Member 2022 Report

SUMMERLAND CREDIT UNION

Vale David Ure

In memory of David Ure

Chief Growth and Customer Experience Officer

9 March 2020 – 24 August 2022

David Ure was a much-loved member of the Summerland team. The difference he made at Summerland was immense and his legacy will be long remembered. David's passion for Summerland showed through every day in his desire for the team to be the best people, in the best organisation possible. He did this with a positive attitude, a smile on his face and his unique witty humour which we will always remember.

Contents

Registered office

101 Molesworth Street
Lismore NSW 2480
1300 802 222

Auditors

Grant Thornton
KPMG

Summerland Credit Union acknowledges the Traditional Custodians of the land on which we live and work in Australia. We pay our respects to elders past, present and emerging, and acknowledge the ongoing connection that Aboriginal and Torres Strait Islander peoples have with Australia's land and waters.

Chair & CEO Report

Welcome to the 2022 Annual Report. On behalf of the Summerland Credit Union Board and our whole team, thank you for your continued support.

This year was a year unlike any other. The ongoing global Covid-19 pandemic and the floods in February and March that devastated the Northern Rivers and Southeast Queensland regions have continued to shape and change our lives, our communities and our business.

The size of the recent floods was unprecedented and the level of impact on the community and Summerland was devastating. The region experienced significant damage to homes, loss of income for our customers and considerable damage to both properties owned by Summerland in the Lismore CBD.

Our commitment to our customers, staff and community was unwavering as we established the Community Banking Hub within days of the February flood, with the generous support from Southern Cross University. In partnership with five other mutuals, who were invited to join us in the hub, we provided support and banking services to Lismore and surrounding communities.

We continued to support flood impacted customers by providing payment relief on home loans, free redraw on all home loans, free replacement cards and cheque books and waiving of fees for restructuring business loans and for accessing term deposits early.

Flood damage at Lismore branch and head office, Molesworth Street

Andrew Bell, Mountain Blue Farms Managing Director; Michael Hampson, Norco CEO; Steve Krieg, Lismore Mayor and John Williams, Summerland Credit Union CEO

We took a very proactive approach by reaching out to all our flood impacted loan and business customers to ensure they knew we were there for them when they needed us. Our Contact Centre fielded a huge volume of enquiries and communicated a range of available recovery packages.

We are immensely proud of our staff and thank every one of them for their resilience and commitment to our customers in these challenging times. Our staff ensured that full banking services were maintained across all locations. In addition, our staff enthusiastically volunteered to assist the community with the flood clean up, and genuinely cared for people within the broader community.

Our financial performance for 2022 was negatively impacted by the 2022 flood events. Despite the challenges, we recorded an after-tax profit of $3 million for the year and achieved a key goal of reaching one billion dollars ($1B) in assets. This is a significant achievement and one which we are very proud of.

Despite the flood impacts, we experienced another year of record customer growth. We attribute this success to the way we

The Pines Branch Manager, Kylie Millwood and Currumbin Wildlife Hospital Junior Ambassador, Molly

David Ure, Chief Growth and Customer Experience Officer

navigated our way through the flood crisis with a values-based approach of ensuring that "people matter most".

Acting responsibly and ethically has always been a cornerstone of our activities and we continue to operate in a way that promotes sustainability of our environment, our communities and our business. In 2022 we adopted an Environmental, Social and Governance (ESG) statement outlining our sustainability commitment and actions.

Giving back to the community is a key component of our ESG commitment, and an integral part of the mutual philosophy. This year we were thrilled to partner with the Australian Mutuals Foundation (AMF) to administer flood donations totalling $210,000. This included an individual contribution from Summerland of $50,000. The funds raised were provided to 37 local charities and community groups to help them recover from the impact of the floods.

Sadly, incidents of customers being impacted by external fraud and scams continue to increase, with scammers consistently finding new ways to defraud many Australians. Our team works tirelessly to mitigate the risk of fraud, to notify customers of suspicious transactions and offer support to those who have been victims of fraud or scams.

Cybersecurity awareness training for our staff has continued to increase our team's ability to recognise, act on and escalate concerns about potential fraud and scam activity. We have also published fraud and scam articles, alerts and the Australian Government's Stay Smart Online updates on our website, social media channels, and customer e-newsletters.

Our customers are embracing digital banking in ever-increasing numbers, which is also driving an increase in the number of times they transact with us. We expect changes to digital banking to accelerate as more people choose to do their banking online and as technology improves.

While digital and online technologies offer many advantages to our customers, we acknowledge members also appreciate our branch network. Over the coming years there will inevitability be changes to our branch network to provide the optimal mix between digital and physical services. We know that when it comes to making life changing decisions our customers want both great online channels, as well as access to a great branch network.

Demonstrating this commitment, we moved the Coolangatta branch to The Pines Shopping Centre at Elanora in August 2021 to provide better facilities, more (free) parking, access to over 80 specialty stores and nearby public transport. In April 2022, our Kingscliff branch received a much-needed facelift providing customers with a fresh and contemporary look. Positive customer feedback about the relaxed and open-space environment has been received.

Changes to the Board during the year included the retirement of long-standing Director, Nicolas (Nick) Harrison and the resignation of Director Paul Spotswood in September 2021. We welcomed new Directors Sally Gibson and Andrew Yost. Sally is a lawyer with extensive corporate and regulatory expertise in investment management and regulatory issues. Andrew is also a lawyer, a chartered governance professional and a chartered company secretary with extensive experience in banking and finance.

In addition, Director Katrina Luckie stepped down as Board Chair in May 2022 to facilitate a transition prior to her impending retirement from the Board in November 2022. Director Colin Sales assumed the role of Board Chair.

Our longest serving staff member, Chris McDonald, celebrated 30 years at Summerland in November before retiring to travel Australia on bike. We wish Chris all the very best in his future endeavours.

Our annual staff engagement survey completed in June 2022 was exceptionally pleasing with a score of 84%, at a 93% participation rate. We strive to achieve a strong corporate culture and work hard to support our team. We are delighted to have again been awarded the Kincentric Best Employers Award for the third consecutive year, which is a fantastic result in the recent challenging times.

We invested in capability and training of our staff, with a focus on customer growth, system and process improvements. Our full-time employment increased to 97 people including new roles in Technology, Risk and Compliance and Marketing.

Katrina Luckie and Sally-Anne Cumine

On behalf of the Board and our team we would like to thank our customers for their continued loyalty and support. Summerland remains committed and focused on serving our customers by creating positive economic, social and environmental change.

Colin Sales
Chair

John Williams
CEO

New look Kingscliff branch

About Us

Summerland Credit Union is 100% customer owned.

Customer owned or mutual means that we exist to benefit our customers. Profits do not go to external shareholders and as a customer we promise to treat you like you own the place, because as a customer of Summerland you do!

We are governed by a Board of Australian Directors and our day-to-day operations are led by our Chief Executive Officer and Executive Team along with 91 staff who are based in the Northern Rivers of New South Wales and the Southern Gold Coast region.

We represent more than 26,000 customers and are custodians of over $1 billion in assets as of 30 June 2022.

Our primary lending focus is residential mortgages, small/medium business loans as well as personal loans.

Jenny Le Neveu, Nimbin Branch Team Leader

Our vision

Making a difference.

Our mission

Providing people with ethical banking solutions to fulfil their life dreams.

Core values we live by

People matter most.
Make others proud.
Default to positivity.
Be brave.
Keep it simple.

What we do

We accept deposits from savers and lend money to borrowers to help our customers fulfil their life dreams.

We lend money to borrowers to buy homes, cars, investment properties or for a range of other purposes.

How we do it

We provide excellent quality products and services that are competitively priced.

We genuinely care about the financial wellbeing of our customers and provide an exceptional customer experience through all our delivery channels.

We strive to support the community, the environment and the economic sustainability of the regions in which we operate.

We have no direct investments in, or any loans to, fossil fuel/CSG mining industries.

We were the first financial institution to achieve Gold Partner Accreditation in the NSW Government's Sustainability Advantage Program, which demonstrates our continued outstanding environmental achievements and leadership.

We have achieved White Ribbon Accreditation by having zero tolerance for any form of harassment, bullying, abuse, violence or discrimination. Respectful relationships provide a strong foundation for our workplace culture and how we do business with our customers. It is one of the reasons we were recently awarded Kincentric Employer of the Year, for the third consecutive year.

Northern Rivers Careers Expo, Lismore

Our Performance

Financial

Financial performance started strongly for the first half of the financial year but was negatively impacted by the major flood events in the Northern Rivers in February 2022.

Managing interest margins in a historically low interest rate environment has been an additional challenge this year.

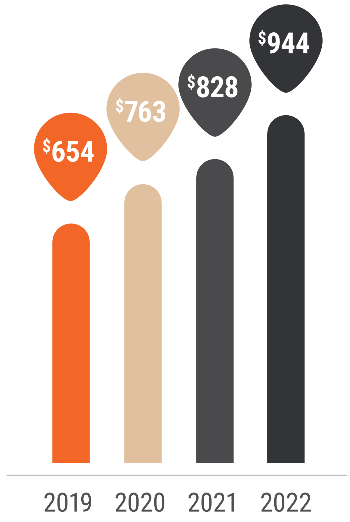
For the second year in a row, record numbers of new customers joined Summerland. In addition, the business achieved a key strategic goal of growing to $1 billion in total assets, one year ahead of the 2023 strategic goal.

Growth continued across all channels and areas with a record deposit growth of $116 million and loan funding of $193 million.

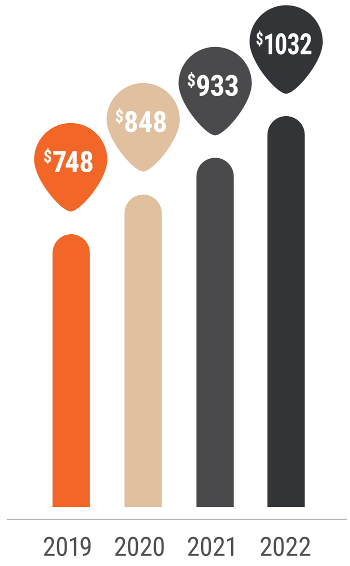
Net profit after tax for the year was $3 million, which was an outstanding result considering the impact of the floods. Liquidity remained strong at 24.37%, well above the prudential level required by the regulator (Australian Prudential Regulation Authority).

As the Northern Rivers region rebuilds, we will continue to support our customers with loan repayment deferrals and access to our hardship assistance program when needed.

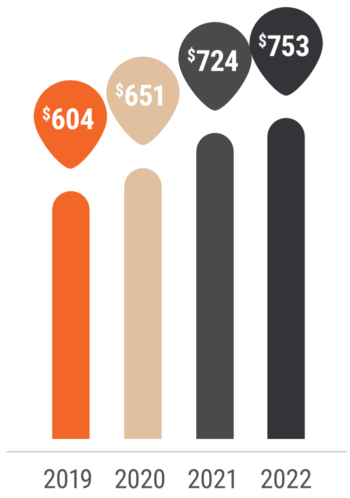
For more information on our financial performance, please refer to our 2022 Financial Report.



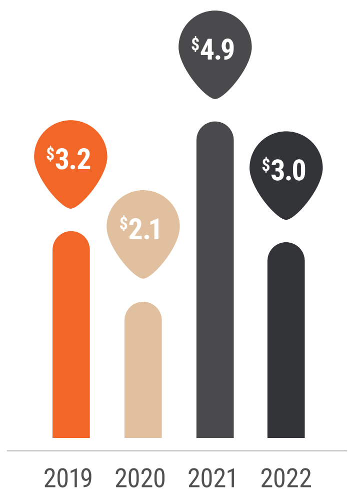
Total Deposits (m)



Total Assets (m)



Total Loans (m)



Net Profit After Tax (m)

Sustainability

In 2021/22 Summerland adopted an Environmental, Social and Governance (ESG) position statement that outlines our approach to embedding sustainable and ethical business practices into our strategic plans, management and everyday activities to maximise, protect and enhance our environment and communities.

Our approach is driven by a desire to do the right thing and to ensure we have a framework that is relevant, comprehensive and supports our overall direction through ongoing research, planning and reporting.

Our ESG commitment has been aligned to the United Nations' Sustainable Development Goals (UN SDGs), the universal call to action to end poverty, protect the planet and ensure all people enjoy peace and prosperity.

The SDGs are a collection of 17 interlinked global goals designed to be a blueprint to achieve a better and more sustainable future for all.

Summerland has aligned to four of the UN SDGs, Gender Equality; Decent Work and Economic Growth; Sustainable Cities and Communities; and Climate Action. The following actions and activities were implemented during 2021/22:

Gender Equality

We participated in events and activities that raised awareness about inequality in the community. These included participating in the national Share the Dignity drive collecting feminine product donations in branches that were distributed to women experiencing homelessness, fleeing domestic violence, or doing it tough.

International Women's Day, Ballina

We participated in the White Ribbon Fundraiser to show our support and help communities end men's violence against women. Each Friday for the month of August our team wore funky earrings and ties to help raise awareness, advocate for change, and to raise donations to help this worthy cause. Donations totalling $75,000 were raised to fund 13 community projects across Australia. This was our unique way to have a conversation with customers to show our support for this particularly important issue.

In June we sponsored the International Women's Day luncheon in Ballina and invited a group from our female team to attend, to celebrate and acknowledge the contribution of our Director Katrina Luckie, who stepped down as Chair of the Board.

We provided training to staff on our vulnerable persons program to ensure we provide the necessary support to customers, including solutions that may assist in protecting their financial wellbeing.

We worked towards a gender balance on the Board and in senior management positions. The Board has a male to female ratio of 4:3 and our Executive team is evenly balanced with a 50:50 split. 58% of the leadership team including Branch Managers are female, 71% of our staff are female, and five of our six Branch Managers are female.

Decent Work and Economic Growth

We recognise that our people are our greatest asset, and a high performing workforce is essential to achieving our strategic goals and exceeding the needs and expectations of our customers and stakeholders. We undertake annual staff engagement surveys and quarterly pulse surveys, and we are proud to have achieved an 84% staff engagement score. The 93% survey participation rate, the best in Australia, is excellent and provides a strong representation across our various business units.

We were recognised by Kincentric as one of Australia's Best Employers for the third consecutive year. This award is assessed on a combination of four factors: engaging leadership, agility, talent focus and engagement. Summerland was ranked number one on these combined factors.

We provided one day of volunteer leave to all staff to support a community group or not-for-profit-organisation of their choice.

We provided continual learning and development opportunities for staff including lending, cybersecurity and online fraud training. An adaptive Leadership Development Program to focus on developing skills in leading during transformation was provided, which is key for the implementation of future strategic plans and working effectively during external disruptions as experienced during the pandemic and flooding events.

We continued to implement our wellness program to provide support to staff, particularly during the pandemic and following the flooding in the region. We received recognition for our work in this area as a one of five finalists in the Australian Human Resource Institute (AHRI) Mental Health Award, which included finalists Coles and the ATO (Australian Tax Office).

Staff
103

Staff engagement
84%

Female to male ratio
73:30

Proud sponsor, Currumbin Wildlife Hospital

We continued to provide flexible work practices including working from home and job sharing, understanding the mutual benefits of these arrangements. Digital technologies provide greater opportunities to work from home and enable staff to stay connected and fulfil roles effectively. This has also enabled people working in different locations to participate in various projects.

We undertook a salary and benefit assessment using external benchmarking to assist in monitoring and reviewing remuneration and benefits.

Major sponsor, Casino Beef Week

Sustainable Cities and Communities

We established the Community Banking Hub at Southern Cross University in Lismore, in partnership with five other mutuals, to provide banking services to the community in response to the devastating impact of the floods in the Northern Rivers.

We were the first financial institution after the floods to set up a branch offering a full range of banking services in the Lismore CBD.

As a founding partner of the Northern Rivers Together Program, we continued to support this important partnership of regional businesses, industry bodies and government representatives. The partnership worked to rally support urging government to reconsider the size and scope of proposed funding packages, to better support recovery and to help safeguard the economic future of Lismore.

In partnership with the Australian Mutuals Foundation (AMF), the Business Council of Co-operatives and Mutuals (BCCM) and G&C Mutual Bank we raised $210,000 to provide 37 grants to local charities and community groups to help them recover from the impact of the floods.

We provided sponsorship support to local community events to help the community reconnect after the COVID-19 pandemic and the floods. These events included Casino Beef Week and the Lismore Lantern Parade.

We contributed over $80,000 in donations to local community groups, organisations and sporting clubs.

We awarded two three-year Southern Cross University Scholarships to Bianca Schooneman and Timmy Harding to provide financial assistance to enable them to undertake further education opportunities.

The team participated in the 'One Foot Forward' challenge to help change the lives of people living with mental illness, raising $2,874 for charity.

We delivered financial literacy and cyber security programs to various community groups and businesses.

We improved our environmental impact and reduced our carbon footprint.

We delivered financial benefits to staff of employer groups with similar values through the priority partner program.

We contributed to the community by participating on a number of community and business boards.

We utilise local contractors for a wide range of services and for refurbishing our branches as often as possible.

We provided full time employment to 97 local people.

Tree planting with Kyogle Landcare and Wiangaree Public School at Wiangaree Lagoon

Climate Action

We were thrilled to become a major sponsor of The Green Innovation Awards 2022, a sustainability competition run throughout the Northern Rivers which encourages sustainability innovation. The competition provides a platform for primary and high school students to invent, develop, implement and present solutions for sustainable living. Students are asked to demonstrate their innovative ideas in waste management, water management, building and packaging materials, agriculture, biofuels and renewable energy. Finalists present their ideas at a prestigious community awards event to a panel of expert judges, leading environmental scientists, innovators, industry experts, politicians, media and the wider community. With our commitment to environmental and social sustainability and as a Gold Partner of the Sustainability Advantage Program, we support the Awards' vision to inspire students to develop a passion for innovation and sustainability, and to connect and strengthen local community.

Braided rug weaving workshops for flood affected communities

We partnered with Kyogle Landcare and planted 150 trees at the Wiangaree Lagoon. Students from Wiangaree Public School came along to get their hands dirty by planting the new native trees that will now replace the weeds. It was great to be involved in this project as the Lagoon is a valued and unique feature of the Wiangaree Community. This project was part of a larger goal to plant 1,000 trees in the Northern Rivers in 2021. We are thrilled to announce we have surpassed this by planting 1475 trees.

We continued to implement the bin trim program to reduce our waste at Head office and in all our branches.

We continued to reduce resource use through more electronic communication and task processing, and by printing less promotional materials.

We invested in purchasing only environmentally friendly promotional items that include rice husk cutlery sets, keep cups, water bottles and stainless-steel straws.

We utilised sustainable building materials in our branch renovations.

We reduced our carbon footprint through energy, paper and car fuel with more staff working from home, reducing staff fuel for travel.

Tree planting at Wiangaree Lagoon

Sheets of paper* per staff member	Kwh Energy used /FTE staff member	Litres of fuel per staff member	Air travel KMs per staff member
2022 – **2502**	2022 – **3365**	2022 – **47**	2022 – **313^**
2021 – **3561**	2021 – **3787**	2021 – **51**	2021 – **52**
2020 – **4944**	2020 – **3868**	2020 – **54**	2020 – **352**
2019 – **4868**	2019 – **4550**	2019 – **94**	2019 – **1319**

*All our paper is certified carbon neutral under the National Carbon Offset Standard Carbon Neutral program.
^Increase due to easing of COVID travel restrictions.

Corporate Governance

We operate with good governance. Our Board and senior executives are committed to managing our business ethically and maintaining high standards of corporate governance.

Directors

Colin Sales

Chair

B.Com, CPA, GAICD, FGIA, F Fin, FAMI

Colin Sales has extensive executive and non-executive director experience across a range of sectors covering banking, superannuation, government, education and disability services. He is a past Chair of the Mai-Wel Group, a large disability services provider. During his executive career Colin has held the positions of Chief Executive Officer of a regional credit union, and Chief Operating Officer at a national superannuation fund.

David Bergmark

BComm, ICAA, F Fin, MAMI

David Bergmark is a founding partner and CEO of the Protecht Group and consults on a variety of market, credit, liquidity and operational risk management issues to a wide range of corporates, financial services institutions and government agencies within APAC and EMEA. He has been actively involved in audit and risk management within the banking sector since 1990.

Jane Calder

BSc (Hons), GAICD

Jane has extensive experience in marketing, products and digital services in the financial industry. Jane has most recently held the role of Chief Product and Marketing Officer, Heritage Bank. Prior to this she has held senior roles in other financial services organisations including banking, investment and private health insurance companies Jane was a Director on the Customer Owned Banking Association (COBA) Board.

Kevin Franey

FCA, CIA, CRM, RCA, GAICD

Kevin Franey is an Audit & Assurance Partner in a large regional accounting firm. Kevin has over 30 years of experience in the delivery of financial and internal audit services to credit unions, finance companies and other large corporate and government entities. Kevin also brings governance and risk management expertise as well as a comprehensive understanding of a range of business structures and operations to the Board of Summerland Credit Union.

Sally Gibson

B.Ec/LLB (Hons) (USyd), LLM (Hons) (Cantab), MAICD

Commenced 02.08.21

Sally is a legal consultant with extensive corporate and regulatory expertise. Sally was a partner of Debevoise & Plimpton LLP. She has strong understanding and experience in investment management and regulatory issues affecting the private equity and investment management sectors.

Nicolas Harrison

B.A, LL.B, FAICD, FGIA, FAMI

Retired 17.11.21

Nicolas Harrison is a Barrister-at-law, Company Director, and was a Director of the Customer Owned Banking Association (COBA) until November 2020. He is actively involved in the not-for-profit sector, being a Director and Chairman of CASPA Services Ltd. He is a former Deputy Senior Crown Prosecutor, Councillor of the NSW Law Society, Adjunct Professor at Southern Cross University, and RAAF Reserve Legal Officer.

Katrina Luckie

B.App Sc (Hons), MEAINZ, GAICD, FIML

Katrina Luckie has a strong history of business and industry development in the Northern Rivers. She is Manager Stakeholder Engagement for the Northern Rivers Reconstruction Corporation, supporting the region's economic recovery from the 2022 floods. Katrina has an extensive background in building industry capability, regional strategy and environmental planning and has worked across many sectors, including creative industries, agriculture, forestry, tourism and community services. She champions and supports management with pursuing Summerland's environmental sustainability journey.

Paul Spotswood

B.Ec, MAMI, MAICD

Resigned 27.09.21

Paul is owner and director of Spotswood Communications Pty Ltd and General Manager for Horizon Motorhomes. Prior to this, Paul was Executive Management at APN News and Media (now News Corp) and Publisher with Reed Business Information, Reed Elsevier Australia, publishing business-to-business information in the form of business journals, magazines, websites, e-commerce applications and other digital products including; financial products - Money Management and Super Review.

Andrew Yost

B Leg S, LLM, Grad Dip ACG, FGIA, FCG (CS, CGP)

Commenced 02.08.21

Andrew is a lawyer, a chartered governance professional and a chartered company secretary. He has extensive experience in financial services, and spent 15 years as a senior executive at one of Australia's largest mutual banking organisations in the roles of General Counsel & Company Secretary and Chief Risk Officer. Andrew has also worked at partnership level in private practice and has held General Counsel positions in a major corporations.

Executive Team

John Williams

Chief Executive Officer

MBA, GradCertBus, AssocDipAppSc, AssocDipEng(Elec), FACS, FIML, GAICD

John has over 30 years' experience in retail banking. He has held executive roles at leading mutual banks and has been CEO of a financial services technology company. He has also owned a financial services management consultancy business.

John believes strongly in the mutual banking model and has held Board roles in technology, payments and shared services companies supporting the customer owned banking industry. He is deeply involved in the community and is a White Ribbon Accredited Partner.

John has a passion for leadership and the development of people to deliver outstanding customer outcomes. He was awarded a Medal of Management Excellence by the Institute of Managers and Leaders.

John was appointed as a Director of the Customer Owned Banking Association (COBA) in 2020.

Sally-Anne Cumine

Deputy Chief Executive Officer

BBus (Acc/Fin), DipMgt

Sally-Anne has a career in banking spanning over 26 years. She has gained extensive experience, especially in the mutual industry, in strategic, transformational, risk management, project management, IT and Cyber Security, as well as Accounting and Treasury as the previous Chief Financial Officer for Summerland. Sally-Anne has, and continues to, share her financial expertise with local and international organisations as a volunteer and a Board member. She is a passionate and engaging leader and was recognised early in her career as the 2003 Emerging Leader of the Mutual Industry. Having been raised and educated in the Northern Rivers, complemented with time spent in Sydney for work and university, her passion and commitment is to see the continued growth and success of our region and regional Australia.

Donna Kildea

Chief Operating Officer

BSocSci, CAHRI

Donna joined Summerland in 1999 when she took a position on the Board of Directors and in 2003 assumed the position of Chief Operating Officer. Donna is passionate about human resource management and takes great pleasure in supporting staff in reaching their full potential, being a mentor to many. Donna is actively involved in the local community holding a number of key positions, including as Board Member of the Northern Rivers Conservatorium of Music and CASPA and leadership positions in Toastmasters.

Susie Palmer

Chief Financial Officer

BBus, BIntBus, CA

Susie joined Summerland in 2013 having moved to the Northern Rivers from Sydney. New to the banking and finance industry at the time, Susie has brought a high level of energy and breadth of experience to the organisation, particularly to the Finance and Treasury functions of Summerland. Susie's career includes time in multinational professional services and in the wine industry. Susie's passions include team work, sport, food and wine.

Adrian Watkin

Chief Risk Officer

BSc (Eng)

Adrian has nearly 40 years' experience in financial services, predominantly in retail banking. Having undertaken a wide range of senior risk management roles in various organisations in Europe and the Caribbean, Adrian moved to Australia in 2008.

Adrian relocated to the Northern Rivers and joined Summerland in November 2021, having most recently been head of Credit Risk for digital start up bank 86 400 in Sydney.

Adrian relishes the opportunity to work with diverse teams and support the development and growth of individuals with them.

David Ure

Chief Growth and Customer Experience Officer

DipMgt, GradCertCorpMgt, AssocDipBus

Deceased 24.08.22

David had 35 years' experience in retail banking, the last 25 years in senior leadership positions, with a career spanning across several different financial institutions. David brought a diverse set of skills to Summerland providing leadership to large teams in the Contact Centre, National Broker distribution and Branch Network.

David was a passionate people leader who believed that building diversity and enhancing strengths, whilst demonstrating integrity and strong set of values, is the keystone to success.

Directors' Report

Your Directors present their report on the credit union for the financial year ended 30 June 2022.

Summerland Credit Union (the credit union) is a division of Summerland Financial Services Limited, a credit union registered under the Corporations Act 2001.

Information on Directors

The following Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Colin Sales
B.Com, CPA, GAICD, FGIA, F Fin, FAMI

- Director since 2020
- Board Chair 2022 - current
- Member, Audit Committee
- Member, Governance Committee

Katrina Luckie
B.App Sc(Hons), MEAINZ, GAICD, FIML

- Director since 2010
- Board Chair 2018 - 2022
- Chair, Governance Committee
- Member, Audit Committee
- Member, Nominations Committee

David Bergmark
BComm, ICAA, F Fin, MAMI

- Director since 2014
- Member, Risk Committee

Jane Calder
BSc (Hons), GAICD

- Director since 2020
- Chair, Risk Committee

Kevin Franey
FCA, CIA, CRM, RCA, GAICD

- Director since 2020
- Chair, Audit Committee

Sally Gibson
B.Ec/LLB (Hons) (USyd), LLM (Hons) (Cantab), MAICD

- Director since August 2021
- Member, Risk Committee
- Member, Governance Committee

Andrew Yost
B Leg S, LLM, Grad Dip ACG, FGIA, FCG (CS, CGP)

- Director since August 2021
- Member, Risk Committee
- Member, Audit Committee

Nicolas Harrison (Retired 17/11/21)
B.A, LL.B, FAICD, FGIA, FAMI

- Director 2003 - 2021
- Chairman 2008 - 2018
- Chair, Governance Committee
- Member, Audit Committee

Paul Spotswood (Resigned 27/9/21)
B.Ec, MAMI, MAICD

- Director 2010 - 2021
- Member, Risk Committee

Donna Kildea
BSocSci., CAHRI

- Company Secretary

Directors' meeting attendance

Director	Board of Directors		Audit Committee		Risk Committee		Governance Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Colin Sales	8	8	3	3			2	2
Katrina Luckie	8	8	2	2	2	2	2	2
David Bergmark	8	7			4	4		
Jane Calder	8	8	1	1	4	4		
Kevin Franey	8	7	3	3				
Sally Gibson (Commenced 02/08/21)	8	8			2	2	1	1
Andrew Yost (Commenced 02/08/21)	8	8	2	2	2	2		
Nicolas Harrison (Retired 17/11/21)	3	3	1	1			1	1
Paul Spotswood (Resigned 27/9/21)	1	1			1	1		

Directors' benefits

No Director has received or become entitled to receive, during or since the end of the financial year, a benefit because of a contract made by the credit union, a subsidiary, 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 7 of the Financial Report.

Indemnifying officer or auditor

Insurance premiums have been paid to insure each of the Directors and officers of the credit union against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer of the credit union. In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the credit union.

Principal activities

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

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

Operating results

The net profit of the credit union for the year after providing for income tax was $2.98m (2021: $4.86m).

Dividends

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the Directors of the credit union.

Review of operations

The impact COVID-19 had on the credit union's operations this year did not affect operations to a large extent like it has in prior years. However, the major flooding events in the Northern Rivers in February and March this year did affect the operations of the credit union and the communities we operate in significantly.

The first half of the year saw the credit union returning to business as usual with the branch network operating as normal. There were some minor impacts still being felt from COVID-19 with staff numbers affected due to illness and branch transactions fewer than prior years.

On 28th February, Lismore suffered major floods which swept across the region to Coraki, Woodburn, Broadwater and surrounds with significant flooding also experienced in Ballina and Casino among many other areas.

The credit union's head office building and an investment property held in the Lismore CBD suffered extensive internal damage. The Lismore branch and part of the administration area in head office, as well as the entire other building in the CBD were rendered unusable. Valuations of the credit union buildings were completed at 30 June on an 'as-is' basis and resulted in a significant drop in the prior year values. As these buildings are refitted and are in full use, it is expected that the property valuations will increase.

Some branches across the network were also affected, mainly due to staff and customers not being able to access the branches until the flood waters subsided. All branches, except for Lismore branch, were only closed for a few days and reopened quickly to service customers.

In true Summerland style our priority was our customers, particularly those who had been directly affected by the floods. Physical banking services were restored as soon as possible. The credit union's digital channels like Internet Banking and Mobile Banking were unaffected during the flooding events. Directly after the flood, the Credit Union implemented a Disaster Relief Package for affected customers which included extensive loan hardship assistance.

An initiative with several local Credit Unions and Mutual Banks saw Summerland open a temporary branch at Southern Cross University just one week after the floods. This allowed the credit union to continue to provide all customers, in particular Lismore customers with the same great service they are accustomed to.

On the 6th of June, the Lismore branch was re-established in the CBD at our Molesworth St office. The rest of the ground floor area of this property has not been fully refitted at this stage which sees staff balancing desk sharing in the office and working remotely to ensure continuity of all operations.

The credit union did experience another year of unprecedented deposit growth driven by continued customer savings. Lending growth was strong in the first half of the year however slowed in the second half. Growth slowed on the back of strong property sales in a buoyant property market, ongoing competition in the industry for growth and a drop in consumer appetite due to the flood event. Throughout the year the credit union has remained resilient and centred on the strength of the business' pillars – Growth, Brand, People and Sustainability. The flood has impacted the people and communities in which the credit union operates. However, the credit union remained focussed on providing financial services with a high level of customer service within the region and beyond.

Significant changes in state of affairs

Except for those outlined under the review of operations section above, there were no other significant changes in the state of the affairs of the credit union during the year.

Events occurring after balance date

Apart from the ongoing recovery process for the credit union and region from the flood events from early 2022, there are no other matters or circumstances arising since the year end which significantly affected or may significantly affect the operations, the results of these operations or state of affairs of the credit union in subsequent financial years.

Environmental regulations

All activities have been undertaken in compliance with environmental regulations that apply to credit unions.

Likely developments, business strategies and prospects

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

- (i) The operations of the credit union;
- (ii) The results of those operations; or
- (iii) The state of affairs of the credit union

in the financial years subsequent to this financial year. There are no likely developments in the entity's operations in the future financial years.

Rounding

The amounts contained in this financial report have been rounded to the nearest one thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The credit union is permitted to round to the nearest one thousand ($'000) for all amounts except prescribed disclosures that are shown in whole dollars.

Prudential disclosures

Full disclosure of the regulatory capital and the remuneration disclosure as required by Prudential Standard APS 330 Public Disclosure (namely the common disclosure in Attachment A and the Regulatory Capital reconciliation) are available on the credit union website. https://summerland.com.au/governance

Auditor's independence

The auditor has provided the following declaration of independence to the Board as prescribed by the Corporations Act 2001. This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Colin Sales
Chair

Kevin Franey
Chair Audit Committee

Signed and dated on 5 October 2022

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Auditor's Independence Declaration

To the Directors of Summerland Financial Services Limited

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

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

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

Liam Te-wierik
Partner – Audit & Assurance

Sydney, 5 October 2022

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022	2021
		$'000	$'000
REVENUE			
Interest revenue	2	24,103	24,582
Interest expense	2	(2,886)	(4,815)
NET INTEREST REVENUE		21,217	19,767
Non-interest revenue	3	4,480	4,012
EXPENSES			
Impairment (expense)/benefit	12	(172)	334
Employee benefits expense	4	(9,300)	(8,763)
Occupancy expense	4	(705)	(353)
Depreciation and amortisation expense	4	(1,567)	(1,299)
Information technology expenses	4	(2,593)	(2,345)
Fees and commissions	4	(2,690)	(2,685)
Revaluation of investment properties	4	(2,207)	-
Other expenses	4	(2,489)	(2,263)
Total expenses		(21,723)	(17,374)
PROFIT BEFORE INCOME TAX		3,974	6,405
Income tax expense	5	(999)	(1,542)
PROFIT FOR THE YEAR NET OF TAX		2,975	4,863
OTHER COMPREHENSIVE INCOME NET OF TAX			
Items that may be reclassified to profit and loss			
Gain/(Loss) on cash flow hedges taken to equity		2,126	64
Items that will not be reclassified to profit and loss			
Movement in fair value of land and buildings		(681)	148
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		1,445	212
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE CREDIT UNION		4,420	5,075

This statement should be read in conjunction with the notes to the financial statements.

Statement of Financial Position

AS AT 30 JUNE 2022

	Note	2022	2021
		$'000	$'000
ASSETS			
Cash and cash equivalents	8	41,512	30,347
Investments with other financial institutions	11	216,784	156,147
Other receivables	9	6,487	6,757
Other assets	10	2,869	2,728
Loans and advances	12	750,975	723,841
Financial assets at fair value through other comprehensive income		2	2
Derivatives	13	2,853	4
Investment property	15	3,516	5,644
Property, plant and equipment	14	4,206	5,131
Right-of use assets	17	1,416	1,008
Deferred tax assets	5	44	168
Intangible assets	16	254	375
TOTAL ASSETS		1,030,918	932,152
LIABILITIES			
Deposits	18	943,735	828,352
Trade and other payables	19	11,279	9,911
Borrowings	21	-	22,488
Current tax liability	5	198	452
Lease liabilities	17	1,256	866
Provisions	20	1,094	1,147
TOTAL LIABILITIES		957,562	863,216
NET ASSETS		73,356	68,936
MEMBERS EQUITY			
Redeemable preference share capital account	22	537	531
Reserves	23	9,046	7,447
Retained earnings		63,773	60,958
TOTAL MEMBERS EQUITY		73,356	68,936

This statement should be read in conjunction with the notes to the financial statements.

Statement of Changes in Member Equity

FOR THE YEAR ENDED 30 JUNE 2022

	Redeemable Preference Share Capital Account	General Reserve	Capital Profits Reserve	Hedging Reserve	Reserve for Credit Losses	Asset Revaluation Reserve	Retained Earnings	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
BALANCE AT 1 JULY 2020	524	1,376	860	(58)	2,076	2,816	56,267	63,861
Profit for the year	-	-	-	-	-	-	4,863	4,863
Other comprehensive income net of tax	-	-	-	64	-	148	-	212
Transfers to / from retained earnings:								
- Redeemable preference share account	7	-	-	-	-	-	(7)	-
- Reserve for credit losses	-	-	-	-	165	-	(165)	-
BALANCE AT 30 JUNE 2021	531	1,376	860	6	2,241	2,964	60,958	68,936
BALANCE AT 1 JULY 2021	531	1,376	860	6	2,241	2,964	60,958	68,936
Profit for the year	-	-	-	-	-	-	2,975	2,975
Other comprehensive income net of tax	-	-	-	2,126	-	(681)	-	1,445
Transfers to / from retained earnings:								
- Redeemable preference share account	6	-	-	-	-	-	(6)	-
- Reserve for credit losses	-	-	-	-	154	-	(154)	-
BALANCE AT 30 JUNE 2022	537	1,376	860	2,132	2,395	2,283	63,773	73,356

This statement should be read in conjunction with the notes to the financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022	2021
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		23,812	24,795
Other income		7,123	2,667
Interest paid		(2,927)	(5,579)
Payments to suppliers and employees		(19,284)	(15,522)
Movement in operating assets and liabilities			
Net movement in liquid investment balances		(60,637)	(18,475)
Net movement in loans		(27,351)	(72,407)
Net movement in deposits		115,383	65,797
		36,119	(25,085)
Income taxes paid		(902)	(1,089)
Net cash used in operating activities	32 (c)	35,217	(19,813)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(853)	(454)
Payment for investment property		(68)	(12)
Payment for intangibles		(37)	(94)
Increase in other liabilities		-	148
Net cash used in investing activities		(958)	(412)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayments) / proceeds from borrowings		(22,488)	13,009
Lease principal payments		(586)	(423)
Interest paid		(20)	(20)
Net cash provided by financing activities		(23,094)	12,566
Net change in cash and cash equivalents held		11,165	(7,659)
Cash and cash equivalents at the beginning of the financial year		30,347	38,006
Cash and cash equivalents at the end of the financial year	32 (a)	41,512	30,347

This statement should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1
Statement of Significant Accounting Policies

The general purpose financial statements have been prepared in accordance with the requirements of the Corporations Act 2001, the Australian Accounting Standards and with other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards ('IFRS's') as issued by the International Account Standards Board ('IASB').

Summerland Financial Services Limited is a public credit union limited by shares, incorporated and domiciled in Australia. The nature of the credit union's operations and principal activities are disclosed in the Directors' Report. The credit union is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Basis of preparation

Except for cash flow information, this financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of land and buildings, and certain financial assets and financial liabilities for which the fair value basis of accounting has been applied. The statement of financial position has been prepared in order of liquidity. The accounting policies are consistent with the prior year unless otherwise stated.

The credit union is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

The financial report was authorised for issue on 5 October 2022 by the Board of Directors.

REPO Securitisation Trust Consolidation

The credit union has a Trust which holds rights to a portfolio of mortgage secured loans to enable the credit union to secure funds from the Reserve Bank of Australia (RBA) if required to meet emergency liquidity requirements. The credit union continues to manage these loans and receives all residual benefits from the trust and bears all losses should they arise. Accordingly,

(a) The Trust meets the definition of a controlled entity; and,
(b) As prescribed under the accounting standards, since the credit union has not transferred all risks and rewards to the Trust, the assigned loans are retained on the books of the credit union and are not de-recognised.

The credit union has elected to present one set of financial statements to represent both the credit union as an individual credit union and consolidated credit union on the basis that the impact of consolidation is not material to the credit union.

Significant accounting policies

The following provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes below.

(a) Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management base its judgements, estimates and assumption on historical experience and on other factors, including reasonable expectations of future events by way of trend analysis and economic data sourced both externally and within the credit union.
The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

KEY ESTIMATES

Impairment:	refer to Note 12
Property:	refer to Note 14
Investment property:	refer to Note 15
Intangibles:	refer to Note 16

FLOOD EVENTS IN THE NORTHER RIVERS REGION

Judgement has been exercised in considering the impacts the flood event has had, or may have, on the credit union based on known information. This consideration extends specifically to the impact of the flood on the performance of the loan portfolio. Other than as addressed in specific notes (above), there does not currently appear to be any significant impact upon the financial statements nor any significant uncertainties with respect to events or conditions which may impact the credit union unfavourably as at the reporting date. However, the flood recovery is ongoing and may impact the estimation uncertainty due to the extent and duration of actions by governments, business and consumers to provide financial support, quantify impact on property valuations and how quickly the areas affected will rebound in an economic sense.

UNCERTAINTY AROUND PROPERTY VALUATIONS

All land and buildings were independently valued by Herron Todd White Ltd as at 30 June 2022. These valuations have been conducted on the basis of market value and have been performed through a review of sale and rental values of comparable properties within close proximity.

Investment properties are revalued every three years based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of investment property being valued. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment (i.e. the income capitalisation approach).

When calculating the income capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. An increase/decrease in the net market rent and an increase (softening)/decrease (tightening) in the adopted capitalisation rate could potentially offset the impact to the fair value. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

The key assumptions and estimates used in the valuation approach, which are likely to be impacted by flood, include:

- future rental income, based on location, type and quality of property, which are supported by the terms of any existing leases, external evidence such as current market rents for similar properties;
- lease assumption based on current and expected future market conditions;
- the capitalisation rate derived from recent comparable market transactions; and
- assessment of the property on an ‘as is’ basis including reasonable estimation of capital works to reinstate or repairs to the base building conditions.

The property valuations are based on information available at the reporting date. In the event that the circumstances are more material or prolonged than anticipated, this may further impact the fair value of the company's properties.

(b) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation in the current year.

(c) Goods and services tax (GST)

As a financial institution the credit union is input taxed on all income except other income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition, certain prescribed purchases are subject to reduced Input Tax Credits, of which 75% of the GST paid is recoverable.

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included where GST is applicable. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(d) New or emerging Accounting Standards not yet mandatory

There are currently no new or emerging Accounting Standards amendments applicable to the credit union.

	2022	2021
	$'000	$'000

NOTE 2
Interest Revenue and Interest Expense

	2022	2021
INTEREST REVENUE		
Cash and cash equivalents	15	9
Investments with other financial institutions	1,514	1,438
Loans and advances	22,508	23,125
Derivatives	66	10
TOTAL INTEREST REVENUE	24,103	24,582
INTEREST EXPENSE		
Deposits	2,084	3,996
Borrowings	481	588
Derivatives	301	211
Leases	20	20
TOTAL INTEREST EXPENSE	2,886	4,815

NOTE 3
Revenue

	2022	2021
INTEREST REVENUE	24,103	24,582
NON-INTEREST REVENUE		
Fees and commissions		
- fee income on loans - other than loan origination fees	965	967
- fee income from customer deposits	703	788
- other fee income	532	553
- insurance commissions	151	143
- other commissions	634	575
	2,985	3,026
Bad debts recovered	10	21
Rental income from property	505	545
Fair value increase - investment property	-	201
Profit on sale of assets	-	2
Insurance proceeds	500	-
Other	480	217
TOTAL NON-INTEREST REVENUE	4,480	4,012
TOTAL REVENUE	28,583	28,594

Recognition and Measurement

Revenue represents revenue from contracts with customers, where the credit union has provided services to a customer in exchange for consideration that is not the provision of a lease, an insurance product or a financial instrument. The following specific criteria must also be met before revenue is recognised.

LOAN INTEREST REVENUE

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the loan accounts on the last day of each month.

NON-ACCRUAL LOAN INTEREST

While still legally recoverable, loan interest is not brought to account if a loan is classified as non-accrual or generally if a loan has been transferred to a debt collection agency or a judgement has been obtained. However accrued interest may be recovered as part of the recovery of the debt.

INVESTMENT INTEREST REVENUE

Investment interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

FEES AND COMMISSIONS REVENUE

Fees and commissions are brought to account as non-interest income on an accrual basis once a right to receive consideration has been attained (i.e. when the service is provided). The credit union's performance obligation is to provide ongoing services related to account maintenance and customer related services, a service from which the customer benefits from as it is provided and is recognised over-time. Due to the nature of the services, they are recognised as a series of services comprising a single performance obligation. Unless otherwise discounted and included in the initial measurement of a loan, fees are charged at their stand-alone selling price and recognised as non-interest revenue in the period for which services are delivered.

LOAN ORIGINATION FEES REVENUE

Loan establishment fees and discounts are initially deferred as part of the loan balance and are brought to account as non-interest revenue over the expected life of the loan. The expected life of loans is reviewed annually and adjusted to reflect changes in trends in the actual life of loans. These adjustments may accelerate or decelerate the amortisation rate of the deferred origination fee revenue.

TRANSACTION COSTS

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

	Note	2022	2021
		$'000	$'000

NOTE 4
Profit Before Income Tax Expense

Profit before income tax expense has been determined after:

	Note	2022	2021
EXPENSES			
Interest expense		2,886	4,815
NON-INTEREST EXPENSES			
Employee benefit expenses			
- net movement in provisions for annual leave		52	(31)
- net movement in provisions for long service leave		(80)	(85)
- superannuation		760	683
- other employee expenses		8,568	8,196
		9,300	8,763
Impairment of assets	12 (c)	172	(334)
DEPRECIATION AND AMORTISATION EXPENSE			
Depreciation expense			
- buildings		97	85
- plant and equipment		503	472
- right-of-use assets		567	441
Amortisation expense			
- software		158	144
- leasehold improvements		242	157
		1,567	1,299
Revaluation of investment properties		2,207	-
OTHER EXPENSES			
Fees and commissions		2,690	2,685
General and administration expenses		237	278
IT expenses		2,593	2,345
Occupancy expenses		705	353
Risk and compliance expenses		1,271	1,141
Other operating expenses		981	844
		8,477	7,646
TOTAL NON-INTEREST EXPENSES		21,723	17,374
TOTAL EXPENSES		24,609	22,189

NOTE 5
Income Tax

	2022 $'000	2021 $'000
INCOME TAX EXPENSE		
Prima facie tax payable on profit at 25% (2021: 26%)	988	1,665
ADJUST FOR TAX EFFECT OF:		
Adjustment for previous year	11	(123)
Income tax expense attributable to the entity	999	1,542
Applicable weighted average effective tax rate	25%	26%
THE COMPONENTS OF INCOME TAX EXPENSE COMPRISE		
Current tax	1,364	1,483
Deferred tax	(365)	59
	999	1,542

CURRENT AND DEFERRED TAX RECOGNISED DIRECTLY IN EQUITY
Aggregate current and deferred tax arising during the reporting period and not recognised in profit and loss but directly debited or credited to equity:

	2022 $'000	2021 $'000
FRANKING CREDITS		
Franking credits held by the Credit Union after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year is:	23,482	20,715
CURRENT TAX		
Current income tax (receivable) / payable	198	452
DEFERRED TAX ASSETS		
Deferred tax assets comprise temporary differences attributable to:		
AMOUNTS RECOGNISED IN PROFIT AND LOSS		
Plant and equipment	232	167
Provision for impairment	323	293
Provision for employee benefits	423	448
Accrued expenses	118	166
Deferred loan fee asset	(62)	(46)
AASB 16 Adjustments	7	3
	1,041	1,031
AMOUNTS RECOGNISED DIRECTLY IN EQUITY		
Hedge reserve	(707)	(6)
Land and buildings	227	-
Total deferred tax assets	561	1,025

	2022	2021
	$'000	$'000
DEFERRED TAX LIABILITIES		
Deferred tax liabilities comprise temporary differences attributable to:		
AMOUNTS RECOGNISED IN PROFIT AND LOSS		
Investment properties	517	43
AMOUNTS RECOGNISED DIRECTLY IN EQUITY		
Land and buildings	-	820
Total deferred tax liabilities	517	863
NET DEFERRED TAX ASSETS	44	168

Recognition and Measurement

CURRENT TAX EXPENSE

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or substantially enacted at balance date.

DEFERRED TAX

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the credit union will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTE 6
Remuneration of Auditors

Audit services		
- Auditing of the financial report	81,988	79,600
Other assurance services		
- Regulatory audit of AFSL and APRA prudential audits	28,737	27,900
Other assurance services		
- Taxation compliance services	17,845	17,500
	128,570	125,000

	2022	2021
	$'000	$'000

NOTE 7

Related Party Transactions

(a) Key management personnel

Key Management Personnel (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 entity. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

KMP has been taken to comprise the Directors and the six executives responsible for the day-to-day financial and operational management of the credit union.

The names of the Directors of the credit union who have held office during the financial year are:

- Katrina Luckie
- David Bergmark
- Jane Calder
- Colin Sales
- Kevin Franey
- Andrew Yost (Appointed 2/8/2021)
- Sally Gibson (Appointed 2/8/2021)
- Nicolas Harrison (Retired 6/11/21)
- Paul Spotswood (Resigned 27/9/21)

(b) Remuneration of key management personnel

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

	2022 $'000	2021 $'000
Short-term employee benefits	1,929	1,873
Post-employment benefits	161	154
Other long-term benefits	22	47
	2,112	2,074

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

(c) Related parties

The other related parties include close family members of KMP and entities that are controlled or jointly controlled by those KMP, individually or collectively with their close family members.

(d) Loans to key management personnel and other related parties

The credit union's policy for lending to Directors is that all loans are approved and deposits accepted on the same terms and conditions that applied to customers for each class of loan or deposit. KMP who are not Directors receive a concessional rate of interest on their loans and facilities. These benefits, where subject to Fringe Benefits Tax, are included in the remuneration in Note 7(b) above.

There are no loans that are impaired in relation to the loan balances with KMP or with their close family relatives.

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

	2022	2021
	$'000	$'000
The aggregate value of loans to KMP and other related parties as at balance date amounted to	2,275	2,338
The total value of revolving credit facilities to KMP and other related parties as at balance date amounted to	130	535
Less amounts drawn down and included above	(21)	(38)
Net balance available	109	497
During the year the aggregate value of loans and revolving credit facilities approved and/or disbursed to KMP and other related parties amounted to	624	93
Interest and other revenue earned on loans and revolving credit facilities to KMP and other related parties amounted to	63	3

(e) Other transactions with key management personnel and other related parties

KMP and other related parties have received interest on deposits with the credit union during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to customers of the credit union.

Total value of term and savings deposits from KMP and other related parties	1,333	1,103
Total interest paid on deposits to KMP and other related parties	-	-

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

There are existing service contracts where KMP or their close family members are an interested party. These contracts see services being provided at arm's length on the same terms and conditions as other contracted services to the credit union. The total value of services provided by associated entities of KMP (Protecht Group & TNR) is $155k (2021: $240k).

NOTE 8
Cash and Cash Equivalents

Cash on hand	1,702	1,575
Deposits at call	39,810	28,772
	41,512	30,347

Recognition and Measurement

Cash and cash equivalents include cash on hand and unrestricted short term highly liquid balances held in Authorised Deposit-taking Institutions (ADIs) with maturity less than three months from inception or at call. They are carried at amortised cost which is equal to fair value in the statement of financial position.

The effective interest rate on short-term bank deposits was 0.18% (2021: 0.49%).

	2022	2021
	$'000	$'000

NOTE 9
Other Receivables

Accrued interest	709	416
Other receivables	5,778	6,341
	6,487	6,757

Recognition and Measurement

Other receivables are recognised and accounted for as financial assets classified at amortised cost. Refer to Note 27 for recognition and measurement policies.

NOTE 10
Other Assets

Prepayments	2,301	2,420
Prepayments - SaaS	568	308
	2,869	2,728

Recognition and Measurement

SOFTWARE-AS-A-SERVICE (SAAS) ARRANGEMENTS

SaaS arrangements are service contracts providing the credit union with the right to access the cloud provider's application software over the contract period. As such the credit union does not receive a software intangible asset at the contract commencement date. Costs are to be recognised as an operating expense over the term of the service contract creating a prepayment including fees for use of application software and customisation costs.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets. Refer to Note 16 for an outline of accounting for intangible assets.

NOTE 11
Investments with Other Financial Institutions

Deposits with financial institutions	171,584	142,847
Government bonds	34,000	12,000
Mortgage-backed securities	11,200	1,300
	216,784	156,147

Recognition and Measurement

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Included as a deposit with ADIs is $11.3m (2021: $12.9m) which represents restricted cash relating to the Repo Securitisation Trust.

	2022	2021
	$'000	$'000

NOTE 12
Loans and Advances

Term loans	744,451	716,614
Overdrafts and revolving credit	8,330	8,816
Gross loans and advances	752,781	725,430
Less: Unamortised loan origination fees	(513)	(463)
	752,268	724,967
Less: Provision for impaired loans	(1,293)	(1,126)
Net loans and advances	750,975	723,841

Recognition and Measurement

Loans and advances are classified as financial assets measured at amortised cost. Loans and advances are initially measured at fair value plus incremental direct transaction costs attributable to the origination of the loan or advance, which are primarily brokerage and origination fees. These costs are amortised over the useful life of the loan and subsequently measured at amortised cost using the effective interest method less impairment losses.

(A) CREDIT QUALITY – SECURITY HELD AGAINST LOANS

Secured by mortgage over real estate	741,855	714,532
Partly secured by goods mortgage	5,852	5,014
Cash secured	722	1,260
Unsecured	4,352	4,624
Gross loans and advances	752,781	725,430

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

Security held as mortgage against real estate is on the basis of:		
- Loan to valuation ratio of less than or equal to 80%	666,766	614,287
- Loan to valuation ratio of more than 80% but mortgage insured	66,045	87,877
- Loan to valuation ratio of more than 80% and not mortgage insured	9,044	12,368
Total	741,855	714,532

(B) CONCENTRATION OF LOANS

The values discussed below include on statement of financial position values and off statement of financial position undrawn facilities as described in Note 24.
There are no loans to individual or related groups of customers which exceed 10% of reserves in aggregate.

(i) Geographical concentrations

2022	Housing	Personal	Business	Total
	$'000	$'000	$'000	$'000
NSW – Northern Rivers	574,021	15,796	44,426	634,243
NSW – Other regions	116,567	1,556	2,533	120,656
Other states, territories & jurisdictions	86,823	2,130	1,043	89,996
Total	777,411	19,482	48,002	844,895

2021	Housing	Personal	Business	Total
NSW – Northern Rivers	568,663	16,480	42,196	627,339
NSW – Other regions	101,071	1,124	2,373	104,568
Other states, territories & jurisdictions	78,686	1,751	1,730	82,167
Total	748,420	19,355	46,299	814,074

	2022	2021
	$'000	$'000
(ii) Concentration of loans by purpose		
Loans to customers (natural persons and corporate borrowers)		
- Residential loans and facilities	777,411	748,420
- Personal loans and facilities	19,482	19,355
- Business loans and facilities	48,002	46,299
Total	844,895	814,074

(C) PROVISION ON IMPAIRED LOANS

(i) Amounts arising from Expected Credit Losses (ECL)

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

2022	Gross Carrying Value	ECL Allowance	Carrying Value
	$'000	$'000	$'000
Loans to customers			
- Residential loans and facilities	777,411	(458)	776,953
- Personal loans and facilities	19,482	(107)	19,375
- Business loans and facilities	48,002	(728)	47,274
Total	844,895	(1,293)	843,602

2021	Gross Carrying Value	ECL Allowance	Carrying Value
Loans to customers			
- Residential loans and facilities	748,420	(397)	748,023
- Personal loans and facilities	19,355	(100)	19,255
- Business loans and facilities	46,299	(629)	45,670
Total	814,074	(1,126)	812,948

	Stage 1 12 month ECL 2022	Stage 2 Lifetime ECL 2022	Stage 3 Lifetime ECL 2022	Total 2022
	$'000	$'000	$'000	$'000
Loans to customers				
- Residential loans and facilities	764,189	10,109	3,113	777,411
- Personal loans and facilities	19,382	61	39	19,482
- Business loans and facilities	47,461	541	-	48,002
	831,032	10,711	3,152	844,895
Loss allowance	(1,242)	(39)	(12)	(1,293)
Carrying amount	829,790	10,672	3,140	843,602

	Stage 1 12 month ECL 2021	Stage 2 Lifetime ECL 2021	Stage 3 Lifetime ECL 2021	Total 2021
Loans to customers				
- Residential loans and facilities	741,123	3,921	3,376	748,420
- Personal loans and facilities	19,245	34	76	19,355
- Business loans and facilities	46,192	107	-	46,299
	806,560	4,062	3,452	814,074
Loss allowance	(1,103)	(10)	(13)	(1,126)
Carrying amount	805,457	4,052	3,439	812,948

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

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans to customers				
Balance at 1 July 2020	1,306	135	27	1,468
Changes in the loss allowance				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	(124)	(1)	(125)
- Transfer to stage 3	-	(2)	(13)	(15)
Net movement due to change in credit risk	-	(126)	(14)	(140)
Net movement in individual provisions	(199)	1	-	(198)
Write offs	(4)	-	-	(4)
Balance at 30 June 2021	1,103	10	13	1,126
Changes in the loss allowance				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	28	(4)	24
- Transfer to stage 3	-	-	1	1
Net movement due to change in credit risk	-	28	(3)	25
Net movement in individual provisions	139	1	2	142
Write offs	-	-	-	-
Balance at 30 June 2022	1,242	39	12	1,293
Amounts processed directly to Profit and Loss:				
- Write off of overdrawn accounts (informal credit facilities) not within the ECL framework			(3)	(3)
- Recoveries of amounts previously written off			10	10
Profit increase / (decrease)			7	7

The expense recognised as impairment expense in the profit and loss takes into account the movement in ECL provision for the year.

(D) GENERAL RESERVE FOR CREDIT LOSSES

This reserve records an additional amount over and above specific provisions which, prior to the adoption of ECL based provisions, satisfied Australian Prudential Regulation Authority's (APRA) requirement to demonstrate total loan loss reserves that would be adequate at all times to absorb credit losses in an ADI's business. While that Regulatory requirement no longer exists, at this stage the reserve continues to be maintained in addition to the overall provisions calculated under the ECL methodology by the credit union (which itself includes but it is not limited to specific provisions). Under Australian Accounting Standards this reserve does not meet the definition of a provision and consequently is recognised as an appropriation of retained earnings in equity as shown in Note 23.

Critical accounting estimates and judgements

The impact and duration of recovery of the recent flood event in the Northern Rivers Region on the local economy and communities, and how government, businesses and consumers respond, is uncertain. This said the outlook in 2022 is quite different for a number of macro-economic indicators when compared to prior years. The key indicators that changed over the year included a move to an increasing rate environment, national and global increases in inflation, evidence of property market conditions softening and specific local considerations for property market, economic and employment conditions. The basis for Expected Credit Loss (ECL) modelling in the current year did not significantly change – the model continues to incorporate a considerable degree of judgement in its application and assessment of exposures during different economic cycles.

Recognition and Measurement

MEASUREMENT OF ECL

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

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

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

- Residential owner-occupied mortgages, including owner-occupied overdrafts;
- Residential investment mortgages, including investment overdrafts;
- Commercial loans, including commercial overdrafts; and
- Personal loans, including credit cards and personal overdraft facilities.

The approach to determining the ECL includes forward-looking information. The credit union has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio segment. Consideration has also been given to the level of undue cost and effort involved in utilising complex statistical models, which is not considered appropriate for the size and complexity of the portfolio. The credit union incorporates forward-looking information into its ECL methodology. Considerations include the impact of future changes in unemployment rates, property prices, regulatory change and external market risk factors. Based on review by the credit union's Board and Board Audit Committee and consideration of external information, the credit union formulates an 'outlook' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by the Reserve Bank of Australia and other bodies.

The credit union considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by the credit union for other purposes such as strategic planning and budgeting.

CREDIT RISK

The provision is reflective of the credit risk in the credit union's loan portfolio which includes risks stemming from the recent flood event in early 2022 in Northern New South Wales.

Total impairment provision increased year-on-year by $167K to $1,293K at June 2022.

This increase recognises particularly changes in current and expected future economic outcomes compared to what existed or was expected in June 2021. When the flood event occurred in early 2022, the credit union did increase the impairment provision to levels equivalent to those experienced during Covid. Now at year end, four months on from the flood, more is known about the impact of flood on the credit union's customers and specifically the customers requiring hardship assistance. The number of customers still requiring assistance has reduced to low levels both in the number of active hardships and the value of loans impacted. The impairment was estimated on the facts and circumstances existing at 30 June 2022.

The model overlays forward-looking economic outlooks on the loan portfolio. The provisioning at Stage 1 & 2 increased in the 2022 year.

The credit union 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 the credit union's current model:

- Loans 30 days or more past due;
- Loans with more than 2 instances of arrears 30 days or more in the previous 12 months; and
- Loans with approved hardship or modified terms, which could include loans affected by the recent flood event.

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

GENERAL RESERVE FOR CREDIT LOSSES

In addition to the provision for impairment, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolio. Movements in the general reserve for credit losses are recognised as an appropriation of retained earnings as shown in Note 23.

RESTRUCTURED LOANS

Restructured loans are loans which are subject to renegotiated repayment terms, generally in the process of extending hardship assistance to our customers. Arrears are not diminished and interest continues to accrue to income. Each restructured loan is retained at the full arrears position until the restructured repayment is maintained for 6 months. These loans can then be reinstated as a performing loan, subject to the loan being on the same risk terms as a new loan for its class.

BAD DEBTS

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. On secured loans the write-off takes place on ultimate realisation of collateral value, or following claim on any mortgage insurance. This is generally the case when the credit union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the credit union's procedures for recovery of amounts due.

	2022	2021
	$'000	$'000

NOTE 13
Derivatives

Asset

Interest rate swap contracts - cash flow hedge	2,853	4

Recognition and Measurement

The credit union transacts interest rate swaps to manage interest rate risk. These are recognised at fair value at the date of the contract and are reported at fair value at subsequent reporting dates. Resulting gains or loss are recognised in profit or loss immediately unless the swap is determined to be an effective hedging instrument. Where the hedge is effective, fair value losses and gains are recognised in other comprehensive income. Interest rate swaps are designated as hedges of highly probable forecast transactions (cash flow hedges).

DERIVATIVE INSTRUMENTS USED BY THE CREDIT UNION

The credit union enters into derivative transactions in the normal course of business to hedge exposure to fluctuations in interest rates in accordance with the credit union's interest rate risk management policies. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

INTEREST RATE SWAP CONTRACTS - CASH FLOW HEDGES

The credit union's loans currently bear an average variable rate of interest of 3.61% (2021: 3.53%). It is the credit union's policy to hedge loans at fixed rates of interest by entering into interest rate swap contracts under which the credit union is obliged to receive interest at variable rates and to pay interest at fixed rates. Swaps currently in place are timed to expire as loan portfolio repayments fall due. Fixed interest rates range between 0.15% - 1.90% and variable rate ranges within -1.525% to 0.000% of the 90-day bank bill swap rate which at balance date was 1.813% (2021: 0.03%).

The notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

Within 1 year	3,000	3,000
1-2 years	24,000	3,000
2-5 years	26,000	20,000
	53,000	26,000

The contracts require settlement of net interest receivable or payable each 90 days. Settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis. Below is a schedule indicating, at balance date, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss.

2022	Within 1 year	1-2 years	2-5 years
	$'000	$'000	$'000
Cash inflows	370	413	179
Cash outflows	(322)	(368)	(246)
Net cash flows	48	45	(67)

2021	Within 1 year	1-2 years	2-5 years
	$'000	$'000	$'000
Cash inflows	9	8	8
Cash outflows	(118)	(78)	(75)
Net cash flows	(109)	(70)	(67)

	2022	2021
	$'000	$'000

NOTE 14
Property, Plant and Equipment

LAND		
At fair value	157	341
BUILDINGS		
At fair value	2,887	3,595
LEASEHOLD IMPROVEMENTS		
At cost	1,758	1,531
Accumulated amortisation	(1,189)	(1,207)
	569	324
PLANT AND EQUIPMENT		
At cost	2,310	3,031
Accumulated depreciation	(1,717)	(2,160)
	593	871
Total Property, Plant and Equipment	4,206	5,131

Recognition and Measurement

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

PROPERTY

Freehold land and buildings are measured at their fair value, being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date, less subsequent depreciation. It is the policy of the credit union to have an independent valuation of land and buildings every three years in accordance with the requirements of AASB 116 Property, Plant & Equipment. The fair value of the property located at 101 Molesworth Street Lismore was independently valued by Herron Todd White, as at 30 June 2022. This valuation was conducted on the basis of market value and was performed through a review of sale and rental values of comparable properties within close proximity.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation increment is credited to the asset revaluation surplus included within members equity unless it reverses a revaluation decrement on the same asset previously recognised in the statement of comprehensive income. A revaluation decrement is recognised in the statement of comprehensive income unless it directly offsets a previous revaluation increment on the same asset in the asset revaluation surplus. On disposal, any revaluation surplus relating to sold assets is transferred to retained earnings.

Refer to Note 1 for detail on the valuation and key judgements to be considered for the land and buildings of the credit union.

VALUATION TECHNIQUES USED TO DERIVE FAIR VALUES FOR PROPERTY ASSETS

Land and buildings are fair valued on an annual basis and independently valued every three years. At the end of each reporting period the credit union reassesses whether there has been any material movement to the fair value of land and buildings to determine whether the carrying amount in the financial statements requires adjustment. The credit union determines each property's value within a range of reasonable fair value estimates.

The best evidence of fair value in current prices is an active market for similar properties. Where such information is not available the credit union considers information from a variety of sources, including:

- Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- Discounted cash flow projections based on rental yields

Due to the nature of the credit union's property, it is considered to have level 2 valuation inputs in the years where an independent valuation is undertaken.

PLANT AND EQUIPMENT

Plant and equipment are measured at cost less depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the asset's employment and subsequent disposal. Any decrement in the carrying amount is recognised as an impairment expense in the statement of comprehensive income in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

DEPRECIATION

The depreciable amount of all property, plant and equipment with the exception of freehold land, is depreciated over their useful lives to the credit union commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

Property, plant and equipment is depreciated on a straight-line basis over the following periods.

	Years		Years
Buildings	40	Motor Vehicles	5
Computer Hardware	3-6	Leasehold Improvements	3
Office Furniture	3	Office Equipment	3

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

MOVEMENTS IN CARRYING AMOUNTS

Reconciliations of the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial year are set out below.

2022	Property	Plant & Equipment	Leasehold Improvements	Total
	$'000	$'000	$'000	$'000
Balance at beginning of the financial year	3,936	871	324	5,131
Net revaluation decrement	(909)	-	-	(909)
Additions	70	296	487	853
Disposals	(1)	(73)	-	(74)
Depreciation expense	(99)	(501)	(242)	(842)
Change in use adjustment	47	-	-	47
Carrying amount at end of the financial year	3,044	593	569	4,206

During the year assets were reclassified between Leasehold Improvements to Plant & Equipment asset classes.The reclassification of assets was done at a point of time during the year which saw the cost and accumulated depreciation of the selected assets move from one asset class to the other.

2021	Property	Plant & Equipment	Leasehold Improvements	Total
	$'000	$'000	$'000	$'000
Balance at beginning of the financial year	3,749	920	475	5,144
Net revaluation increment	187	-	-	187
Additions	14	434	6	454
Disposals	-	(11)	-	(11)
Depreciation expense	(85)	(472)	(157)	(714)
Change in use adjustment	71	-	-	71
Carrying amount at end of the financial year	3,936	871	324	5,131

	2022	2021
	$'000	$'000
If land and buildings were stated at historical cost, amounts would be as follows:		
Cost	8,309	8,174
Accumulated depreciation	(4,796)	(4,586)
Net book value	3,513	3,588

Historical cost stated for land and buildings includes both owner-occupied and investment property.

	2022	2021
	$'000	$'000

NOTE 15
Investment Property

Investment property includes real estate properties in Australia, which are owned to earn rentals and capital appreciation.

Changes to the carrying amounts are as follows:

	2022	2021
Balance at beginning of the financial year	5,644	5,502
Additions	67	12
Net gain / (loss) from fair value adjustments	(2,148)	201
Change in use adjustment	(47)	(71)
Carrying amount at end of the financial year	3,516	5,644

Recognition and Measurement

Investment property, comprising freehold office complexes, is held to generate long-term rental yields. All tenant leases are on an arm's length basis. Investment property is carried at fair value, determined as stated below, and adjusted to reflect the current market value of the property in accordance with the requirements of AASB 140 Investment Property. Changes in fair value of investment property are reflected in the statement of comprehensive income for the year.

Rental income and operating expenses from investment property are reported within revenue and other expenses respectively and are recognised as described in Notes 3 and 4.

FAIR VALUE OF INVESTMENT PROPERTY

The credit union determines the fair value from:

- External valuations conducted by registered valuers; and
- Directors' valuations.

The fair value of the investment property located at 101 Molesworth Street Lismore and 256 Molesworth Street Lismore was independently valued by Herron Todd White, as at 30 June 2022. This valuation was conducted on the basis of market value and was performed through a review of sale and rental values of comparable properties within close proximity.

Refer to Note 1 and Note 14 for detail on the valuation techniques and key judgements to be considered for the land and buildings of the credit union.

Investment properties are leased out on operating leases. Rental income amounts to $504,638 (2021: $544,922) and is included within revenue as shown in Note 3. Direct operating expenses not recovered as outgoings from the tenants of the relevant property were reported within other expenses as shown in Note 4.

The lease contracts are all non-cancellable for either three or five years from the commencement of the lease. Refer to Note 24 for future minimum lease rentals.

	2022	2021
	$'000	$'000

NOTE 16
Intangible Assets

COMPUTER SOFTWARE		
At cost	965	958
Accumulated amortisation	(828)	(741)
	137	217
OTHER INTANGIBLE ASSETS		
At cost	437	437
Accumulated amortisation	(320)	(279)
	117	158
Total Intangible Assets	254	375

MOVEMENTS IN CARRYING AMOUNTS

Reconciliations of the carrying amounts of each class of intangible asset between the beginning and end of the current financial year are set out below.

	Computer Software	Other Intangible Assets	Total
	$'000	$'000	$'000
Balance at the beginning of the financial year	217	158	375
Additions	77	-	77
Disposals	(40)	-	(40)
Amortisation expense	(117)	(41)	(158)
Carrying amount at the end of the financial year	137	117	254

Recognition and Measurement

COMPUTER SOFTWARE

Items of computer software which are not integral to the computer hardware owned by the credit union are classified as intangible assets. Specifically, costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets. Computer software is amortised on a straight-line basis over the expected useful life of the software, typically linked to software contracts. These lives range from 3-5 years.

OTHER INTANGIBLE ASSETS

Other intangible assets include product development costs and other product establishment costs. Other intangible assets that are deemed to have a definite life are amortised over 5 years

SAAS ARRANGEMENT COSTS

During the financial year, the credit union recognised no costs as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements.

	2022	2021
	$'000	$'000

NOTE 17
Leases

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2022	2021
RIGHT-OF-USE ASSET		
Property	1,307	718
ATM	34	220
Other	75	70
	1,416	1,008
LEASE LIABILITIES		
Current	458	384
Non-current	798	482
	1,256	866

The credit union has leases for the branch network, ATM fleet and equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index are excluded from the initial measurement of the lease liability and asset. The 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. The table below describes the nature of the credit union's leasing activities by type of right-of-use asset recognised on balance sheet:

Right-of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with termination options
Property	13	0-5 years	1.9 years	3	13
ATM	5	0-1 years	0.3 years	-	5
Other	1	0-3 years	3.0 years	-	-

Future minimum lease payments at 30 June 2022 were as follows:

	Minimum lease payments due			
2022	Within 1 year	Between 2-5 years	After 5 years	Total
	$'000	$'000	$'000	$'000
Lease payments	494	951	-	1,445
Finance charges	(36)	(153)	-	(189)
Net present values	458	798	-	1,256

2021	Within 1 year	Between 2-5 years	After 5 years	Total
	$'000	$'000	$'000	$'000
Lease payments	420	583	-	1,003
Finance charges	(36)	(101)	-	(137)
Net present values	384	482	-	866

	2022	2021
	$'000	$'000

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2022	2021
DEPRECIATION CHARGE OF RIGHT-OF-USE ASSET		
Property	445	340
ATM	96	84
Other	26	17
	567	441
Interest expense (included in interest expense)	20	20

The total cash outflow for leases in 2022 was $586k (2021: $423k).

Recognition and Measurement

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

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

CREDIT UNION AS LESSEE

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

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

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

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

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

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

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

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

CREDIT UNION AS A LESSOR

The credit union's accounting policy under AASB 16 has not changed from the comparative period. As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

The credit union leases out investment properties under operating leases (see Note 15).

CRITICAL JUDGEMENTS IN DETERMINING THE LEASE TERM

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of property the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the credit union is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the credit union is typically reasonably certain to extend (or not terminate).
- Otherwise, the credit union considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The credit union assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not exercise a termination option.

The lease term is reassessed if an option is actually exercised (or not exercised) or the credit union becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and it is within the control of the lessee.

	2022	2021
	$'000	$'000

NOTE 18
Deposits

At call deposits (including withdrawable shares)	700,836	545,743
Term deposits	240,899	261,609
Wholesale deposits	2,000	21,000
	943,735	828,352

Recognition and Measurement

Deposits are measured at the aggregated amount of money owing to depositors. Interest on deposits is brought to account on an accrual basis. Interest accrued at balance date is shown as a part of payables.

CONCENTRATION OF DEPOSITS

There is no concentration of deposits in excess of 10% of total liabilities.

NOTE 19
Trade and Other Payables

Accrued interest payable on deposits and borrowings	830	890
Sundry creditors and accrued expenses	934	1,139
Employee benefits - annual leave	708	687
Trade creditors	387	429
Other creditors	8,420	6,766
	11,279	9,911

This includes interest payable and unrealised expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value.

Recognition and Measurement

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVPL.

SHORT-TERM OBLIGATIONS

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Short-term employee benefit obligations are presented as payables.

	2022	2021
	$'000	$'000

NOTE 20
Provisions

Employee benefits - long service leave	904	992
Lease make good	190	155
	1,094	1,147
PROVISION MOVEMENT – LEASE MAKE GOOD		
Balance at beginning of the financial year	155	193
Less paid	(20)	(16)
Liability (decrease)/increase	55	(22)
Balance at end of the financial year	190	155
ANALYSIS OF LIABILITY		
Expected to be settled within 12 months	726	821
Expected to be settled after 12 months	368	326
	1,094	1,147

Recognition and Measurement

OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

The liability for long service leave which is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service, is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

LEASEHOLD IMPROVEMENTS

A provision is recognised for the estimated make good costs on the operating leases, based on the net present value of the future expenditure at the conclusion of the lease term discounted 3-7%. Increases in the provision in future years due to the unwinding of the interest charge, is recognised as part of the interest expense.

NOTE 21
Borrowings

Borrowings	-	22,488

Recognition and Measurement

Borrowings and subordinated debt are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the credit union chooses to carry the liabilities at fair value through profit or loss.

The credit union fully repaid all borrowings obtained through the Reserve Bank of Australia's Term Funding Facility (TFF) during the year.

There were no subordinated debt instruments held at reporting date.

NOTE 22
Redeemable Preference Share Capital Account

Under the Corporations Act 2001 member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits.

The value of the shares that have been paid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated. For values please refer to the statement of changes in member equity.

	2022	2021
	$'000	$'000

NOTE 23
Reserves

	2022 $'000	2021 $'000
General reserve		
The general reserve records funds set aside for future expansion of the credit union	1,376	1,376
Capital profits reserve		
The capital profits reserve records non-taxable profits on sale of investments	860	860
Asset revaluation surplus		
The asset revaluation surplus records revaluations of non-current assets net of income tax	2,283	2,964
General reserve for credit losses		
The reserve for credit losses records amounts maintained to comply with the APRA Prudential Standards	2,395	2,241
Hedging reserve		
The hedging reserve records movements in the fair value of effective cash flow hedges net of income tax	2,132	6

NOTE 24
Commitments

(a) Future capital commitments

At balance date the credit union has not entered into material contracts for the purchase of property, plant and equipment.

(b) Outstanding loan commitments

	2022 $'000	2021 $'000
Loans and credit facilities approved with commitment to fund, but not funded at the end of the financial year:		
Loans approved but not funded	9,950	15,070
Loans and credit facilities with an undrawn portion at the end of the financial year:		
Loans amounts available but not yet drawn	5,567	5,727
Loan redraw facilities available	70,584	66,479
Undrawn overdraft and credit facilities	15,594	16,339
	91,745	88,545
Total outstanding loan commitments	101,695	103,615

	2022	2021
	$'000	$'000

(c) Operating leases receivable

Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases:

Not longer than 1 year	440	587
Longer than 1 and not longer than 5 years	1,192	1,686
	1,632	2,273

Property leases are non-cancellable leases with a three to five-year term, with rent payable monthly in advance. An option exists to renew the leases at the end of the relevant term for an additional term up to five years.

NOTE 25
Contingent Liabilities

LIQUIDITY SUPPORT SCHEME

The credit union is a member of CUFSS a company limited by guarantee, established to provide financial support to member Australian Mutual ADIs in the event of a liquidity or capital problem. As a member, the credit union is committed to maintaining 3.1% of the total assets as deposits with CUSCAL Limited or other ADIs approved by APRA.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating Mutual ADI would be 3.1% of the credit union's total assets (3% under loans and facilities and 0.1% under the cap on contributions to permanent loans). This amount represents the participating ADIs irrevocable commitment under the ISC. At the reporting date there were no loans issued under this arrangement.

REPURCHASE OBLIGATIONS (REPO) TRUST

To support the liquidity management the credit union has entered into an agreement to maintain a portion of the mortgage backed loans as security against any future borrowings from the Reserve Bank of Australia (RBA) as a part of the credit union's liquidity support arrangements.

FLOOD RECOVERY OF BUILDINGS IMPACTED BY FLOOD

The two buildings owned by the credit union have not been fully refurbished to allow full tenancy of the buildings as at 30 June 2022. Clean up and some recovery work has been completed on the buildings however the buildings have not been fully refitted for tenancy. Management and the Board are yet to make final plans on how and when this will occur. Architectural plans and trade quotes have been obtained to gain estimates of potential future costs. It is estimated that to refit both buildings to support tenancy the capital cost to the credit union is $3.9m. It is expected a decision will be made on these works by the end of calendar year 2022. If this work is completed, this would be reflected in future changes in the valuation of the buildings (Note 14 and 15).

NOTE 26
Entity Consolidation

The credit union has arrangements for the transfer of loan contractual benefits of interest and repayments to support ongoing liquidity facilities. These arrangements are with the Repurchase Obligation (REPO) trust for securing the ability to obtain liquid funds from the RBA – these loans are not de-recognised as the credit union retains the benefits of the trust until such time as a drawing is required.

The MTG SCU Trust Repo Series No. 1 trust is a trust established by the credit union to facilitate the liquidity requirements under the prudential standards. The trust has an independent trustee and was established in June 2020. In the case of the REPO Trust the RBA receives a Note certificate to sell to the credit union should the liquidity needs not be satisfied by normal operational liquidity. The Note is secured over residential mortgage-backed securities (RMBS).

The credit union has financed the loans and received the net gains or losses from the trust after trustee expenses. The credit union has an obligation to manage the portfolio of the loans in the trust and to maintain the pool of eligible secured loans at the value equivalent to the value of the Notes received. The credit union retains the credit risk of losses arising from loan default or security decline, and the interest rate risk from movements in market interest rates.

As loan repayments occur, or if a loan becomes ineligible under the Trust criteria, an additional pool of eligible loans will be assigned to the Trust to maintain the Repo facility.

The value of securitised loans that are not de-recognised as at reporting date was $96,847,849.75. In each case the loans are variable interest rate loans, hence the book value of the loans equates to the fair value of those loans.

	2022	2021
	$'000	$'000

NOTE 27

Classes of Financial Assets and Liabilities

The following is a summary of the credit union's financial instruments by class.

(a) Financial assets - measured at amortised cost

	2022 $'000	2021 $'000
Cash and cash equivalents	41,512	30,347
Other receivables	6,487	6,757
Loans and advances	750,975	723,841
Investments with other financial institutions	216,784	156,147
Total	1,015,758	917,092

(b) Financial liabilities - measured at amortised cost

	2022 $'000	2021 $'000
Deposits	943,735	828,352
Trade and other payables (excluding employee benefits)	10,575	9,224
Borrowings	-	22,488
Total	954,310	860,064

(c) Financial assets - measured at fair value

	2022 $'000	2021 $'000
Financial assets at FVOCI	2	2
Derivatives for hedge accounting	2,853	4

(d) Financial liabilities - measured at fair value

	2022 $'000	2021 $'000
Derivatives for hedge accounting	-	-

Recognition and Measurement

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

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

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

Classifications are determined by both:

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

AMORTISED COST

Financial assets are classified at amortised cost when they are held within a business model to solely collect contractual cash flows and the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest (SPPI). Amortised cost is calculated by taking into account any discount or premium on the issue of the asset and costs that are an integral part of the effective interest rate.

Gains and losses are recognised in the income statement when the financial assets are derecognised or impaired.

FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets that are within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised as fair value through profit or loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. Financial assets in this category relate to investments in listed equity securities. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Financial assets including debt instruments are classified at fair value through other comprehensive income when they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. In certain circumstances, on initial recognition including for specific equity investments, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through other comprehensive income as fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTE 28

Risk Management

Risk management policy and objectives

The credit union's risk management focuses on the major areas of interest rate risk, credit risk, liquidity risk and operational risk. Risk management within the credit union is designed to mitigate and minimise any unplanned or negative impacts on capital levels. The Board of Directors outline their appetite for risk to enable the credit union to achieve its strategic goals through the Risk Appetite Statement (RAS). These risk tolerances are set in measurable terms setting a range that is acceptable to the Board for management to operate within. These risk indicators are known as the RAS KRIs and are reported to the Board and Board Risk Committee at each meeting for monitoring.

(a) Interest rate risk and hedging policy

Interest rate risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the credit union's financial condition or results.

The credit union is not exposed to currency risk or other significant price risk and does not trade in the financial instruments it holds on its books. The credit union is only exposed to interest rate risk arising from changes in market interest rates in its banking book and manages this through various methods including the use of interest rate swaps.

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The credit union's exposure to interest rate risk is measured and monitored using the Value at Risk (VaR) methodology of estimating potential losses.

VaR is a technique which estimates the potential losses that could occur on risk positions taken due to movements in market rates and prices over a specified time period to a given level of confidence. VaR, as set out in the table below, has been calculated using historical simulations, using movements in market rates and prices, a 99% confidence level and taking into account historical correlations between different markets and rates.

The credit union has a VaR limit to capital of 1.50%. The table below sets out the VaR position for the past two years.

	2022	2021
VaR after prepayments and hedges	$800,892	$339,161
VaR as % of capital	1.13%	0.49%

Repricing of financial assets and liabilities

The credit union's exposure to interest rate risk and the effective weighted average interest rate on classes of financial assets and financial liabilities is as follows:

	Floating Interest Rate	Within 1 year	1 to 5 years	Over 5 years	Non Interest Sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Repricing Period at 30 June 2022						
FINANCIAL ASSETS						
Cash and cash equivalents	39,810	-	-	-	1,702	41,512
Other receivables	-	-	-	-	6,487	6,487
Derivatives	-	-	-	-	2,853	2,853
Financial assets at FVOCI	-	-	-	-	2	2
Investments with other financial institutions	11,338	95,546	109,900	-	-	216,784
Loans and advances	445,122	78,188	227,665	-	-	750,975
TOTAL FINANCIAL ASSETS	496,270	173,734	337,565	-	11,044	1,018,613
FINANCIAL LIABILITIES						
Deposits	700,344	234,448	8,451	-	492	943,735
Trade and other payables	-	-	-	-	10,575	10,575
Borrowings	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	700,344	234,448	8,451	-	11,067	954,310
OFF BALANCE SHEET ITEMS						
Interest rate swaps	-	3,000	50,000	-	-	53,000
Undrawn loan commitments	101,696	-	-	-	-	101,696
Repricing Period at 30 June 2021						
FINANCIAL ASSETS						
Cash and cash equivalents	28,772	-	-	-	1,575	30,347
Other receivables	-	-	-	-	6,757	6,757
Derivatives	-	-	-	-	4	4
Financial assets at FVOCI	-	-	-	-	2	2
Investments with other financial institutions	12,932	44,315	98,900	-	-	156,147
Loans and advances	485,601	55,609	182,631	-	-	723,841
TOTAL FINANCIAL ASSETS	527,305	99,924	281,531	-	8,338	917,098
FINANCIAL LIABILITIES						
Deposits	545,363	263,497	19,111	-	381	828,352
Trade and other payables	-	-	-	-	9,224	9,224
Borrowings	-	-	22,488	-	-	22,488
TOTAL FINANCIAL LIABILITIES	545,363	263,497	41,599	-	9,605	860,064
OFF BALANCE SHEET ITEMS						
Interest rate swaps	-	3,000	23,000	-	-	26,000
Undrawn loan commitments	103,615	-	-	-	-	103,615

(b) Credit risk

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

MAXIMUM CREDIT RISK EXPOSURE

The credit union's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the statement of financial position.

LOANS

In relation to loans, the maximum credit exposure is the value on the statement of financial position plus the undrawn facilities (loans approved not advanced, loan funds available but undrawn, redraw facilities, overdraft and credit card facilities). The credit union reduces the risk of losses from loans to customers by engaging responsible lending practices. This includes verifying a borrower's capacity to repay, reviewing financial position and performance, and making reasonable inquiries about the borrower's requirements and objectives. Loan security is generally taken to assist in the mitigation of credit risk.

The credit union maintains detailed policies relating to lending including: Loans Policy; Business Lending Policy; Credit Control; Large Exposures. Policy formation, credit control and lending compliance functions are segregated from loans origination to ensure credit quality.

CONCENTRATION RISK

The credit union minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of customers. Credit risk is managed in accordance with the Prudential Standards to reduce the credit union's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement.

The geographical concentrations of credit risk on loans is set out in Note 12 (b). The mortgage insurance concentration is 12.30% of the loan portfolio secured by residential mortgage. Refer to Note 12 (a) for further detail.

LIQUID INVESTMENTS

The credit union uses the ratings of reputable rating agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APS 112 Capital Adequacy: Standardised Approach to Credit Risk. The credit quality assessment scale within this Prudential Standard has been complied with.

The table below sets out limits on maximum holdings per rating and counterparty.

Short term S & P Rating	Maximum Holding % *(As a percentage of total liquidity portfolio)*	Maximum per Counterparty % *(As a percentage of total eligible capital)*
A-1+	100	25-30*
A-1	100	25
A-2	80	25
A-3	15	25
Unrated	10	10
Unrated – Settlement accounts	15	15-40*

*Selected counterparties within the A-1+ rating group have a 30% limit and selected counterparties within the Unrated Settlement accounts group have a 40% limit.

The exposure values associated with each credit quality class for the credit union's investments are as follows:

Actual Rating	2022 Balance $'000	2022 Balance %	2021 Balance $'000	2021 Balance %
A-1+	105,330	41	75,940	45
A-1	35,600	14	12,391	7
A-2	70,010	27	61,495	36
A-3	8,986	4	1,999	1
Unrated	16,643	6	8,512	5
Unrated – Settlement accounts	20,025	8	10,312	6
Total	256,594	100	170,649	100

(c) Liquidity risk

Liquidity risk is the risk that the credit union may encounter difficulties raising funds to meet commitments associated with financial instruments e.g. loan funding or customer withdrawal demands. It is the policy of the Board of Directors that the credit union maintains adequate cash reserves and access to wholesale funding options so as to meet the customer withdrawal demands when requested.

The credit union manages liquidity risk by:

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

The credit union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under APS 210 Liquidity. The credit union's policy is to apply 13% as liquid assets to maintain adequate funds for meeting customer withdrawals. Should the liquidity ratio fall below this level then management and the Board are to address the matter and ensure that liquid funds are obtained from new deposits and the available borrowing facilities.

The ratio of liquid funds is set out below:

	2022	2021
Liquid funds to total adjusted liabilities:		
- As at 30 June	19.81%	15.79%
- Average for the year	20.97%	16.01%
- Minimum during the year	19.81%	15.10%

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 associated 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. For term loans the dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied.

Maturity profile of financial assets and liabilities

This table reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity as well as management's expectations of the settlement periods for all other financial instruments. As such the amounts disclosed may not reconcile to the statement of financial position.

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2022							
FINANCIAL ASSETS							
Cash and cash equivalents	39,810	-	-	-	-	1,702	41,512
Other receivables	6,487	-	-	-	-	-	6,487
Derivatives	-	-	65	2,788	-	-	2,853
Financial assets at FVOCI	-	-	-	-	-	2	2
Investments with other financial institutions	35,477	28,957	42,450	109,900	-	-	216,784
Loans and advances	2,284	4,461	19,308	98,260	619,638	7,024	750,975
TOTAL FINANCIAL ASSETS	84,058	33,418	61,823	210,948	619,638	8,728	1,018,613
FINANCIAL LIABILITIES							
Deposits	42,165	80,433	113,021	8,602	-	700,836	945,057
Trade and other payables	10,575	-	-	-	-	-	10,575
Borrowings	-	-	-	-	-	-	-
	52,740	80,433	113,021	8,602	-	700,836	955,632
Undrawn loan commitments	101,696	-	-	-	-	-	101,696
TOTAL FINANCIAL LIABILITIES	154,436	80,433	113,021	8,602	-	700,836	1,057,328
2021							
FINANCIAL ASSETS							
Cash and cash equivalents	28,772	-	-	-	-	1,575	30,347
Other receivables	6,757	-	-	-	-	-	6,757
Derivatives	-	-	(43)	47	-	-	4
Financial assets at FVOCI	-	-	-	-	-	2	2
Investments with other financial institutions	19,331	21,996	15,920	98,900	-	-	156,147
Loans and advances	3,604	5,452	19,448	93,149	594,512	7,676	723,841
TOTAL FINANCIAL ASSETS	58,464	27,448	35,325	192,096	594,512	9,253	917,098
FINANCIAL LIABILITIES							
Deposits	49,331	82,494	132,806	19,702	-	545,744	830,077
Trade and other payables	9,224	-	-	-	-	-	9,224
Borrowings	-	-	-	22,524	-	-	22,524
	58,555	82,494	132,806	42,226	-	545,744	861,825
Undrawn loan commitments	103,615	-	-	-	-	-	103,615
TOTAL FINANCIAL LIABILITIES	162,170	82,494	132,806	42,226	-	545,744	965,440

(d) Operational risk

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

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

(e) Capital management

Under the APRA Prudential Standards capital is determined in three components being Credit Risk, Interest Rate Risk (trading book) and Operational Risk.

The credit union is required to maintain a minimum regulatory capital level of 8% as compared to the risk weighted assets at any given time. The level of the capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets.

The interest rate risk component is not required as the credit union is not engaged in a trading book for financial instruments.

To manage the credit union's capital, the credit union reviews the capital ratio monthly and monitors major movements in asset levels. Policies have been implemented which require reporting to the Board and APRA if the capital ratio falls below 13%. Further, a 3-year forward projection of the capital levels is maintained to address how strategic decisions or trends may impact on the capital level, as part of the annual Internal Capital Adequacy Assessment Process (ICAAP).

The capital required for any change in the credit union's forecasts for asset growth, or unforeseen circumstances, is assessed by the Board using capital forecasting models to assess the impact upon the overall capital position of the credit union.

The credit union's regulatory capital comprises two tiers:

TIER 1 CAPITAL

Tier 1 Capital consists of:

1. Common Equity Tier 1 Capital (CET1) - which comprises the highest quality components that satisfy the following characteristics:

- Provide a permanent and unrestricted commitment of funds
- Are freely available to absorb losses
- Do not impose any unavoidable servicing charge against earnings
- Rank behind the claims of depositors and other creditors in the event of winding-up the issuer

It typically consists of retained earnings, accumulated income, other disclosed reserves and revaluation reserves.

2. Additional Tier 1 Capital - the only difference to CET1 is that these instruments provide for fully discretionary capital distributions and rank behind claims of depositors and more senior creditors.

TIER 2 CAPITAL

Tier 2 Capital includes other components of capital that fall short of the quality of Tier 1 capital but still contribute to the overall strength of an ADI and its capacity to absorb losses, such as subordinated debt and reserve for credit losses.

The capital structure as at the end of the financial year, for the past two years is as follows:

Capital structure	2022	2021
	$'000	$'000
Net Tier 1 Capital	68,530	66,145
Net Tier 2 Capital	2,394	3,246
Total Capital Base	70,924	69,391
Total Risk Weighted Assets	478,900	452,321
Total Capital Ratio	14.81%	15.34%
Tier 1 Capital Ratio	14.31%	14.62%

NOTE 29
Valuation of Financial Instruments

Fair value of assets and liabilities

The credit union measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the credit union would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets or liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in the highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

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

FAIR VALUE ESTIMATE FOR FINANCIAL ASSETS AND LIABILITIES

The aggregate net fair values of financial assets and liabilities, both recognised and unrecognised, at the balance date are as follows:

	2022		2021	
	Carrying value	Net fair value	Carrying value	Net fair value
	$'000	$'000	$'000	$'000
ASSETS				
Cash and cash equivalents	41,512	41,512	30,347	30,347
Other receivables	6,487	6,487	6,757	6,757
Derivatives	2,583	2,853	4	4
Financial assets at FVOCI	2	2	2	2
Investments with other financial institutions	216,784	216,784	156,147	156,147
Loans and advances	750,975	746,205	723,841	719,833
LIABILITIES				
Deposits	943,735	944,010	828,352	828,940
Trade and other payables	11,279	11,279	9,911	9,911
Borrowings	-	-	22,488	22,488

FAIR VALUE HIERARCHY

The credit union measures fair values of assets and liabilities carried at fair value in the financial report using the following hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical asset or liability.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets or liabilities valued using:

- Quoted market prices in active markets for similar assets or liabilities
- Quoted prices for identical or similar assets or liabilities in markets that are considered less than active
- Other valuation techniques where all significant inputs are directly or indirectly observable from market data

Level 3: Valuation techniques using significant unobservable inputs. This category includes all assets and liabilities where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset's or liability's valuation. This category includes assets and liabilities that are valued based on quoted prices for similar assets or liabilities where significant unobservable adjustments or assumptions are required to reflect differences between them.

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

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

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
2022				
Recurring fair value measurements				
Land and Buildings	-	3,043	-	3,043
Investment properties	-	3,516	-	3,516
Derivatives	-	2,583	-	2,583
Financial assets at FVOCI	-	-	2	2
2021				
Recurring fair value measurements				
Land and Buildings	-	5,131	-	5,131
Investment properties	-	5,644	-	5,644
Derivatives	-	4	-	4
Financial assets at FVOCI	-	-	2	2

There have been no significant transfers into or out of each level during the year ended 30 June 2022 or the prior year.

Disclosed fair values

The credit union has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

Cash and cash equivalents as well as receivables from other financial institutions are short-term liquid assets which approximate fair value.

The carrying value less impairment provision of receivables and payables is a reasonable approximation of their fair values due to their short-term nature. The fair value of fixed interest loans and advances for disclosure purposes is estimated by discounting the future contractual cash flows as the current market interest rate on similar loans offered in the marketplace. The carrying amount of variable interest loans and advances approximate their fair value.

The fair value of financial liabilities such as deposits for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the credit union for similar financial instruments.

NOTE 30
Economic dependency

The credit union has an economic dependency on the following suppliers of service:

(a) Fiserv

This entity processes direct entry transactions and also operates the electronic switching network used to link customer card transactions on ATMs and other approved POS devices with merchants, and to the credit union's core banking system.

(b) Data Action Pty Ltd

This entity provides and maintains the banking application software for the credit union (i.e. core banking system).

(c) Australian Settlements Ltd

This entity provides settlement services for BPAY, card transactions, direct entry, chequing and RTGS (high value irrevocable transactions).

(d) Indue Limited

This entity provides settlement services for New Payment Platform (NPP) transactions, Mobile Payments and provides fraud transactional monitoring services.

NOTE 31
Events occurring after the reporting period

No matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the credit union, the results of those operations, or the state of affairs in subsequent financial years.

	2022	2021
	$'000	$'000

NOTE 32
Statement of Cash Flows

(a) Reconciliation of cash

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

Cash and cash equivalents	41,512	30,347

(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:

- deposits into and withdrawals from savings, money market and other deposit accounts
- sales and purchases of maturing certificates of deposit
- short-term borrowings; and
- provision of loans and the repayment of such loans

(c) Reconciliation of cash flow from operations with profit after income tax

Profit after income tax	2,975	4,863
Non-cash flows in profit after income tax:		
Net Profit / (Loss) on sale of assets	74	11
Revaluation of land & buildings	-	(187)
Revaluation of investment property	2,148	(201)
Depreciation and amortisation	1,566	1,299
Provision for loan impairment	167	(342)
Changes in assets and liabilities:		
Decrease in provisions	(53)	(46)
Increase in interest payable	(40)	(764)
(Increase)/Decrease in interest receivable	(293)	213
(Decrease)/Increase in income taxes payable	(254)	292
Increase in deferred tax assets	470	98
(Increase)/Decrease in deferred tax liability	(119)	62
Increase in other assets	(140)	(1,028)
Decrease in trade and other payables	759	2,616
Increase/(Decrease) in other receivables	562	(1,614)
	7,822	5,272
Net movement in liquid investment balances	(60,637)	(18,475)
Net movement in loans	(27,351)	(72,407)
Net movement in deposits	115,383	65,797
Net cash provided by operating activities	35,217	(19,813)

NOTE 33
Credit union details

The registered office of the credit union and the principal place of business is:
Summerland Financial Services Limited
101 Molesworth Street Lismore NSW 2480

Declaration by Directors

The Directors of Summerland Financial Services Limited declare that:

In the opinion of the Directors:

1. (a) The financial statements and notes of the credit union are in accordance with the Corporations Act 2001, including:

    i) giving a true and fair view of the financial position of the credit union as at 30 June 2022 and of its performance for the year ended on that date, and

    ii) complying with Accounting Standards and the Corporations Regulations 2001;

    (b) There are reasonable grounds to believe that the credit union will be able to pay its debts as and when they become due and payable.

2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors.

Colin Sales
Chair

Kevin Franey
Chair Audit Committee

Signed and dated on 5 October 2022

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Independent Auditor's Report

To the Members of Summerland Financial Services Limited

Report on the audit of the financial report

Opinion

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

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

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

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

Basis for opinion

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

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

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

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

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

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

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

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Liam Te-wierik
Partner – Audit & Assurance

Sydney, 5 October 2022

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Summerland Credit Union

A Division of Summerland Financial Services Limited

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