report (continued)

Governance and Protecting Members

Strong governance remains fundamental to the success of LCU.

Throughout the year, the Board and Management focused on maintaining effective oversight of strategy, financial performance, risk, compliance, and member outcomes. We continued to strengthen our governance framework in response to evolving regulatory requirements and increasing expectations across the banking sector.

Protecting our members remains one of our highest priorities. During the year, LCU implemented APRA's CPS 230 Operational Risk Management requirements and continued to enhance our anti-money laundering and financial crime controls.

Members may have noticed increased verification and monitoring processes as part of these changes. While these measures can sometimes require additional questions or contact from our team, they play an important role in helping protect members from fraud, scams, and financial crime.

Investing in Better Banking

We remain committed to providing members with secure, convenient, and modern banking services.

During the year, we implemented:

- Confirmation of Payee, which allows members to verify account details before making payments to other financial institutions;
- The introduction of member-managed Daily Transaction Limits within approved thresholds;
- Alongside these member-facing improvements, we completed a range of system, security, and compliance enhancements across our digital banking platforms; and
- We launched a partnership with Westfund Health Insurance, enabling members to explore and access a range of health insurance solutions, from obtaining quotes to securing comprehensive cover.

These investments ensure members continue to benefit from secure and accessible banking services while allowing LCU to remain responsive to changing technology and member expectations.

Supporting Our Communities

In January 2026, LCU celebrated awarding more than 361 scholarships since the commencement of our tertiary scholarship program in 1990, representing over $329,400 in support for education and professional development.

We also continued our longstanding support of organisations and initiatives that promote education, science, research, and innovation, including the CSIRO Alumni Scholarship Program, the Frontiers of Science Forum, and the Australian Institute of Physics Community Outreach to Physics Award.

Chair & CEO's Report (continued)

Looking Forward

LCU enters the new financial year from a position of strength.

We have grown our lending portfolio, increased member deposits, strengthened our capital position, enhanced our technology, and continued investing in the security and services that our members expect.

While the financial services industry continues to evolve, our focus remains unchanged: providing trusted banking services, maintaining strong financial foundations, protecting our members, and delivering long-term value as a customer-owned financial institution.

Acknowledgements

We would like to thank the entire LCU Team for their professionalism, dedication, and commitment throughout the year. Their efforts continue to support the high level of service our members value.

We also thank the LCU Board of Directors for their contribution to the governance and strategic direction of LCU.

Most importantly, we thank our members for their ongoing loyalty and support. Your trust is the foundation of our success, and we remain committed to serving your financial needs both now and into the future.

Gordana Papic



Chair

Laboratories Credit Union Limited

Helen Lorigan



CEO

Laboratories Credit Union Limited

LABORATORIES CREDIT UNION LIMITED

A.B.N. 77 087 650 217
Incorporated in Australia

30 June 2026 Financial Statements



Directors' Report

Directors present their report on the Laboratories Credit Union Limited (the "Company", the "Credit Union" or "LCU") for the financial year ended 30 June 2026. 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:

	Name	Responsibilities and Qualifications
	**Gordana Papic** - Chair	- Director since June 2022 - Chair since January 2024 - Chair of the Remuneration and Nominations Committee since November 2023 - Audit Committee since 2022 - IT Committee since 2023 - Diploma of Commerce - Associate Diploma of Business, Accounting
	**Allison Smart** - Deputy Chair	- Director since December 2012 - Deputy Chair since January 2024 - Remuneration and Nominations Committee since November 2024 - Budget Committee since November 2019 - Risk Committee since November 2023 - Bachelor of Commerce (Merit), Bachelor of Laws, Master of Health Law - Fellow of the Governance Institute Australia
	**Scott Martin** - Director	- Director since June 2012 - Chair of the IT Committee since 2023 - Risk Committee since November 2024 - Audit Committee since November 2020 - Bachelor of Science (Honours) - Doctor of Philosophy - Fellow of the Australian Institute of Physics - Graduate of the Australian Institute of Company Directors



Frank Benito de Valle
- Director

- Director since October 2003
- Budget Committee since November 2011
- Audit Committee since November 2018
- Renumeration and Nominations Committee since November 2025
- Bachelor of Economics
- Fellow of CPA Australia
- Fellow of the Australian Institute of Company Directors
- Fellow of Governance Institute Australia



Tony Murphy
- Director

- Director since October 2001
- Chair of the Risk Committee since November 2021
- IT Committee since 2023
- Budget Committee since November 2023
- Bachelor of Science (Honours)
- Doctor of Philosophy



John Stephens
- Director

- Director since February 2016
- Chair of the Audit Committee since November 2016
- Risk Committee since November 2018
- Master of Taxation
- Chartered Accountant



Scott Dargan
- Director

- Director since April 2026
- Remuneration and Nominations Committee since April 2026
- Risk Committee since May 2026
- MBA Qualified, specialising in Change Management and Organisational Transformation
- Certified Emotional Intelligence (EQI) Tester and Practitioner

The name of the Company Secretary in office at the end of the financial year 2026 is:



Helen Lorigan
- Chief Executive Officer and Company Secretary

- Company Secretary since 15 February 2023
- Bachelor of Commerce
- Fellow of CPA Australia (Honorary)
- Graduate of the Australian Institute of Company Directors
- Fellow of the Chartered Institute for Securities & Investment

Directors' meeting attendance

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

Director	Board Meeting	Board Audit Committee	Board Risk Committee	Budget Committee	IT Committee	RaNC
Allison Smart	9/10	—	5/5	3/3	—	10/10
Frank Benito de Valle	7/10	2/3	—	3/3	—	8/10
Gordana Papic	10/10	2/3	—	—	4/4	10/10
John Stephens	8/10	3/3	4/5	—	—	—
Scott Dargan	4/4	—	—	—	—	7/7
Scott Martin	9/10	3/3	4/5	—	4/4	—
Tony Murphy	10/10	—	5/5	3/3	4/4	—

Number of Meetings Attended/Meetings held in the period of appointment.

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 an entity in which a director has a substantial financial interest, other than that disclosed in Note 27 of the financial report.

Indemnification and insurance of Officers and auditors

LCU has not given any indemnities to Directors, Officers or Auditors.

LCU has arranged Directors' and Officers' Liability insurance coverage, against legal costs imposed on Directors and Officers, in a manner that complies with the *Corporations Act 2001*. In accordance with normal practice, disclosure of the premium amount and 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 activity of the Credit Union is to raise funds from LCU's members for the purpose of making loans to members. No significant change in the nature of the activity has occurred during the year.

Operating results

The net profit of LCU for the year after providing for income tax was $1,307,986 (2025: $1,547,595).

Dividends

The Credit Union does not have permanent share capital and has therefore not paid or declared any dividends for the financial year.

Review of results

The results of LCU's operations from its activities of providing financial services to its members were slightly lower than those of the previous year.

LCU experienced stronger loans growth throughout the financial year which resulted from refinancing existing loans, developing new channels and sourcing new markets for loans.

State of affairs

There were no significant changes in the state of the affairs of LCU during the year which have significantly affected or may significantly affect the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union in subsequent financial years.

Events occurring after the end of the reporting period

There were no significant events occurring after the end of the reporting period which have significantly affected or may significantly affect the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union in subsequent financial years.

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. However, the Board believes that LCU has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to LCU.

Likely developments

No material likely developments are foreseen at this time that may affect LCU's operations.

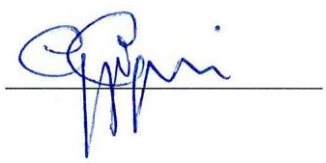
Further information about likely developments in the operations of LCU and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to LCU.

Auditors' Independence Declaration

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

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

Gordana Papic
Chair



Richard John Stephens
Director



Signed and dated this 24th day of September 2026.

Auditor's Independence Declaration

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Sydney NSW 2000
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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 2026, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

T Makanda
Partner – Audit & Assurance

Sydney, 24 September 2026

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Independent Auditor's Report



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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 Credit Union), which comprises the statement of financial position as at 30 June 2026, the statement of profit or loss and other comprehensive income, statement of changes in member equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the Directors' declaration.

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

a giving a true and fair view of the Credit Union's financial position as at 30 June 2026 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 Credit Union 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 Credit Union's annual report for the year ended 30 June 2026 but does not include the financial report and our auditor's report thereon.

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Independent Auditor's Report (continued)

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 Credit Union are responsible for the preparation of:

a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* (other than the consolidated entity disclosure statement); and

b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Credit Union'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 Credit Union 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 Audit Pty Ltd
Chartered Accountants

T Makanda
Partner – Audit & Assurance

Sydney, 24 September 2026

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 2026 and of its performance for the year ended on that date; and

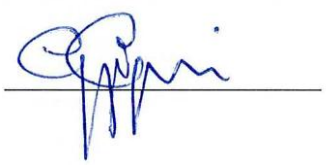
    b) Comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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 consolidated entity disclosure statement is true and correct.

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:

Gordana Papic
Chair



Richard John Stephens
Director



Signed and dated this 24th day of September 2026.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2026

	Note	2026 $	2025 $
Interest revenue	3	13,658,748	13,739,208
Interest expense	3	(6,642,277)	(6,797,073)
Net interest income		7,016,471	6,942,135
Non-interest income	4	108,347	110,422
Operating expenses	5	(4,798,310)	(4,374,882)
(Impairment loss)/recoveries on financial assets		(26,373)	2,912
Depreciation and amortisation expense	5	(111,706)	(150,398)
Fees and commission expenses		(437,470)	(456,255)
Profit before tax		1,750,959	2,073,934
Income tax expense	7	(442,973)	(526,339)
Profit after tax		1,307,986	1,547,595
Total comprehensive income for the period		1,307,986	1,547,595

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

Statement of Changes in Member Equity

For the year ended 30 June 2026

	Note	Retained Earnings $	Capital Reserves $	Total $
Total at 1 July 2024		17,499,206	29,600	17,528,806
Profit for the year		1,547,595	-	1,547,595
Transfer to capital reserve on redemption of shares		(1,200)	1,200	-
Total as at 30 June 2025		19,045,601	30,800	19,076,401
Profit for the year		1,307,986	-	1,307,986
Adjustment to share redemption treatment	20	30,800	(30,800)	-
Total as at 30 June 2026		20,384,387	-	20,384,387

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

Statement of Financial Position

As at 30 June 2026

	Note	2026 $	2025 $
ASSETS			
Cash and cash equivalents	8	22,281,779	26,354,810
Receivables from financial institutions	9	36,763,645	40,195,929
Other receivables	10	325,266	278,445
Loans to members	11	257,336,653	243,350,025
Other loans	13	862,924	2,554,825
Property, plant and equipment	14	76,970	14,865
Deferred tax assets	7	166,972	130,424
Intangible assets	15	-	13,612
Right-of-use assets	16 a)	230,823	60,834
TOTAL ASSETS		318,045,032	312,953,769
LIABILITIES			
Deposits from members	17	292,916,915	288,019,517
Creditor accruals and settlement accounts	18	3,903,734	5,095,356
Current tax liabilities	7	209,309	416,769
Provisions	19	397,818	280,288
Lease liabilities	16 b)	232,869	65,438
TOTAL LIABILITIES		297,660,645	293,877,368
NET ASSETS		20,384,387	19,076,401
MEMBERS' EQUITY			
Capital reserve account	20	-	30,800
Retained earnings		20,384,387	19,045,601
TOTAL MEMBERS' EQUITY		20,384,387	19,076,401

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

Statement of Cash Flows

For the year ended 30 June 2026

	Note	2026 $	2025 $
OPERATING ACTIVITIES			
Interest received		13,617,734	13,829,977
Fees and commissions		104,690	108,621
Interest paid		(6,546,424)	(6,112,583)
Cash paid for suppliers and employees		(5,102,596)	(4,497,285)
Net income taxes (paid)/refund received		(686,981)	(223,578)
		1,386,423	3,105,152
Net movement in loans		(12,294,727)	(42,330,984)
Net movement in deposits		3,570,805	40,897,031
Net cash (used in)/from operating activities	27 a)	(7,337,499)	1,671,199
INVESTING ACTIVITIES			
Net movement in receivables		3,432,284	10,109,546
Proceeds on sale of shares		-	25,801
GST refund		-	1,889
Purchase of property plant and equipment		(74,837)	(7,624)
Net cash flows from investing activities		3,357,447	10,129,612
FINANCING ACTIVITIES			
Lease principal payments	16 b)	(92,979)	(93,771)
Net cash used in financing activities		(92,979)	(93,771)
Net (decrease)/increase in cash and cash equivalents		(4,073,031)	11,707,040
Cash and cash equivalents at beginning of year		26,354,810	14,647,770
Cash and cash equivalents at end of year	8	22,281,779	26,354,810

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

Notes to the Financial Statements

For the year ended 30 June 2026

1. Reporting Entity

Laboratories Credit Union Limited (the "Credit Union" or "LCU") is a company domiciled in Australia. LCU is a member-owned for-profit credit union. The address of LCU's registered office is No. 1 The Village, Riverside Corporate Park, 3 Julius Ave NORTH RYDE NSW 2113.

2. Basis of Preparation

a) Statement of compliance

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.

The financial statements were approved and authorised for issuance by the Directors on 24th September 2026.

b) Basis of measurement

The financial statements are presented in Australian dollars.

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 set out below have been applied consistently to all periods presented in the financial statements, unless otherwise stated.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

c) Accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. Basis of Preparation (continued)

c) Accounting estimates and judgements (continued)

In particular, information about areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 12 – Impairment of loans and advances with regards to the expected credit loss modelling and judgements, including:
  - Determining criteria for significant increase in credit risk: An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased LCU takes into account qualitative and quantitative reasonable and supportable forward-looking information;
  - Choosing appropriate models and assumptions for the measurement of expected credit loss; and
  - Establishing groups of similar financial assets for the purposes of measuring expected credit loss: When expected credit loss is measured on a collective basis, the financial instruments are grouped based on shared risk characteristics.

In addition, in preparing the financial statements, the notes to the financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the financial statements. The determination of the relevance and materiality of disclosures involved significant judgement.

d) New or amended accounting standards adopted

LCU has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. None of the adopted Accounting Standards and Interpretations had a material impact on the financial statements of LCU.

e) New or amended accounting standards not yet mandatory

The Interpretations recently issued or amended but not yet mandatory have not been early adopted by the Credit Union for the year ended 30 June 2026. The Credit Union has assessed the relevant standards and interpretations, with the most relevant set out below.

AASB 18 Presentation and Disclosure in Financial Statements
AASB 18 replaces AASB 101 Presentation of Financial Statements and introduces revised presentation and disclosure requirements, including new income and expense categories, defined subtotals and enhanced disclosure of management-defined performance measures. AASB 18 applies from 1 January 2027. The Credit Union is assessing the presentation and disclosure impact only, with no impact on recognition or measurement of balances.

f) Other Developments with Sustainability Reporting Standards

The Australian Government has introduced mandatory climate-related financial disclosure requirements through amendments to the Corporations Act 2001 and Australian Sustainability Reporting Standards.

Group 3 reporting applies for financial years commencing on or after 1 July 2027, with first reporting for 30 June 2028 year ends. Based on the Credit Union’s current size, it does not meet the Group 3 thresholds and is not currently required to prepare a sustainability report, but will continue to monitor regulatory developments and stakeholders expectations.

3. Interest Income and Interest Expense

Recognition and measurement
Interest income is recognised when it is likely that the economic benefits will be received by LCU and the amount can be measured reliably. Income is not recognised if there are significant uncertainties about the recovery of the consideration.

Interest income
Interest income on loans is calculated based on the daily outstanding balance and charged monthly in arrears to the customer's account. This interest income is recognised in the statement of profit or loss as it accrues, utilising the effective interest rate method. Fees and transaction costs that are integral to the lending arrangement are recognised in the profit and loss over the expected life of the instrument in accordance with the effective interest rate method.

The calculation of the effective interest rate does not include expected credit loss. Interest income that is classified as impaired is recognised by applying the effective interest rate to the amortised cost carrying value, being the gross carrying amount after deducting the impairment loss.

Interest income on deposits with other financial institutions are calculated on an accrual basis using the effective interest rate method.

Interest expense
Interest payable on customer deposits is calculated daily on the outstanding balance and credited periodically in arrears. This interest expense is recognised in the statement of profit or loss as it accrues, employing the effective interest rate method.

	2026 $	2025 $
Analysis of interest income		
Interest income		
Deposits with other financial institutions	2,398,687	2,725,135
Loans to members and non-members	11,260,061	11,014,073
	13,658,748	13,739,208
Interest expense		
Deposits from members	6,642,277	6,797,073
Interest expense on lease liabilities	4,929	4,952
	6,647,206	6,802,025

4. Non-Interest Income

Recognition and measurement

Fee income
Loan, account and transaction fee income relate to fees that are not deemed to be an integral part of the effective interest rate.

Fee income relating to deposit or loan accounts is either:

- Transaction based and therefore recognised when the performance obligation related to the transaction is fulfilled, or
- Related to performance obligations carried out over a period of time, therefore recognised on a systemic basis over the life of the agreement as the services are provided.

Transaction fees and provision of services are defined within product terms and conditions.

Loan fees
Loan fees and charges include administration fees for initiating loans and ongoing loan account maintenance. These fees and charges are charged to the customer's account as incurred. Loan fees and charges are recognised at the point in time when the transaction takes place.

Fees and commission Income
LCU earns income from processing payments and providing other transaction-based services. These commissions are primarily earned from payment networks and merchants for facilitating transactions for LCU members. This includes visa debit commissions for card-based payments, as well as BPAY commission for bill payments. Additionally, some income falls into a more general category, such as western union income from facilitating money transfers and miscellaneous income, which is a catch-all for various small fees that do not fit into other specific classifications. These fees and commissions are recognised at the point in time when the transaction takes place.

	2026 $	2025 $
Fee, commission and other income		
Fee income on loans – other than loan origination fees	10,800	8,800
Other fee income	40,134	44,385
Other commissions	53,756	55,436
	104,690	108,621
Other income		
Profit on share sale	-	1,801
Profit/(loss) on disposal of fixed assets	(129)	-
Miscellaneous revenue	3,786	-
	3,657	1,801
Total non-interest income	108,347	110,422

5. Operating Expenses

Recognition and measurement

Operating expenses
Operating expenses are costs incurred by LCU in the ordinary course of business in generating revenue and conducting its operations. Operating expenses are recognised in profit or loss on an accrual basis in the period in which the related goods or services are received or the obligation is incurred. Expenses are measured in accordance with the accounting policies applicable to the underlying transaction and are recognised in the statement of profit or loss and other comprehensive income.

Personnel costs
Wages, salaries, annual leave, and other employee entitlements expected to be paid or settled within twelve months of the employees providing the service are measured at their nominal amounts, using the remuneration rates LCU anticipates paying when the liabilities are settled. 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 creditor accruals. Contributions are made by LCU to an employee's superannuation fund and are charged to profit or loss as incurred.

LCU provides choice of fund for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of employees.

	2026 $	2025 $
General administration		
Personnel costs		
- Wages and salaries	1,775,683	1,607,796
- Employee entitlements	408,911	438,976
- Superannuation contributions	215,724	187,133
Technology	1,439,605	1,145,075
Finance cost - leases	4,929	4,952
Other operating expenses	953,458	990,950
	4,798,310	4,374,882
Depreciation and amortisation		
Depreciation of plant and equipment	12,337	19,408
Amortisation of intangible - software	13,612	43,669
Depreciation of right-of-use-asset	85,757	87,321
	111,706	150,398

6. Auditor's Remuneration

During the financial year, the following fees were paid or payable for services provided by the auditor of LCU.

Auditor's remuneration (excluding GST)	2026 $	2025 $
- Audit of the financial statements of the credit Union – Grant Thornton Audit Pty Ltd ((Includes statutory audit, APRA audit and ASIC financial services licence audit)	111,300	97,650
	111,300	97,650

7. Taxation

Recognition and measurement

Income tax

Income tax for the periods presented comprises current and deferred tax. Income tax is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance date.

A deferred tax asset is recognised only to the extent it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Goods and services tax

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

7. Taxation (continued)

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

Income Tax Expense	2026 $	2025 $
Profit before tax	1,750,959	2,073,934
Prima facie tax payable on profit before income tax at 25% (2025: 25%)	437,740	518,484
Add tax effect of expenses not deductible		
- Other historical timing differences from PPE	2,209	25,744
- Non deductible items	1,542	-
- Prior year under/(over)	1,482	(17,889)
Total income tax expense in income statement	442,973	526,339
Income Tax Payable	209,309	416,769
Movement in taxation provision		
Balance at beginning of year	416,769	116,123
Current year's income tax expense on profit before tax	478,039	542,114
Income tax paid	(310,721)	(164,729)
Prior year tax payment	(376,260)	(58,848)
Under (over) provision in prior year	1,482	(17,891)
Balance at end of year	209,309	416,769
Deferred Tax		
Deferred tax assets comprise:		
Accrued expenses not deductible until incurred	37,453	38,757
Provisions for employee benefits	78,166	54,975
Provisions for doubtful debts	29,613	23,019
Prepayments	(1,150)	-
Other provisions	22,539	15,096
Depreciation on fixed assets	(161)	(2,574)
AASB16 - *Leases*	512	1,151
	166,972	130,424

8. Cash and Cash Equivalents

Recognition and measurement

Cash and cash equivalents comprise cash balances, deposits at call and other short-term deposits with Approved Deposit-taking Institutions that can be readily converted into cash. This includes term deposits (with an original maturity of less than 3 months), negotiable certificates of deposits (NCD) and floating rate note securities (FRNS). Negotiable certificates of deposits and floating rate note securities are held via the Austraclear system with the Reserve Bank of Australia, to enable conversion to cash. Cash and cash equivalents are recognised at the gross value of the outstanding balance. Bank overdrafts that are repayable on demand and form an integral part of LCU's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows. The carrying amounts approximate fair value because of their short-term to maturity or are receivable on demand. There is no restricted cash.

	2026 $	2025 $
Deposits at call	22,281,779	26,354,810
	22,281,779	26,354,810

9. Receivables From Financial Institutions

Recognition and measurement

Receivables due from other financial institutions are financial assets with fixed or determinable payments that are held within a business model whose objective is to hold assets to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are recognised initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, LCU measures these financial assets at amortised cost using the effective interest rate method and net of any expected credit loss or impairment loss.

	2026 $	2025 $
Investments at amortised cost		
Floating Rate Notes	32,200,000	35,650,000
Deposits with financial institutions	4,563,645	4,545,929
	36,763,645	40,195,929
Dissection of receivables		
Deposits with industry bodies	4,140,000	4,140,000
Deposits with banks	423,645	405,929
	4,563,645	4,545,929
Credit rating of receivables from financial institutions		
CUSCAL – rated A+	4,140,000	4,140,000
Banks – rated AA and above	31,700,000	34,600,000
Banks – rated above BBB	923,645	1,455,929
	36,763,645	40,195,929

10. Other Receivables

Recognition and measurement

Interest receivable is recognised on an accruals basis.

	2026 $	2025 $
Prepayments	4,601	-
Interest receivable on deposits with financial institutions	266,880	225,866
Other	53,785	52,579
	325,266	278,445

11. Loans to Members

Recognition and measurement

Loans and advances are financial assets with fixed or determinable payments that are held within a business model whose objective is to hold assets to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are recognised initially at cost plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method, less any expected credit losses/impairment losses.

The fair values of loans receivable excluding impaired loans are estimated using a method not materially different from discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by using a method not materially different from discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows. The carrying amount of loans as at 30 June 2026 approximates net fair value.

		2026 $	2025 $
a)	**Amount due comprises:**		
	Overdrafts and revolving credit	126,723	222,980
	Term loans	257,328,380	243,219,121
	Subtotal	257,455,103	243,442,101
	Less: Provision for impaired loans (Note 12)	(118,450)	(92,076)
		257,336,653	243,350,025
b)	**Credit quality - Security held against loans**		
	Secured by mortgage over real estate	255,877,158	241,683,662
	Partly secured by goods, mortgage	781,801	891,663
	Wholly unsecured	677,694	774,700
		257,336,653	243,350,025

11. Loans to Members (continued)

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 an LVR portfolio basis is as follows:

Loan collateral coverage	2026 $	2025 $
- loan to valuation ratio of less than 80%	252,861,257	238,854,757
- loan to valuation ratio of more than 80% but mortgage insured	687,652	730,004
- loan to valuation ratio of more than 80% and not mortgage insured	2,328,249	2,098,901
	255,877,158	241,683,662

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 additional 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 below.

11. Loans to Members (continued)

Concentration of loans

The following values are as at the end of the financial year.

	2026 $	2025 $
Loans to Individual or related groups of members which exceed 10% of reserves in aggregate	17,673,713	19,611,467

Geographical concentrations:

2026 *Australia*	Housing $	Personal $	Business $	Total $
NSW	197,697,497	1,287,721	1,825,163	200,810,382
Victoria	20,297,236	147,580	-	20,444,816
Queensland	21,119,611	5,553	2,909	21,128,073
South Australia	2,985,663	16,051	-	3,001,714
Western Australia	2,756,265	15,102	-	2,771,367
Tasmania	2,263,579	2,326	-	2,265,906
Northern Territory	681,316	-	-	681,316
ACT	6,350,572	957	-	6,351,529
Total	254,151,739	1,475,292	1,828,072	257,455,103

2025 *Australia*	Housing $	Personal $	Business $	Total $
NSW	193,604,707	1,217,410	1,601,982	196,424,099
Victoria	17,954,674	182,971	-	18,137,645
Queensland	14,600,195	109,095	-	14,709,290
South Australia	2,758,606	31,815	-	2,790,421
Western Australia	2,817,813	5,768	-	2,823,581
Tasmania	2,266,103	17,421	-	2,283,524
Northern Territory	219,530	-	-	219,530
ACT	6,047,222	6,789	-	6,054,011
Total	240,268,850	1,571,269	1,601,982	243,442,101

12. Provision on Impaired Loans

Recognition and measurement

AASB 9's impairment requirements use forward-looking information to recognise expected credit losses – the "expected credit loss model" (ECL).

LCU considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial asset. In applying this forward-looking approach, a distinction is made between:

- Financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans) ('Stage 1'); and
- Financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- Financial assets that have objective evidence of impairment (loans in default) at the reporting date ('Stage 3').

Measurement of ECL

LCU applies a three-stage approach to measuring expected credit losses (ECLs) for financial assets that are not measured at fair value through profit or loss.

- 12-months ECL (Stage 1) - The portion of lifetime ECL associated with the probability of default events occurring within the next 12 months.
- Lifetime ECL – not impaired (Stage 2) - ECL associated with the probability of default events occurring throughout the life of an instrument.
- Lifetime ECL – impaired (Stage 3) - Lifetime ECL, but interest revenue is measured based on the carrying amount of the instrument net of the associated ECL.

Exposures are assessed on a collective basis in Stage 1, and on individual basis in Stage 2 and Stage 3.

At each reporting date, LCU assesses the credit risk of exposures in comparison to the risk at initial recognition, to determine the stage that applies to the associated ECL measurement. If the credit risk of an exposure has increased significantly since initial recognition, the asset will migrate to Stage 2. If no significant increase in credit risk is observed, the asset will remain in Stage 1. Should an asset become credit-impaired it will be transferred to Stage 3.

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

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

12. Provision on Impaired Loans (continued)

Critical accounting estimates and judgements in the ECL

A number of significant judgements are required in applying the accounting requirements for measuring ECL, which are detailed below:

Assumptions used for estimating impairment

In assessing the impairment of financial assets under the expected credit loss model, LCU defines default as occurring when a loan obligation is past 90 days due. The definition of default aligns with that applied by APRA for regulatory reporting purposes, and the criteria used for internal credit risk management purposes.

Assessment of significant increase in credit risk

In determining whether the risk of default has increased significantly since recognition, LCU considers both quantitative and qualitative factors. These include:

- When a loan reaches 30 days past due, history of repayments past due and probability of default remains high;
- Loans with approved hardship or modified terms.

Calculation of expected credit losses

Expected credit losses (ECLs) are calculated using three main parameters i.e. a probability of default (PD), a loss given default (LGD) and an exposure at default (EAD).

For accounting purposes, the 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance date.

The LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral and its expected value when realised.

The EAD represents the expected exposure at default.

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.

As at 30 June 2026, LCU had only one loan in financial hardship with a balance of $97.2k with a payment arrangement in place.

Amounts arising from ECL

The loss allowance on loans to members as at the year-end by class of exposure/asset are summarised in the table below.

	Gross Carrying value 2026 $	ECL Allowance 2026 $	Carrying value 2026 $	Gross Carrying value 2025 $	ECL Allowance 2025 $	Carrying value 2025 $
Mortgages	255,051,613	(63,763)	254,987,850	241,300,950	(60,325)	241,240,625
Personal	448,695	(54,053)	394,642	316,189	(31,544)	284,644
Overdrafts	126,723	(634)	126,089	222,980	(207)	222,773
Total to natural persons	255,627,031	(118,450)	255,508,581	241,840,119	(92,076)	241,748,043
Corporate borrowers	1,828,072	-	1,828,072	1,601,982	-	1,601,982
Total	257,455,103	(118,450)	257,336,653	243,442,101	(92,076)	243,350,025

12. Provision on Impaired Loans (continued)

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 for loans to members.

	Stage 1 12-month ECL 2026 $	Stage 2 Lifetime ECL 2026 $	Stage 3 Lifetime ECL 2026 $	Purchased credit impaired 2026 $	Total 2026 $
Loans to members					
Mortgages	63,763	-	-	-	63,763
Personal	6,747	47,289	18	-	54,053
Overdrafts	634	-	-	-	634
Corporate borrowers	-	-	-	-	-
Loss allowance	71,143	47,289	18	-	118,450

	Stage 1 12-month ECL 2025 $	Stage 2 Lifetime ECL 2025 $	Stage 3 Lifetime ECL 2025 $	Purchased credit impaired 2025 $	Total 2025 $
Loans to members					
Mortgages	60,325	-	-	-	60,325
Personal	7,155	23,800	589	-	31,544
Overdrafts	207	-	-	-	207
Corporate borrowers	-	-	-	-	-
Loss allowance	67,687	23,800	589	-	92,076

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

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 2026, LCU reviewed its allowance for expected credit losses (ECL) and evaluated relevant macroeconomic factors including the current cost of living environment, interest rate trends, and unemployment levels. Based on this assessment, management does not anticipate a significant increase in overall portfolio credit risk, and baseline ECL provision rates remain unchanged.

The slight net increase in the total ECL allowance was primarily driven by overall loan book growth (Stage 1), along with a specific Stage 2 adjustment to reflect an individual loan currently in hardship.

12. Provision on Impaired Loans (continued)

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.

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.

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.

Stage 3 of the impairment model is 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.

12. Provision on Impaired Loans (continued)

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. 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.

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.

13. Other Loans

		2026 $	2025 $
a)	Loans to non-members – (unsecured)	501,989	1,132,398
	Less provision for impairment (movement to P&L)	-	-
		501,989	1,132,398
	Loans to non-members – (mortgage secured)	360,935	1,422,427
	Less provision for impairment (movement to P&L)	-	-
		360,935	1,422,427
	Total value of other loans	862,924	2,554,825
b)	**Impaired loans written off**		
	Amounts written off directly against expense	-	2,713
	Total Bad Debts	-	2,713

13. Other Loans (continued)

Unsecured loans to non-members consist of funds committed to support Plenti, one of the online marketplace lending platforms.

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.

During FY26, LCU continued its exit from Plenti Loans platform and winding down of Shared Lending. This is a managed exit to non-member and other loan lending.

c) Amounts arising from ECL

	Gross Carrying value 2026 $	ECL Allowance 2026 $	Carrying value 2026 $	Gross Carrying value 2025 $	ECL Allowance 2025 $	Carrying value 2025 $
Mortgages	360,935	-	360,935	1,422,427	-	1,422,427
Personal	501,989	-	501,989	1,132,398	-	1,132,398
Total to natural persons	862,924	-	862,924	2,554,825	-	2,554,825
Corporate borrowers	-	-	-	-	-	-
Total	862,924	-	862,924	2,554,825	-	2,554,825

	Stage 1 12-month ECL 2026 $	Stage 2 Lifetime ECL 2026 $	Stage 3 Lifetime ECL 2026 $	Purchased credit impaired 2026 $	Total 2026 $
Mortgages	-	-	-	-	-
Personal	-	-	-	-	-
Loss allowance	-	-	-	-	-

	Stage 1 12-month ECL 2025 $	Stage 2 Lifetime ECL 2025 $	Stage 3 Lifetime ECL 2025 $	Purchased credit impaired 2025 $	Total 2025 $
Mortgages	-	-	-	-	-
Personal	-	-	-	-	-
Loss allowance	-	-	-	-	-

13. Other Loans (continued)

c) Amounts arising from ECL (continued)

	Stage 1 12-month ECL 2026 $	Stage 2 Lifetime ECL 2026 $	Stage 3 Lifetime ECL 2026 $	Purchased credit impaired 2026 $	Total 2026 $
Loans to non- members					
Balance as at 1 July 2025	-	-	-	-	-
Changes in the loss allowance					
- Transfer (from) stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer (from) stage 3	-	-	-	-	-
Balance at 30 June 2026	-	-	-	-	-

	Stage 1 12-month ECL 2025 $	Stage 2 Lifetime ECL 2025 $	Stage 3 Lifetime ECL 2025 $	Purchased credit impaired 2025 $	Total 2025 $
Loans to non- members					
Balance at 1 July 2024	9,349	-	345	-	9,694
Changes in the loss allowance					
- Transfer to stage 1	(9,349)	-	-	-	(9,349)
- Transfer to stage 2	-	-	-	-	-
- Transfer (from) stage 3	-	-	(345)	-	(345)
Balance at 30 June 2025	-	-	-	-	-

14. Property, Plant and Equipment

Recognition and measurement

Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Leasehold improvements

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

Depreciation

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The maximum estimated useful lives in the current and comparative periods are as follows:

- Leasehold improvements - 10 years
- Office equipment - 3 to 7 years
- Assets less than $1,500 are not capitalised

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

14. Property, Plant and Equipment (continued)

Disposals

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to LCU. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any Asset Revaluation Reserve surplus relating to the item disposed of is transferred directly to retained profits.

		2026 $	2025 $
a)	**Fixed assets**		
	Plant and equipment – at cost	105,699	82,247
	Less: accumulated depreciation	(28,729)	(67,382)
	Carrying amount	76,970	14,865
b)	**Movement during the year were:**		
	Opening Balance	14,865	26,650
	Purchases	74,837	7,623
	Assets disposed	(395)	-
	Depreciation charge	(12,337)	(19,408)
	Balance at the end of the year	76,970	14,865

15. Intangible Assets

Recognition and measurement

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.

	2026 $	2025 $
Computer software	-	378,570
Less: accumulated amortisation	-	(364,958)
Carrying Amount	-	13,612
Movement in the assets balances during the year were:		
Opening balance	13,612	58,226
Adjustments	-	(945)
Amortisation charge	(13,612)	(43,669)
Balance at the end of the year	-	13,612

16. Right of Use Assets

		2026 $	2025 $
a)	Property	259,676	252,603
	Less: accumulated depreciation	(28,853)	(196,485)
	Total property	230,823	56,118
	IT equipment	-	15,718
	Less: accumulated depreciation	-	(11,002)
	Total IT equipment	-	4,716
	Total right-of-use assets	230,823	60,834

Movement in the asset balances during the year were:

	Property $	IT equipment $	Total $
Balance 1 July 2025	56,119	4,715	60,834
Additions	259,675	-	259,675
Impairment	-	(3,929)	(3,929)
Depreciation	(84,971)	(786)	(85,757)
Balance 30 June 2026	230,823	-	230,823

	Property $	IT equipment $	Total $
Balance 1 July 2024	140,480	7,859	148,339
Additions	-	-	-
Impairment	(184)	-	(184)
Depreciation	(84,177)	(3,144)	(87,321)
Balance 30 June 2025	56,118	4,716	60,834

LCU has a lease for an office premise. On the 1st of March 2026, LCU entered a 2-year contract to February 2028 with a potential one year extension. 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.

16. Right of Use Assets (continued)

		2026 $	2025 $
b)	**Lease Liabilities**		
	Current	80,551	63,736
	Non-current	152,318	1,702
		232,869	65,438
	Opening balance	65,438	154,367
	Additions	259,675	-
	Payment for leases	(92,979)	(93,771)
	Interest Expenses	4,929	4,905
	Modifications	(4,194)	(64)
	Balance at end of the year	232,869	65,438

The future minimum lease payments were as follows:

30 June 2026	**Within 1 year $**	**Between 2-5 years $**	**After 5 years $**	**Total $**
Lease payments	93,040	160,983	-	254,023
Finance charges	(12,489)	(8,665)	-	(21,154)
Net present values	80,551	152,318	-	232,869

30 June 2025	**Within 1 year $**	**Between 2-5 years $**	**After 5 years $**	**Total $**
Lease payments	64,852	1,720	-	66,572
Finance charges	(1,116)	(19)	-	(1,135)
Net present values	63,736	1,702	-	65,438

17. Deposits From Members

Recognition and measurement

Deposits are recognised at fair value. After initial recognition, deposits are subsequently held at amortised cost.

Interest is calculated daily on the deposit balance and is paid to the account periodically, or in the case of some term deposits, on maturity. Interest on deposits is calculated on an accrual basis. The amount of the interest accrual is shown as part of accounts payable and other liabilities.

	2026 $	2025 $
Member Deposits		
- at call	143,773,362	148,539,136
- term	149,109,593	139,446,461
Member withdrawable shares	33,960	33,920
	292,916,915	288,019,517
Significant individual member deposits which in aggregate represent more than 10% of the total liabilities:	-	-
Geographical concentrations		
Australia		
NSW	254,906,026	250,243,966
Victoria	7,690,167	10,811,099
Queensland	8,343,222	10,796,472
South Australia	4,832,053	1,487,786
Western Australia	1,873,975	1,235,909
Tasmania	3,776,166	2,911,193
Northern Territory	67,021	52,947
ACT	5,275,451	3,450,162
Overseas Residents	6,152,833	7,029,983
Total per statement of financial position	292,916,915	288,019,517

18. Creditor Accruals and Settlement Accounts

Recognition and measurement

Trade creditors

Trade creditors and accruals are on contractual terms and are generally payable within one to three months. Trade creditors are recognised when LCU becomes a party to the contractual provisions of the purchase agreement.

Trade creditors are initially measured at fair value, which is typically the invoice amount. After initial recognition, trade creditors are measured at amortised cost using the effective interest method. If the payment terms are within the normal credit period, trade creditors are measured at their nominal amounts, as the impact of discounting is usually immaterial.

18. Creditor Accruals and Settlement Accounts (continued)

Accrued Interest payable

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

Accrued expenses

Accrued expenses are recognised when LCU has incurred an expense as of the reporting date, but the related invoice has not yet been received or processed.

Accrued expenses are measured at the best estimate of the expenditure required to settle the present obligation at the reporting date.

LCU consider all relevant information, including past experience, contracts, and agreements. Given that these are short-term obligations, the amounts are recognized at their nominal values, as the time value of money is not considered significant.

	2026 $	2025 $
Creditors and accruals	408,591	369,473
Interest payable on deposits	3,086,958	2,991,105
Sundry creditors	408,185	1,734,778
	3,903,734	5,095,356

19. Provisions

Recognition and measurement

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.

	2026 $	2025 $
Annual leave provision	159,860	117,007
Long service leave	152,802	102,891
Provisions – other	85,156	60,390
	397,818	280,288

20. Capital Reserve Account

	2026 $	2025 $
Opening balance	30,800	29,600
Transfer from retained earnings on share redemptions	-	1,200
Transfer to retained earnings	(30,800)	-
Closing balance	-	30,800

Share Redemption
The accounts represent the amount of redeemable preference shares redeemed by LCU since 1 July 1999. In 2024, ASIC withdrew Regulatory Guide 68 which detailed the requirements to hold a 'redeemed share capital reserve' in a separate reserve within the Statement of Changes in Equity. LCU has transferred this reserve back to retained profits with future redemptions to be made directly from retained profits.

21. Financial Risk Management Objectives and Policies

Introduction
The Board has overall responsibility for the establishment and oversight of LCU's risk management framework. The Board has approved policies for compliance and risk management to suit the risk profile of LCU. LCU's risk management encompasses market risk, credit risk and operation risk, among other risks. Authority flows from the Board to the Risk Committee which is integral to the management of risk.

LCU's risk management policies aim to identify, assess, and control risks by setting limits and monitoring compliance. These policies are regularly updated to reflect changes in the market and operations. Through training and procedures, LCU fosters a responsible environment where employees understand their roles and responsibilities.

The main elements of risk governance are as follows

Board: This is the primary governing body. The Board approves the level of risk which LCU is exposed to and the framework for identifying, monitoring, managing, mitigating and reporting those risks. The Board has developed a Risk Appetite framework that articulate and implement the Risk Profile of LCU.

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.

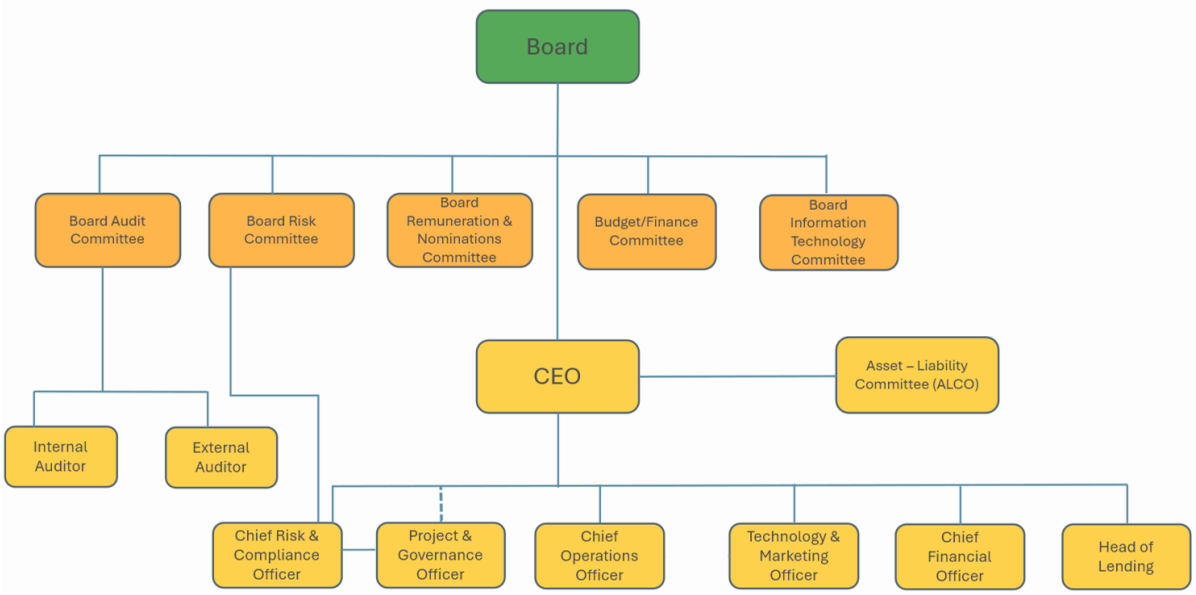
The Audit Committee considers and confirms that significant risks and controls are to be assessed within the internal audit plan. The Audit Committee receives the internal audit reports on the assessment and compliance with the controls and provides feedback to the Board for their consideration. External audit also reports via the Audit Committee.

21. Financial Risk Management Objectives and Policies (continued)

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. Furthermore, the ALCO reviews the statue of the balance sheet and considers adjustments required to manage liquidity, in particular consideration of the level of interest rates particularly following RBA adjustments to the cash rate.

Internal Audit: Internal audit has responsibility for implementing the controls testing and assessment in line with the Board's Compliance Plan / Audit Calendar.

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



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

Market risk

Market risk is the risk of profit or loss arising from future changes in market prices. LCU does not trade in the financial instruments it holds. LCU is primarily exposed to interest rate risk arising from changes in market interest rates. Interest rate risk is the exposure of LCU's financial condition to adverse movements in interest rates. LCU is also exposed to repricing risk where mismatches between the repricing dates of assets and liabilities exist.

The objective of LCU's market risk management is to monitor and understand the organisation's market risk exposures so that appropriate action can be taken on a timely basis in order to optimise risk and return for the benefit of members. The management of market risk is the responsibility of Management and is reported at Board meetings. There has been no change in the way LCU manages and measures market risk in the reporting period.

Interest rate risk

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

LCU is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of its assets and liabilities.

21. Financial Risk Management Objectives and Policies (continued)

In the banking book the most common risk LCU faces arises from its net open position on its portfolio of fixed rate assets and liabilities. This exposes LCU to the risk of adverse interest rate changes.

The level of mismatch on the banking book is set out in Note 23 below. The table set out in Note 23 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.

LCU has a clear strategy for managing interest rate risk:

Regular Monitoring: Asset-Liability Committee (ALCO) periodically meets to monitor LCU's rates and compare them against competitor rates.

Sensitivity Analysis: A model to measure LCU exposure to market risk and determine how sensitive LCU is to interest rate changes.

Balancing Assets and Liabilities: Main strategy is to maintain a balanced "on book" position which means LCU tracks the gap between assets and liabilities. LCU measures this gap every quarter to identify any potential exposure to interest rate movements.

Correcting Imbalances: If the gap becomes too large, LCU correct it by using targeted fixed-rate products like investment assets and term deposits to bring it back to a safe level.

Liquidity risk

Liquidity risk is the risk that LCU may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or member withdrawal demands. Both APRA and the Board of Directors have a policy that LCU maintains adequate cash reserves and committed credit facilities to meet the member withdrawal demands when requested.

LCU manages liquidity risk by:

- 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.

Credit Union Financial Support Services liquidity support scheme

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.

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

The liquidity ratio as at the end of the financial year was:

	2026	2025
Minimum Liquidity Holdings	18.56%	20.25%

21. Financial Risk Management objectives and policies (continued)

Credit risk

Credit risk is the risk that members, financial institutions and other counterparties are 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 and advances

All loans and facilities are within Australia. The geographic distribution is analysed into specific areas within Australia as described in Note 11.

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 monthly basis. The credit policy has been endorsed by the Board to ensure that loans are only made to members that are creditworthy and have the capacity of meeting loan repayment commitments.

Past due and impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. A past due classification can trigger various actions such as a renegotiation, enforcement of covenants, or legal proceedings.

The exposure to losses arises predominately in personal loans and facilities not secured by registered mortgages over real estate.

Details on the expected credit loss provision used by LCU for loans and advances are set out in Note 12.

For financial assets recognised on balance sheet, the maximum exposure to credit risk equals their carrying amount. Credit risk also includes off balance sheet exposures, such as approved but undrawn loans and credit limits, which are disclosed in Note 24 Contingent Liabilities and Credit Commitments.

Provisions are maintained in the statement of financial position at a level that management deems sufficient to absorb probable expected losses in LCU's loan portfolio from homogenous portfolios of assets and individually identified loans.

Bad Debts

Amounts are written off when collection of the loan or advance is considered to be remote. All write offs are on a case-by-case basis, taking account of the exposure at the date of the write off.

On secured loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lenders mortgage insurance.

A reconciliation in the movement of both past due and impaired exposure provisions is provided in Note 12.

Collateral securing loans

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

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken.

Board policy is to maintain a large percentage of LCU's loans in well secured residential mortgages. Note 11 describes the nature and extent of the security held against the loan held as at the balance date.

21. Financial Risk Management objectives and policies (continued)

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 additional 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.

The aggregate value of large exposure loans is set out in Note 11. LCU holds no significant concentrations of exposures to members. Concentration exposures to counterparts are closely monitored with reviews on a sample basis being prepared for exposures over 2.50% of the capital base by both Internal Audit and the Audit Committee.

LCU's policy on exposures of this size requires compliance with all lending policies and procedures and may include review of the loans application by a more senior officer within the organisation.

Concentration risk - Industry

LCU has a concentration in the consumer lending for members who comprise employees and family in Scientific Technology, Engineering Mathematics (STEM) companies, Research industries and other professional groups. 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.

Liquid investments

The credit policy requires that investments are only made to institutions that are credit worthy. 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 any one ADI. There is a concentration of credit risk with respect to investment receivables with the placement of investments in Cuscal.

Notes 8 and 9 outline the various deposits held by LCU. During the year, LCU has had to make placement decisions that consider the appropriateness of the security offered. All placement decisions made have been consistent with policy limits set by the Board.

Operational risk

Operational risk is the risk of loss to LCU resulting from deficiencies in processes, personal, 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, business continuity, data infrastructure, outsourced services failures, fraud, and procedural/employee errors.

LCU's objective is to manage operational risk so as to balance the evidence of financial losses through 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 certain events and minimise the impact. Systems of internal control are enhanced through:

- the segregation of duties between employee duties and functions, including approval of processing duties;
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour;

21. Financial Risk Management Objectives and Policies (continued)

- implementation of the whistleblowing policy to promote a compliant culture and an awareness of the duty to report exceptions by staff;
- education of members to review their account, statement 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 loss of functionality of systems or premises or staff.

Fraud and scams

Fraud can arise from members' access to the banking services LCU offer being compromised if not protected adequately by the member. Fraud can also occur due to system failures. LCU has systems in place which are considered to be robust to prevent any material fraud. However, in common with all retail banks, fraud can potentially be a major cost to LCU.

Scams are recognised within LCU's operational risk framework and are subject to ongoing monitoring and oversight. Measures are in place to assist in identifying potential scam activity and responding to incidents as they arise. Management continues to review emerging scam trends and strengthen preventative measures to support the protection of members and the organisation.

IT systems

Failure of LCU's core banking and information technology service providers to meet service obligations and operational requirements could significantly impact the delivery of services to members. LCU has outsourced the IT systems management to an Independent Data Processing Centre (IDPC) which has the experience 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 settlement with other financial institutions for direct entry, ATM, Visa cards, BPay and OSKO etc.

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 to any further capital to be allocated. Additional measures have been implemented with material service providers to make sure there are business continuity testing options with these important third parties.

Capital Management

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

- Credit risk
- Market risk (trading book)
- Operations risk

The market risk component is not required as LCU is not engaged in a trading book for financial instruments.

LCU maintained capital levels above APRA's minimum prudential requirements throughout the year. These requirements are based on the Basel III capital framework. It is considered that the Standardised approach accurately reflects LCU's operational risk.

LCU's capital contains Common Equity Tier 1 Capital, Tier 1 Capital and Tier 2 Capital, in accordance with APRA requirements. LCU's, Common Equity Tier 1 capital consists of retained earnings. LCU currently holds no other Tier 1 Capital Instruments.

21. Financial Risk Management Objectives and Policies (continued)

Total Capital Calculation

	2026 $	2025 $
Tier 1 Capital		
Capital reserve	-	30,800
Retained earnings	20,384,387	19,045,601
	20,384,387	19,076,401
Less: Prescribed deductions	(166,973)	(146,150)
Total Capital	20,217,414	18,930,251

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

To manage LCU's capital, management reviews the ratio monthly and monitors major movements in the asset levels, and reports capital adequacy ratios to each Board meeting. Policies have been implemented to require additional engagement and reporting to the Board if the capital ratio falls below a set limit.

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.

Internal capital adequacy management

LCU manages its internal capital levels for both current and future activities through the Board. The outputs of the individual committees are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in LCU's forecasts for asset growth, or unforeseen circumstances, are assessed by the Board. The finance department then update the forecast capital resources models produced and the impact upon the overall capital position of LCU is reassessed.

22. Financial Instruments

a) Categories of financial instruments

The following information classifies the financial instruments into measurement classes:

	2026 $	2025 $
Financial assets - amortised cost		
Cash and cash equivalents	22,281,779	26,354,810
Receivables from financial institutions	36,763,645	40,195,929
Other receivables	266,880	225,866
Loans to members	257,336,653	243,350,025
Other loans	862,924	2,554,825
	317,511,881	312,681,455
Financial liabilities		
Creditors and settlement accounts	3,903,734	4,978,349
Deposits from members	292,916,915	288,019,517
Total financial liabilities	296,820,649	292,997,866

22. Financial Instruments (continued)

b) 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 may not agree to the Statement of Financial Position.

2026 $'000	Within 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total cash flows	Total carrying amount as per the Statement of Financial Position
Financial assets:							
Cash and cash equivalents *	25,480	6,924	28,900	1,264	-	62,568	59,045
Receivables	-	-	-	-	-	-	267
Loans and advances	5,417	15,974	83,929	379,855	-	485,176	258,200
Total financial assets	30,897	22,898	112,829	381,119	-	547,744	317,512
Financial liabilities:							
Deposits	209,794	73,952	9,137	-	-	292,882	292,917
Creditors & settlements	-	-	-	-	3,904	3,904	3,904
Total financial liabilities	209,794	73,952	9,137	-	3,904	296,786	296,821

2025 $'000	Within 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total cash flows	Total carrying amount as per the Statement of Financial Position
Financial assets:							
Cash and cash equivalents *	33,775	4,356	29,541	2,472	-	70,145	66,551
Receivables	-	-	-	-	-	-	226
Loans and advances	4,980	14,661	77,778	345,622	-	443,040	245,905
Investment securities	-	-	-	-	-	-	-
Total financial assets	38,755	19,016	107,319	348,094	-	513,185	312,681
					-		
Financial liabilities:							
Deposits	206,286	72,715	8,984	-	-	287,986	288,020
Creditors & settlements	-	-	-	-	4,978	4,978	4,978
Total financial liabilities	206,286	72,715	8,984	-	4,978	292,964	292,998

* For the purpose of Note 22 b) and 22 c), cash and cash equivalents include receivables due from other financial institutions.

22. Financial Instruments (continued)

c) 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.

2026 $'000	Floating interest rate	1 year or less	Over 1 to 5 years	Non-interest bearing	Total carrying amount as per the Statement of Financial Position	Weighted average effective interest rate %
Financial assets:						
Cash and cash equivalents *	23,205	9,450	25,390	1,000	59,045	4.05
Receivables	-	-	-	267	267	N/A
Loans and advances	238,112	3,560	16,647	-	258,318	5.00
Investment securities	-	-	-	-	-	N/A
Total financial assets	261,317	13,010	42,037	1,267	317,630	
Financial liabilities:						
Deposits	158,544	125,708	8,631	34	292,917	2.40
Creditors & settlements	-	-	-	3,904	3,904	N/A
Total financial liabilities	158,544	125,708	8,631	3,938	296,821	

2025 $'000	Floating interest rate	1 year or less	Over 1 to 5 years	Non-interest bearing	Total carrying amount as per the Statement of Financial Position	Weighted average effective interest rate %
Financial assets:						
Cash and cash equivalents *	31,051	7,550	27,950	-	66,551	3.55
Receivables	-	-	-	226	226	N/A
Loans and advances	244,171	1,825	-	-	245,997	4.60
Investment securities	-	-	-	-	-	N/A
Total financial assets	275,222	9,375	27,950	226	312,774	
Financial liabilities:						
Deposits	160,645	118,220	9,121	34	288,020	2.48
Creditors & settlements	-	-	-	4,978	4,978	N/A
Total financial liabilities	160,645	118,220	9,121	5,012	292,998	

* For the purpose of Note 22 b) and 22 c), cash and cash equivalents include receivables due from other financial institutions.

23. Financial Commitments

		2026 $	2025 $
a)	**Outstanding loan commitments**		
	Loans approved but not funded	2,788,000	4,422,000
b)	**Loan redraw facilities**		
	Loan redraw facilities available	13,849,746	16,641,628
c)	**Undrawn loan facilities**		
	Loan facilities available to members for overdrafts and line of credit loans are as follows:		
	Total value of facilities approved	1,450,159	2,209,985
	Less: Amount advanced	(126,723)	(222,980)
	Net undrawn value	1,323,436	1,987,005
	Total financial commitments	17,961,182	23,050,633

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

d)	**Computer licence commitments**		
	The costs committed under contracts with Ultradata and Experteq are as follows:		
	- Not later than one year	503,893	164,415
	- Later than 1 year but not 5 years	2,045,573	-
	- Later than 5 years	53,643	-
		2,603,109	164,415

24. Standby Borrowing Facilities

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

	Gross $	Current Borrowing $	Net Available $
2026			
Overdraft facility	500,000	-	500,000
Total standby borrowing facilities	500,000	-	500,000
2025			
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.

25. 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.

26. 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.

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.

		2026 $	2025 $
i)	short-term employee benefits;	1,120,828	1,125,715
ii)	post-employment benefits – superannuation contributions;	122,601	121,912
iii)	other long-term benefits – net increases in long service leave provision;	-	-
iv)	termination benefits;	-	-
v)	share-based payment.	-	-
	Total	1,243,429	1,247,627

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.

26. Disclosures on Directors and Other Key Management Personnel (continued)

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 directors, other KMP or close family relatives of directors. There are no benefits or concessional terms and conditions applicable to the close family members of the KMP.

The detail of transactions during the year is as follows:

	2026 $	2025 $
Loan balance opening	3,400,667	1,653,644
Loan interest	145,673	79,738
New fundings in year	1,177,000	2,044,087
Loan repayments in year	(1,443,193)	(376,802)
Loan balance at end of year	3,280,147	3,400,667
Other transactions between related parties include deposits from directors, and other KMP are:		
Total value term and savings deposits from KMP	5,766,883	3,031,775
Total interest paid on deposits to KMP	40,158	66,172

There were no benefits paid or payable to the close family members of the key management persons. During the financial year, a standard loan referral agreement was put in place with a close family member of a key management person. The terms of this arrangement are consistent with similar arrangements that the organisation has in place with other non-related parties. Currently there are no other service contracts to which key management persons or their close family members are an interested party.

27. Notes to statement of cash flows

a) Cash flow from operating activities

The net cash flows from revenue activities are reconciled to the profit after tax:

	2026 $	2025 $
Profit after income tax	1,307,986	1,547,595
Add/(Deduct):		
Non cash flows in operating result		
(Decrease)/Increase in provision for loans	-	(5,625)
Bad debts written off	-	2,713
Depreciation expense	98,094	106,914
Amortisation of intangible assets	13,612	42,725
Right of use adjustment	4,929	4,842
Profit on sale of shares	-	(1,801)
Profit/loss on sale assets	129	-
Changes in assets and liabilities		
(Decrease)/Increase in provisions for staff leave	92,764	62,019
(Decrease)/Increase in provision for income tax	(207,460)	300,646
(Decrease)/Increase in provision for IT Strategic Initiatives	24,766	(103,124)
(Decrease)/Increase in accrued expenses	39,118	131,974
(Increase)/Decrease in prepayments	(4,601)	119,937
(Increase)/Decrease in other receivables	(1,205)	114,011
(Decrease)/Increase in Interest payable	95,853	689,442
Increase/(Decrease) in deferred tax assets	(36,548)	2,115
(Increase)/Decrease in interest receivable	(41,014)	90,769
Net cash from revenue activities	1,386,423	3,105,152
(Increase) in loans	(12,294,727)	(42,330,984)
Increase in deposits	3,570,805	40,897,031
Net cash flows from operating activities	(7,337,499)	1,671,199

b) Cash flows presented on a net basis

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

(i) member deposits to and withdrawals from deposit accounts;
(ii) borrowings and repayments on loans, advances and other receivables; and
(iii) investment securities including shares in special service providers and unlisted shares.

28. 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. 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 Experteq to supply computer support staff and services to meet the day-to-day needs of LCU and compliance with the relevant prudential standards.

29. Events subsequent to the end of 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.

Consolidated Entity Disclosure Statement

LCU does not have any controlled entities and is therefore not required by the Australian Accounting Standards to prepare consolidated financial statements. Therefore, section 295(3)(a) of the Corporations Act 2001 does not apply to LCU.

LCU
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