2021 Annual Report.

People's Choice

Banking for life

We're for people. Always.

Australian Central Credit Union Ltd (trading as People's Choice Credit Union) and its Controlled Entities Year Ended 30 June 2021.

Contents

Chairman and Managing Director's Report

Michael Cameron, Chairman, with Steve Laidlaw, Chief Executive Officer and Managing Director.

Maintaining our clear focus on members

As Australian families and businesses continued to deal with the uncertainties of the COVID-19 pandemic during 2020/21, People's Choice maintained a clear focus on supporting members to achieve their financial goals.

The year saw 14,598 new members join People's Choice to deliver a net increase of 8,592 – taking our total membership to more than 390,000. The refresh of our brand during the year has ensured we will keep attracting new members by remaining relevant in a highly competitive environment.

People's Choice remains one of Australia's most trusted financial institutions. Our Net Promotor Score (NPS), the measure of members' trust and loyalty, averaged +31 over the course of the year, 23 points above the market average of +8 for the financial institutions surveyed. The NPS is calculated independently by DBM Consultants who survey members to find if they are promoters (loyal, enthusiastic fans), detractors (unhappy) or passives (satisfied, for now).

Australia's property market saw significant growth in buyer demand and prices during the year and People's Choice was able to help even more Australians find a new home.

For the first time our total member loans and advances surpassed $8 billion, increasing by 2.6% over the reporting period which finished with three record-breaking months in a row. In June alone we finalised home loans totalling $180 million and saw applications of $279 million, which has set us up for a very strong start to the new financial year.

A key contributor was the decision to significantly expand our presence in the thriving Victorian market, by offering loans through the independent broker network.

This strategy has proved to be successful, as it had previously in the Northern Territory, delivering better-than-expected results almost immediately. Extensive work was done internally to ensure our loan products would be competitive by establishing a market-leading value proposition.

The high quality of our products and services was once again recognised. For the second year in a row, global business magazine, Forbes, listed People's Choice among the World's Best Banks while Australia's leading financial comparison websites, Canstar and Mozo, found us to be highly competitive with multiple awards for our first home buyer, owner-occupier and investor loan packages.

Through our continued growth, we ended the financial year with total assets of $9.7 billion, an increase of 2.4%. Our retail deposit portfolio also grew, increasing by 5.2% to $7.0 billion.

People's Choice recorded a statutory net profit before tax of $29.7 million, a slight reduction of 4.6% from the $31.2 million recorded in the previous reporting period, but well within budgeted expectations.

We helped even more Australians find a new home, with total member loans and advances surpassing $8 billion for the first time.

A unique pairing of equals and a commitment to mutuality

On 18 August 2021, we announced that we had entered into a non-binding Heads of Agreement with Queensland-based Heritage Bank to explore the possibility of a merger. This presents us with an important and exciting opportunity to further strengthen our organisation and provide significant benefits to members.

If the merger proceeds it would be a unique pairing of equals that would create Australia's leading customer-owned banking organisation.

Being a mutual, with a focus on our members, is fundamental to who we are. This would not change – as a combined entity we would remain 100% committed to mutuality and remaining member-owned.

By bringing our two organisations together, our increased size and scale would enable us to deliver more for our members through enhanced products, services, digital capabilities and competitive pricing. It will also allow us to provide additional support to the communities in which we operate and our members live.

The proposed merger is based on a number of core principles: that we remain proudly member-owned, that there will be no redundancies below Executive level or branch closures as a result of the merger, that there will be dual head offices in Adelaide and Toowoomba, and – most importantly – that members will benefit.

The merger is subject to due diligence, regulatory consent and approval by our members through a vote. At the time of publishing this report, both organisations are undertaking due diligence and we are committed to keeping members well informed as we progress.

Resilience through unparalleled change

The financial services sector is still operating within a rapidly changing competitive and economic environment.

Technological innovation as well as legislative and regulatory reform are driving structural and operational change. The ongoing record low interest rate environment is also driving competition to new levels.

Banking is changing faster than it ever has before. However, as a result of the significant and ongoing investment into the business in recent years, People's Choice can look to the future with confidence. We have the agility, strength and expertise to ensure we can continue to support our members to achieve their financial goals in a rapidly changing environment.

With our industry affiliations, the Customer Owned Banking Association and the Business Council of Co-operatives and Mutuals, we continue to work with government and regulators to ensure the mutual banking sector is appropriately represented and receives proportionate and fair outcomes.

Governance

Member-elected Directors Amanda Heyworth and Virginia Hickey were reappointed at the 2020 Annual General Meeting.

After almost 20 years of dedicated service, Anne Skipper retired from our Board in June 2021. Since joining the Board of Savings & Loans in 2002, Anne has been a very strong supporter of the customer-owned banking sector and has made an outstanding contribution to our organisation. We wish Anne all the very best for her future endeavours.

We welcomed Georgina Williams to the Board in June 2021. Georgina has more than 25 years' experience in banking and superannuation, including previous roles as group executive at Australian Super and head of brand and marketing at the Bank of Melbourne.

With the pressures of operating a major business, driving necessary improvements, navigating internal and external change, as well as managing the still very real challenges of COVID-19, we recognise that 2020/21 has been a demanding year for everyone at People's Choice. We take this opportunity to recognise and thank our employees, Executive team and Board for their commitment and hard work over the past 12 months and their dedication to supporting our members.

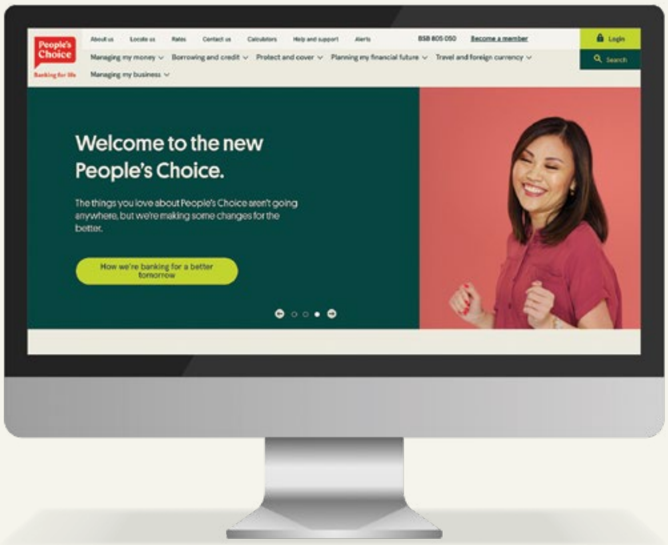
Finally, we also understand that COVID-19 has been an especially difficult period for many of our members. We would like to reassure all members that our singular focus is to help you achieve your financial goals, especially during these uncertain times. We would also like to thank you for your continuing membership of People's Choice.

Michael Cameron
Chairman

Steve Laidlaw
Chief Executive Officer and Managing Director

Year in Review

Renee Archer, Member Service Consultant.



Our new website offers members a personalised experience and useful new features.

People's Choice exists to empower our members to create the life they want through modern banking and personal service. In 2020/21 we provided 6,217 loans for members to buy a house, including 2,087 for people purchasing their very first home.

We helped more than 5,600 members to buy a car, enjoy a holiday or carry out renovations. We assisted thousands more with financial advice and insurance, and provided hundreds of thousands of members across the country with transaction and savings accounts, credit and debit cards and day-to-day financial services.

During the year we continued our multi-year investment to enhance our technology and member experience, a crucial commitment driven by consumers' increasing expectations of a first-class digital banking experience.

We updated our website to provide members with new features including improved calculators, an enhanced 'locate us' tool, as well as visitor personalisation where the site remembers the needs and preferences of each user to provide a tailored, quicker interaction.

We also made significant progress on the design and introduction of new customer relationship management and telephony technology. This new software and supporting systems will significantly improve our ability to help members faster and more efficiently, making sure we have the right information on hand, not only to deal with enquiries, but also to improve the banking experience at every level.

We increased our presence in Adelaide's eastern suburb of Norwood, opening our new Lending & Advice Centre in the heart of The Parade. Featuring a range of meeting spaces, the new centre provides an ideal location for members to speak to our specialists about home loans, personal loans, financial planning and insurance. ATMs and Internet Banking booths inside the centre also allow members to carry out their day-to-day transactions quickly and conveniently.

Our employees continued to benefit from a flexible Work From Anywhere approach.

Our Norwood Lending & Advice Centre joins similar facilities at Seaford and Northpark in Adelaide, as well as Darwin – to tailor our service to members to help them meet their financial goals.

Our suite of products was boosted with the introduction of our Everyday Living transaction account, designed to meet the new expectations of busy people. Kept deliberately simple, the account is digital access only, with unlimited transactions, access to fee-free ATMs, and no monthly administration costs. To ensure fairness, a similar fee-free account has been made available to members who don't have digital access.

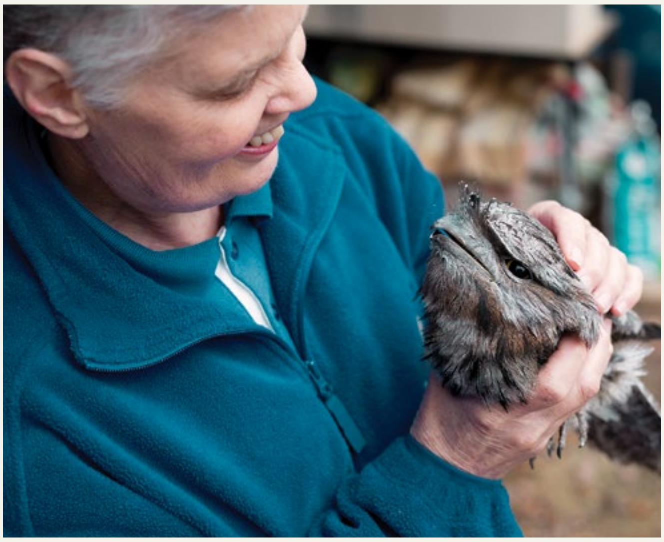
None of this would have been possible without our 900 employees, who have performed outstandingly during a year of considerable change, going well above expectations to support our members.

Our Engagement & Culture Survey generated more than 700 responses and some 2,500 individual comments, providing valuable insights into areas of strength and opportunities where we can improve to provide the best possible environment for success for our people.

The current nature of Australia's financial sector means further change is inevitable in the coming year but, by working together and caring for each other's wellbeing, we can face these challenges with confidence.

With the COVID-19 threat far from over, our Work From Anywhere philosophy again proved successful, as we supported head office employees in their decision to either work from home or our Adelaide headquarters.

Our member-facing employees continued to support our members while maintaining a safe environment for all. We also maintained financial support, including mortgage repayment relief, to those members affected by the pandemic.



The People's Choice Community Lottery raises vital funds for community organisations around Australia.

Our 50 Flinders Street head office building retained its 6 Star NABERS Energy rating and 6 Star NABERS Indoor Environment rating. The building is one of only two across Australia to have maintained these sustainability ratings without the use of purchased Green Power. Our Indoor Environment rating of 97% positions 50 Flinders Street as the highest-rated NABERS Indoor Environment asset in Australia.

People's Choice will always have a strong community focus and once again our contribution during the year far exceeded national averages. Through our suite of fundraising, giving and sponsorship programs we contributed 5.1% of our pre-tax profit to corporate community investment in 2020/21. This is eight times the average contribution made by major Australian companies (source: Giving Large).

The People's Choice Community Lottery remains a significant fundraising source for community organisations around Australia. For the first time, the Lottery was conducted fully online in response to COVID-19 concerns and consistent with our drive towards offering a full digital experience to our members.

More than 730 not-for-profit organisations such as sporting clubs, schools, charities and volunteer groups participated, raising more than $800,000 for a wide range of worthy causes including medical research, animal rescue, sporting equipment, tournaments and clubhouses. $65,000 was raised for Cancer Council SA alone, while $40,000 was collected for HeartKids SA/NT.

Our sponsorship of the Adelaide Strikers women's and men's teams contributes enormously to Adelaide's community life.

A separate $10,000 donation allowed HeartKids to continue to employ a part-time coordinator in the Northern Territory. Through our Workplace Giving program and Positive Impact Days employees donated $20,000 to organisations including Beyond Blue and R U OK.

All of these community-focused activities make a real and immediate difference to a huge number of people across Australia.

Our decision to extend our sponsorship of the Western Bulldogs AFL team was a positive one with the team's excellent season generating increased media coverage which in turn helped build our brand awareness in Victoria.

Similarly, our high-profile support of the Adelaide Strikers women's and men's teams in the Big Bash League cricket competition and the Norwood SANFL club contribute enormously to the community life of Adelaide while helping build our profile, and in turn our membership.

At a local level, we partnered with 85 community organisations and events across our areas of operation.

Including funds raised through the Community Lottery and other programs, People's Choice generated $2.3 million for the community during the year.

Annual Financial Report

 Steve Simionato, Mobile Home Loan Adviser.

Directors' Report

The Directors present their report together with the financial report of Australian Central Credit Union Ltd (trading as People's Choice Credit Union) (the "Credit Union"), and its controlled entities (together referred to as the "Group"), for the year ended 30 June 2021 and the Auditor's Report thereon.

DIRECTORS

The Directors of the Credit Union at any time during or since the end of the financial year were:

Michael Andrew Cameron
Non-Executive Chairman
BBus, FCA, FCPA, FAICD

Steven Peter William Laidlaw
Managing Director
BEc, BCom, FCA, FAICD

Amanda Elizabeth Heyworth
Non-Executive Director
BA (Accounting), MBA (AGSM), FAICD

Virginia Sue Hickey
Non-Executive Director
BA, LLB, FAICD

John Patrick Patton
Non-Executive Director
FCA, MAICD

Wendy Thorpe
Non-Executive Director
BA, BBus, GradDip, AppFin & Inv, AMP (Harvard), GAICD, FFin

Georgina Williams (Appointed 1 June 2021)
Non-Executive Director
BCom, BA, GAICD

Kathryn Anne Skipper AM (Retired 1 June 2021)
Non-Executive Director
Dip. Nursing, FAICD

Directors were in office from the beginning of the financial year until the date of this report, except where indicated otherwise.

Details of Directors, their experience and any special responsibilities, are set out in the Online Annual Report, which is available from our website at www.peopleschoice.com.au.

Certain Directors have associations with other organisations. Some of these organisations conduct business with the Credit Union. This business is conducted on standard terms and conditions.

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors during the financial year is shown in the Corporate Governance Statement commencing on page 15.

COMPANY SECRETARY

Ms Taryn Shearn LLB (Hons), B.Comm was appointed to the position of Company Secretary on 2 February 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the provision of loans to members and customers, savings and investment facilities, the sale of insurance policies and financial planning services. There was no significant change in the nature of these activities during the year.

DIVIDENDS

The Credit Union's Constitution prohibits the payment of dividends on member shares.

REVIEW OF OPERATIONS

The Group recorded a profit before tax for the year ended 30 June 2021 of $29.740 million (2020: $31.206 million).

The total assets for the Group at 30 June 2021 were $9.675 billion (2020: $9.447 billion), representing an increase of $227 million (2.4%) from 30 June 2020. Lending settlements for the twelve months ended 30 June 2021 were $1.605 billion (2020: $1.432 billion), and member retail deposits grew by $375 million (2020: $398 million) representing a portfolio increase of 5.6%. The residential lending portfolio increased by 3.3% from 30 June 2020 and total member loans and advances increased by 2.65% to $8.095 billion. For further analysis of the financial year performance refer to the Chairman's and Managing Director's report commencing on page 4.

STATE OF AFFAIRS

In the opinion of the Directors, there have been no significant changes in the state of affairs of the Group that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

DIRECTORS' INTERESTS

None of the above Directors have declared any interest in existing or proposed contracts with the Credit Union during the financial year ended 30 June 2021 and to the date of this report.

EVENTS SUBSEQUENT TO THE REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Credit Union, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years other than disclosed below.

People's Choice announced on 18 August 2021 that it has entered into a non-binding Heads of Agreement with Heritage Bank Limited to explore a merger between the two entities. The merger will be subject to due diligence, regulatory approvals and approval by the members through a vote. The Boards of both organisations believe that the merger is in the best interests of members, as it will allow members the benefits of increased scale, access to a wider range of products and services, and an enhanced digital experience. Should plans proceed, it is estimated that the merger will occur on or before 1 July 2022.

LIKELY DEVELOPMENTS

Further information as to likely developments in the operations of the Group and the expected results of those operations in subsequent financial years has not been included in this report because disclosure of such information is likely to result in unreasonable prejudice to the Group.

REGULATORY DISCLOSURES

Prudential Standard *APS 330 Public Disclosure* requires the Group to meet minimum requirements for the public disclosure of information on its risk profile, risk management, capital adequacy, capital instruments and remuneration practices to contribute to the transparency of the financial markets and to enhance market discipline. This information is published on the Credit Union's public website under Regulatory Disclosures.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Credit Union paid a premium in relation to a Directors' and Officers' liability insurance policy indemnifying the Directors and its Executives against certain liabilities.

The insurance contract prohibits the disclosure of the nature of the liabilities insured against and the premium paid in respect of that insurance.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT

The Lead Auditor's Independence Declaration is set out on page 14 and forms part of the Directors' Report for the year ended 30 June 2021.

ROUNDING

The Company is of a kind referred to in the Australian Securities & Investment Commission ("ASIC") Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Rounding Instrument, the Company has applied an alternative rounding factor and amounts in the Financial Report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in Adelaide this 1st day of September, 2021

in accordance with a resolution of the Board of Directors of the Credit Union.

M. A. CAMERON
Chairman

S. P. W. LAIDLAW
Managing Director

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: The Directors of Australian Central Credit Union Ltd

I declare that, to the best of my knowledge and belief, in relation to the audits of Australian Central Credit Union Ltd for the financial year ended 30 June 2021 there have been:

(i) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audits; and

(ii) No contraventions of any applicable code of professional conduct in relation to the audits.

KPMG

KPMG

Paul Cenko
Partner

Adelaide

1 September 2021

HOW WE DO BUSINESS

Australian Central Credit Union Ltd trades as People's Choice Credit Union ("People's Choice"). The Board and Management of People's Choice are committed to acting lawfully, responsibly, ethically and with the highest standards of integrity.

People's Choice has adopted a principles-based approach to achieve sound corporate governance and business practices by adopting policies at Board level and cascading them throughout the organisation. People's Choice is also committed to adhering to the regulatory "fit and proper" framework and has regard to the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations".

ROLE OF THE BOARD

The Board comprises Non-Executive Directors and a Managing Director, each of whom has extensive experience and brings accountability and judgement to the Board's deliberations with a view to benefiting members, employees and the wider community.

The role and responsibilities of the Board are set out in the Board Charter, and include responsibilities such as: overseeing the operations of People's Choice as a whole; providing strategic direction; appointing and reviewing the performance of the Managing Director, reviewing and approving risk management and internal compliance and controls, monitoring the performance of executive management, approving and monitoring capital expenditure and capital management, assessing the organisation's financial position and performance, approving and monitoring financial and other reporting, ensuring continuous improvement in the organisation's performance, ensuring the structure of remuneration for People's Choice is linked to the achievement of People's Choice's objectives, deciding the nature of delegations to management, and approving any significant changes in the legal structure of the People's Choice group.

Importantly, the Board is also responsible for assessing People's Choice's compliance with its regulatory requirements, as well as with operating policies and practices, to ensure People's Choice meets its statutory, regulatory and fiduciary obligations.

STRUCTURE OF THE BOARD

The size and composition of the Board is regularly assessed and determined by the Board within the parameters set out in People's Choice's Constitution ("Constitution"), which requires a minimum of four member-elected Non-Executive Directors and provides for the appointment of Board and merger-Non-Executive Directors and a Managing Director. The Constitution requires that member-elected Directors must constitute a majority of non-executive Directors at all times.

All Directors are appointed in accordance with the Constitution and supporting policies, which are structured so as to facilitate the appointment of Directors who are of appropriate fitness and propriety for the purposes of applicable legislation and policies and who have the appropriate skills, knowledge and experience to be a Director.

Directors who held office during or since the end of the financial year and the year in which each was appointed to the Board (including the Board of the pre-merged entities) are set out below:

Directors – Non-Executive	Year First Elected/Appointed
M.A Cameron (Chairman)	2019
A.E Heyworth	2017
V.S. Hickey	2014
J.P. Patton	2016
K.A. Skipper^	2002
W. Thorpe	2019
G. Williams*	2021

Directors – Executive	Year First Appointed
S.P.W. Laidlaw (Managing Director)	2017

^ Director Skipper retired as a Director as of 1 June 2021.

* Director Williams was appointed to the Board as a member elected Director to fill the casual vacancy created by the resignation of Director Skipper.

Further information on the Directors can be found on page 11 of the Annual Report and on our website.

COMMITTEES OF THE BOARD

The Board has established standing Audit, Corporate Governance, Risk and Remuneration Committees. Each of these committees has been delegated particular functions and responsibilities and each committee's authority and responsibilities are set out in their individual terms of reference, as approved by the Board.

These committees generally meet at least three times a year to consider and make recommendations or decisions on matters within their terms of reference. Committee Chairs give verbal reports to the Board at Board meetings and the minutes of all committee meetings are reviewed by the Board. The Board also has access to all information prepared for the consideration of committees.

In addition to these committees, the Constitution provides for the establishment of a Nominations Committee in connection with Director elections.

Set out below is a summary of each committee and its functions.

Audit Committee – the Audit Committee assists the Board in fulfilling its responsibilities by providing an objective review of the effectiveness of People's Choice's financial reporting and risk management framework. Activities undertaken by the Committee include overseeing People's Choice's internal and external audit functions and processes, reviewing financial information presented by management and reviewing the appropriateness of and compliance with policies and procedures to ensure compliance with People's Choice's regulatory requirements.

Corporate Governance Committee – the Corporate Governance Committee is responsible for overseeing and making recommendations to the Board on governance related matters, including in relation to the appointment of the Managing Director or Chief Executive Officer, the appointment and election of Non-Executive Directors, Board performance reviews, the "fit and proper" framework, the size and composition of the Board and Executive, Director succession plans, the conduct of the Director elections and the conduct of the Annual General Meeting.

Risk Committee – the Risk Committee is responsible for providing objective oversight of the implementation and operation of the People's Choice risk management framework including overseeing the formulation and implementation of an appropriate organisational wide risk management strategy, ensuring that appropriate systems are in place to monitor emerging risks, ensuring that a sound risk management culture is maintained, making recommendations to the Board on the setting of People's Choice's risk appetite, and ensuring that appropriate systems and resources are in place to identify and manage material risks and to monitor and review the performance of all aspects of capital management.

Remuneration Committee – the Remuneration Committee is responsible for overseeing and making recommendations to the Board in relation to the remuneration arrangements of People's Choice including the Board Remuneration Policy, the remuneration of the Board, Managing Director, Chief Officers and other persons whose activities may affect the financial soundness of People's Choice and the performance of the Managing Director and Chief Officers.

Nominations Committee – a Nominations Committee is established in association with Director elections and assists the Board to manage the process for nomination of Directors, including conducting interviews with nominees and preparing statements to assist Members to make an informed voting decision. The Nominations Committee comprises the Chair of the Board (except when standing for re-election) and two external members with suitable skills and knowledge who are not Directors, staff or members of People's Choice, or who meet other criteria determined by the Board. The committee operates under the guidance of the Corporate Governance Committee.

REMUNERATION REPORT

In accordance with APRA standard APS 330 Public Disclosure, the People's Choice remuneration report forms part of the Prudential Disclosure Report from June which can be found under About Us in the Regulatory Disclosures section of our website.

DIVERSITY

The Board is committed to diversity and the promotion of an environment conducive to the appointment of well-qualified employees, Executive Management and Directors. A diversity policy is in place to assist People's Choice to maintain a workplace which values and respects each individual. This policy has been developed in a way that recognises the diversity of People's Choice's workforce and sets measurable targets that support the achievement of diversity in the workplace. People's Choice's performance against these targets is reported to, and monitored by, the Board on an annual basis. In addition, a Workplace Gender Equality Report is prepared annually which is available on People's Choice's website.

BOARD POLICIES

People's Choice maintains policies relating to its operational, compliance, legal and regulatory reporting requirements which are reviewed on a regular basis. These policies are supported by procedures to ensure compliance and effective monitoring of People's Choice's business. Further details of these policies and procedures are set out in the Board Charter, which can be found on the Corporate Governance Section of our website.

MEETINGS OF THE BOARD AND BOARD COMMITTEES

The membership and details of attendances at meetings of the People's Choice Board and Committees are outlined below:

Director	Director Type	Board		Audit		Corporate Governance		Risk		Remuneration	
		A(1)	B	A	B	A	B	A	B	A	B
M.A Cameron (Chairman)	D	12	12			5	5			4	4
S.P.W. Laidlaw (Managing Director)	E	12	12								
A.E. Heyworth	M	12	11	4	4			4	4		
V.S. Hickey	M	12	11			5	5			4	4
J.P. Patton	M	12	12	4	4			4	4		
K.A. Skipper(2)	M	10	6	3	2	5	4				
W. Thorpe	D	12	12					4	4	4	4
G. Williams(3)	M	2	2	1	1						

(1) Seven scheduled Board meetings and five ad hoc meetings were held during the year.

(2) Director Skipper retired as a Director as of 1 June 2021.

(3) Director Williams was appointed as a member elected director to fill the casual vacancy created by the resignation of Anne Skipper as of 1 June 2021.

A The number of meetings held during the period the Director was a member of the Board or Board Committee

B The number of meetings attended by the Director.

M Member-elected Directors

D Board-appointed Directors

E Executive Director

Independent Auditor's Report

To the Members of Australian Central Credit Union Ltd

Opinions

We have audited the ***Financial Report*** of Australian Central Credit Union Ltd (the Group Financial Report). We have also audited the Financial Report of Australian Central Credit Union Ltd (the Company Financial Report).

In our opinion, the accompanying Group Financial Report and the Company Financial Report are in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the ***Group and Company***'s financial position as at 30 June 2021 and of their financial performance for the year ended on that date; and
- Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Reports*** of the Group and the Company comprise:

- Statements of financial position as at 30 June 2021;
- Statements of profit or loss and other comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinions

We conducted our audits in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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 Group and 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 audits of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Australian Central Credit Union Ltd's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinions on the Financial Reports do not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

- Preparing the Financial Reports that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- Implementing necessary internal control to enable the preparation of Financial Reports that give a true and fair view and are free from material misstatement, whether due to fraud or error; and
- Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

- To obtain reasonable assurance about whether the Financial Reports as a whole are free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinions.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Reports.

A further description of our responsibilities for the audits of the Financial Reports is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Paul Cenko
Partner

Adelaide

1 September 2021

Directors' Declaration

In the opinion of the Directors of the Credit Union:

a) the financial statements and notes of the Credit Union and of the Group, set out on pages 21 to 72 are in accordance with the *Corporations Act 2001* , including:

i. giving a true and fair view of the Credit Union's and the Group's financial position as at 30 June 2021 and of their performance, for the financial year ended on that date;

ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;

b) the financial statements also comply with the International Financial Reporting Standards as disclosed in Note 2;

c) 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.

Signed in Adelaide this 1st day of September, 2021
in accordance with a resolution of the Board of Directors of the Credit Union.

M. A. CAMERON
Chairman

S. P. W. LAIDLAW
Managing Director

Statements of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated		Credit Union	
		2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Interest income	4	**262,075**	313,396	**321,729**	355,108
Interest expense	4	**(66,412)**	(128,505)	**(137,449)**	(180,185)
Net interest income		**195,663**	184,891	**184,280**	174,923
Share in net profit of equity accounted investees	21	**1,376**	1,281	**-**	-
Other income	5	**54,180**	59,808	**62,148**	66,183
Non-interest income		**55,556**	61,089	**62,148**	66,183
Net (impairment charge)/recoveries on loans and advances	10	**58**	(7,573)	**196**	(7,458)
Other expenses	6	**(221,537)**	(207,201)	**(217,994)**	(203,598)
Profit before tax		**29,740**	31,206	**28,630**	30,050
Income tax expense	7	**(8,668)**	(8,995)	**(8,349)**	(8,648)
Profit after tax for the year		**21,072**	22,211	**20,281**	21,402
Profit attributable to:					
Members of the parent		**21,072**	22,211	**20,281**	21,402
Other comprehensive income (reclassifies to profit or loss)					
Cash flow hedges:					
Net change in fair value of cash flow hedges transferred to profit or loss		**1,680**	1,399	**1,680**	1,399
Effective portion of changes in fair value of cash flow hedges		**2,208**	466	**2,208**	466
Changes in fair value of financial assets held at FVOCI		**537**	1,091	**537**	1,091
Income tax on items of other comprehensive income		**(1,328)**	(887)	**(1,328)**	(887)
Other comprehensive income for the year, net of income tax		**3,097**	2,069	**3,097**	2,069
Total comprehensive income for the year		**24,169**	24,280	**23,378**	23,471

The Statements of Profit or Loss and Other Comprehensive Income are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Financial Position

AS AT 30 JUNE 2021

	Note	Consolidated		Credit Union	
		2021	2020	**2021**	2020
		$'000	$'000	**$'000**	$'000
Assets					
Cash and cash equivalents	8	**225,742**	197,023	**140,787**	118,031
Loans and advances	9	**8,094,821**	7,886,087	**8,094,821**	7,886,087
Derivative assets	17 f)	**1,988**	13,364	**3,622**	19,208
Investment securities	11 a)	**1,139,336**	1,137,226	**1,139,336**	1,137,226
Other investments	11 b)	**29,927**	36,339	**1,698,042**	2,119,462
Property, plant and equipment	19	**63,469**	103,968	**63,469**	103,968
Intangible assets	20	**59,367**	6,082	**59,367**	6,082
Interest in equity accounted investees	21	**12,537**	11,222	**4,240**	4,240
Current tax receivable	7	**2,511**	-	**2,518**	-
Deferred tax assets	7	**16,573**	24,889	**16,131**	24,585
Other assets	12	**28,478**	31,287	**36,051**	40,630
Total Assets		**9,674,749**	9,447,487	**11,258,384**	11,459,519
Liabilities					
Deposits	13	**7,118,480**	6,743,585	**7,119,269**	6,743,587
Derivative liabilities	17 f)	**1,594**	17,849	**1,174**	3,438
Other payables	14	**47,234**	56,596	**54,353**	82,884
Lease liabilities	19 b)	**54,320**	61,481	**54,320**	61,481
Borrowings	15	**1,762,684**	1,896,068	**3,348,341**	3,904,609
Current tax payable	7	**-**	1,706	**-**	1,706
Deferred tax liabilities	7	**7,636**	11,854	**5,245**	9,759
Provisions	22	**20,449**	20,166	**20,265**	20,017
Total Liabilities		**9,012,397**	8,809,305	**10,602,967**	10,827,481
Net Assets		**662,352**	638,182	**655,417**	632,038
Equity					
Reserves	23	**196,384**	192,151	**196,378**	192,145
Retained earnings		**465,968**	446,031	**459,039**	439,893
Total Equity		**662,352**	638,182	**655,417**	632,038

The Statements of Financial Position are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2021

Consolidated Entity	**Note**	**Reserves $'000**	**Retained Earnings $'000**	**Total $'000**
Opening balance at 1 July 2020		**192,151**	**446,031**	**638,182**
Profit for the year after tax		**-**	**21,072**	**21,072**
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	23	**1,547**	**-**	**1,547**
Taken to profit or loss	23	**1,175**	**-**	**1,175**
Change in fair value of financial assets held at FVOCI	23	**376**	**-**	**376**
Total comprehensive income for the period		**3,098**	**-**	**3,098**
Transactions recorded directly in equity				
Redeemed member shares	23	**32**	**(32)**	**-**
General reserve for credit losses	23	**1,103**	**(1,103)**	**-**
Total recorded directly in equity		**1,135**	**(1,135)**	**-**
Closing balance at 30 June 2021		**196,384**	**465,968**	**662,352**
Opening balance at 1 July 2019		185,999	432,830	618,829
Profit for the year after tax		-	22,211	22,211
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	23	326	-	326
Taken to profit or loss	23	979	-	979
Change in fair value of financial assets held at FVOCI	23	764	-	764
Total comprehensive income for the period		2,069	-	2,069
Transactions recorded directly in equity				
Opening adjustment on initial application of AASB 16	23	-	(4,927)	(4,927)
Redeemed member shares	23	29	(29)	-
General reserve for credit losses	23	4,054	(4,054)	-
Total recorded directly in equity		4,083	(9,010)	(4,927)
Closing balance at 30 June 2020		192,151	446,031	638,182

The Statements of Changes in Equity are to be read in conjunction with the accompanying notes to the financial statements.

FOR THE YEAR ENDED 30 JUNE 2021

Credit Union	**Note**	**Reserves $'000**	**Retained Earnings $'000**	**Total $'000**
Opening balance at 1 July 2020		**192,145**	**439,893**	**632,038**
Profit for the year after tax		**-**	**20,281**	**20,281**
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	23	**1,547**	**-**	**1,547**
Taken to profit or loss	23	**1,175**	**-**	**1,175**
Change in fair value of financial assets held at FVOCI	23	**376**	**-**	**376**
Total comprehensive income for the period		**3,098**	**-**	**3,098**
Transactions recorded directly in equity				
Redeemed member shares	23	**32**	**(32)**	**-**
General reserve for credit losses	23	**1,103**	**(1,103)**	**-**
Total recorded directly in equity		**1,135**	**(1,135)**	**-**
Closing balance at 30 June 2021		**196,378**	**459,039**	**655,417**
Opening balance at 1 July 2019		185,993	427,501	613,494
Profit for the year after tax		-	21,402	21,402
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	23	326	-	326
Taken to profit or loss	23	979	-	979
Change in fair value of financial assets held at FVOCI	23	764	-	764
Total comprehensive income for the period		2,069	-	2,069
Transactions recorded directly in equity				
Opening adjustment on initial application of AASB 16	23	-	(4,927)	(4,927)
Redeemed member shares	23	29	(29)	-
General reserve for credit losses	23	4,054	(4,054)	-
Total recorded directly in equity		4,083	(9,010)	(4,927)
Closing balance at 30 June 2020		192,145	439,893	632,038

The Statements of Changes in Equity are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated		Credit Union	
		2021	2020	**2021**	2020
		$'000	$'000	**$'000**	$'000
Cash from operating activities					
Interest received		**261,581**	314,028	**321,235**	355,740
Interest paid		**(71,339)**	(134,784)	**(143,045)**	(202,444)
Payment of interest on lease liabilities		**(1,675)**	(1,839)	**(1,675)**	(1,839)
Fees and commission received		**47,217**	50,413	**47,651**	45,894
Other income received		**7,663**	6,128	**16,905**	16,158
Increase in loans and advances		**(208,676)**	(224,425)	**(208,539)**	(224,310)
Net increase in deposits and withdrawable shares		**374,895**	322,064	**375,682**	321,923
Payments to employees and suppliers		**(205,341)**	(218,106)	**(202,058)**	(201,944)
Income taxes paid		**(10,115)**	(9,196)	**(10,034)**	(9,196)
Net cash from operating activities	28	**194,210**	104,283	**196,122**	99,982
Cash from investing activities					
Net decrease/(increase) in investment securities held at FVOCI		**(1,574)**	(230,192)	**(1,574)**	(231,092)
Acquisition/disposal of non-tradeable investments		**6,411**	(19,231)	**421,420**	(1,243,228)
Acquisition of property plant and equipment		**(2,705)**	(26,687)	**(2,705)**	(26,687)
Acquisition of software intangibles		**(25,724)**	(3,758)	**(25,724)**	(3,758)
Proceeds from sale of property, plant and equipment		**1**	11	**1**	11
Dividends and distributions received		**441**	1,641	**441**	1,641
Net cash from investing activities		**(23,150)**	(278,216)	**391,859**	(1,503,113)
Cash from financing activities					
Payment of principal portion of lease liabilities		**(12,519)**	(12,795)	**(12,519)**	(12,795)
Proceeds from borrowings		**257,537**	130,004	**257,537**	1,442,390
Proceeds from residential mortgage backed securities issue		**67,894**	915,165	**-**	-
Repayment of borrowings		**(1,428)**	(1,217)	**(810,243)**	(1,217)
Payments to Noteholders		**(453,825)**	(795,513)	**-**	-
Net cash from financing activities		**(142,341)**	235,644	**(565,225)**	1,428,378
Net increase/(decrease) in cash and cash equivalents		**28,719**	61,711	**22,756**	25,247
Cash and cash equivalents at 1 July		**197,023**	135,312	**118,031**	92,784
Cash and cash equivalents at 30 June	8	**225,742**	197,023	**140,787**	118,031

The Statements of Cash Flows are to be read in conjunction with the accompanying notes to the financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

The financial report of Australian Central Credit Union Ltd (trading as People's Choice Credit Union) (the “Credit Union”), and its controlled entities (together referred to as the “Group”) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution by the Directors on 1 September 2021.

The Credit Union is a for-profit entity domiciled in Australia.

The Group is primarily involved in the provision of loans, savings and investment facilities, the sale of insurance policies and financial planning services to members and customers. There was no significant change in the nature of these activities during the year.

The controlling entity of the Group is Australian Central Credit Union Ltd. The registered office and principal place of business is 50 Flinders St, Adelaide, SA, Australia 5000.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (“AASBs”) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The financial reports of the Group and of the Credit Union comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

International Financial Reporting Standards Interpretations Committee final agenda decisions not yet adopted
In April 2021 the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, Configuration or customisation costs in a cloud computing arrangement. The decision discusses whether configuration or customisation expenditure relating to cloud computing arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Group’s accounting policy has historically been to capitalise all costs relating to the configuration and customisation of cloud computing arrangements as intangible assets in the Statements of Financial Position. The adoption of this agenda decision could result in a reclassification of these intangible assets to either a prepaid asset in the Statements of Financial Position and/or recognition as an expense in the Statements of Profit or Loss and Other Comprehensive Income, impacting both the current and/or prior periods presented.

As at 30 June 2021, the Group has not adopted this IFRIC agenda decision. The Group is currently undergoing a multi-year technology transformation initiative and has capitalised $62m of intangible assets and capital works in progress relating to this technology transformation, with a number of these initiatives involving cloud computing arrangements. The Group is in the process of performing a detailed assessment of the impact of the IFRIC agenda decision, however this assessment is ongoing due to the significant effort required in obtaining the underlying information from historical records covering 45 projects and assessing the nature of each of the costs and supplier arrangements. As such, the impact of the change is not reasonably estimable as at 30 June 2021. The Group expects to adopt this IFRIC agenda decision in the FY22 Annual Financial Report.

In accordance with ASIC Class Order 10/654 dated 20 December 2016 the Group presents parent entity financial statements together with consolidated financial statements.

b) Basis of measurement

The financial report has been prepared in accordance with the historical cost convention, except for derivative financial assets and liabilities and investment securities which are measured at their fair value. Loans and advances and financial liabilities are carried at amortised cost.

The financial report has been prepared on a going concern basis.

2. BASIS OF PREPARATION (continued)

c) Functional and presentation currency

The financial report is presented in Australian dollars and all values have been rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Group under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

d) Use of judgements and estimates

The preparation of a financial report in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable when making the judgement about the carrying values of assets and liabilities that are not readily apparent from other sources.

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

- Note 10 Impairment of loans and advances
- Note 18 Fair value of financial instruments
- Note 19 Property, plant and equipment

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Controlled entities

The Credit Union controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the controlled entity. The financial statements of controlled entities are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

In the financial report, investments in controlled entities are carried at cost. Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial report. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Special purpose entities

The Group has established a number of special purpose entities ("SPEs") for the purpose of issuing Residential Mortgage Backed Securities ("RMBS"). The SPE's are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of SPEs are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Interests in equity accounted investees

The Group's interests in equity accounted investees comprise interests in an associate and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

3. NEW STANDARDS NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2021, earlier application is permitted; however, the Group has not early adopted them in preparing this financial report. These relate to standards that have limited/no application to the Group.

4. NET INTEREST INCOME

Accounting policy

Interest income and interest expense are recognised as interest accrues using the effective interest rate method. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the gross carrying amount or amortised cost of the financial asset or liability.

Included in net interest income are interest income and expense on investment securities, hedging instruments and financial instruments measured at fair value through profit or loss.

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Interest income under the effective interest method				
Cash and cash equivalents	**411**	1,084	**87**	386
Loans and advances	**256,479**	299,042	**256,479**	299,042
Investment securities	**5,185**	13,270	**5,185**	13,270
Interest rate derivatives	**-**	-	**33,208**	20,952
Other investments	**-**	-	**26,770**	21,458
Total interest income under the effective interest method	**262,075**	313,396	**321,729**	355,108
Interest expense				
Deposits	**38,775**	81,762	**38,775**	81,762
Borrowings	**22,720**	40,217	**96,999**	96,584
Interest rate derivatives	**3,242**	4,687	**-**	-
Lease liabilities	**1,675**	1,839	**1,675**	1,839
Total interest expense	**66,412**	128,505	**137,449**	180,185
Net interest income	**195,663**	184,891	**184,280**	174,923

5. OTHER INCOME

Accounting policy

Loan, access and other fee income

Loan fee income is an integral part of the EIR of the loan and as such is recognised over the expected life of the loan.

Performance obligations related to access fee income are completed at a point in time when a transaction takes place. Access fee income is recognised when the performance obligation has been completed.

Performance obligations related to other fee income, predominately service related, are completed over time. Other fee income is recognised over the period that the service is provided.

5. OTHER INCOME (continued)

Accounting policy (continued)

Insurance fees and commissions

Insurance fees and commissions are earned by the Group for acting in the capacity as an agent and referring insurance policies on to the relevant providers. The Group's contracted performance obligations include initial referrals, policy renewals and ongoing processing and promotion obligations.

The total consideration to be received under the contract is calculated and allocated to separate performance obligations. Revenue is recognised over time as each performance obligation is completed.

Variable commissions are recognised only at the point that the income is highly probable and not expected to be reversed in future periods. Underlying judgements, estimates and assumptions required in calculated variable commission are reviewed on an ongoing basis. For variable consideration received in advance of the performance obligations being completed or highly probable criterion being met, a contract liability is recognised.

Financial planning fees and commissions

Financial planning fees and commission are earned for providing advice to members and arranging financial products on behalf of members. Performance obligations related to fees and commissions are satisfied at a point in time or over time and revenue is recognised accordingly.

Variable commissions are recognised only at the point that the income is highly probable and not expected to be reversed in future periods. Underlying judgements, estimates and assumptions required in calculated variable commission are reviewed on an ongoing basis. For variable consideration received in advance of the performance obligations being completed or highly probable criterion being met, a contract liability is recognised.

Dividends received

Dividends from other investments are recognised when the right to receive the dividend has been established.

Mutual Aid income

Mutual Aid is an optional financial risk product, historically offered in connection with personal loans. People's Choice may grant relief of repayments on personal loans in accordance with the terms and conditions of the product. Mutual Aid income is received in full at the commencement of the loan.

The expected value of Mutual Aid revenue, taking into account the probability of refunds, is recognised over the average life of the associated loans. A contract liability is recognised to the extent that the Group has not completed their performance obligations.

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Loan, access and other fee income	**25,321**	25,196	**34,564**	33,223
Insurance fees and commissions	**17,521**	18,082	**17,521**	18,082
Financial planning fees and commissions	**10,569**	11,432	**9,233**	9,780
Dividends received	**380**	1,641	**441**	1,641
Mutual Aid income	**297**	3,356	**297**	3,356
Net gain on sale of property, plant and equipment	**1**	11	**1**	11
Other income	**91**	90	**91**	90
Total other income	**54,180**	59,808	**62,148**	66,183

6. OTHER EXPENSES

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Salary and wages	**93,346**	89,265	**92,490**	88,632
Superannuation	**7,721**	7,251	**7,649**	7,189
Administrative expenses	**24,193**	28,274	**21,074**	25,407
Depreciation of property, plant and equipment	**17,537**	18,907	**17,537**	18,907
Amortisation of intangible computer software	**3,460**	2,694	**3,460**	2,694
Marketing costs	**7,745**	8,165	**8,391**	8,257
Occupancy expenses	**5,307**	4,695	**5,182**	4,563
Distribution channel costs	**25,203**	23,901	**25,203**	23,901
Information technology costs	**37,025**	24,049	**37,010**	24,048
Total other expenses	**221,537**	207,201	**217,996**	203,598

7. INCOME TAX

Accounting policy

Income tax

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset only if they are expected to be settled or realised at the same time.

Tax consolidation

The Credit Union and its Australian wholly-owned controlled entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the consolidated group is Australian Central Credit Union Ltd, trading as People's Choice Credit Union.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group. This is applied using the separate taxpayer within group approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Franking account

The Group has generated franking credits through paying income tax, including credits which will arise from the payment of income tax provided for in the financial statements.

The ability to use these franking credits is restricted by the Constitution of the Credit Union which does not currently permit dividend payments.

7. INCOME TAX (continued)

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Profit before tax	**29,740**	31,206	**28,630**	30,050
Tax at the tax rate of 30% (2020: 30%)	**8,922**	9,362	**8,589**	9,015
Adjust for tax effect of:				
Fully franked dividends received	**(114)**	(492)	**(132)**	(492)
Deferred tax on equity accounted associate	**(18)**	-	**-**	-
Sundry items	**151**	125	**165**	125
(Under)/over provision in prior years	**(273)**	-	**(273)**	-
Income tax expense	**8,668**	8,995	**8,349**	8,648
The components of tax expense comprise:				
Current tax	**5,897**	11,938	**5,736**	11,717
Deferred tax	**2,771**	(2,943)	**2,613**	(3,069)
	8,668	8,995	**8,349**	8,648
Income tax recognised in other comprehensive income				
Net gain/(loss) on cash flow hedges	**1,167**	560	**1,167**	560
Net gain/(loss) on investment securities held at FVOCI	**161**	327	**161**	327
	1,328	887	**1,328**	887
Current tax receivable/(payable)	**2,511**	(1,706)	**2,518**	(1,706)
Deferred tax assets comprise:				
Amounts recognised in profit or loss				
Loans and advances impairment	**2,666**	3,181	**2,666**	3,181
Accrued superannuation	**294**	260	**292**	258
Unearned fee income	**510**	1,594	**510**	1,594
Depreciation	**668**	1,374	**668**	1,374
Provisions	**7,958**	8,134	**7,439**	7,832
Derivative liabilities at fair value through profit or loss	**608**	5,762	**687**	5,762
Intangible assets	**467**	416	**467**	416
	13,171	20,721	**12,729**	20,417
Amounts recognised directly in Equity				
Cash flow hedges	**264**	1,030	**264**	1,030
Adjustments related to adoption of new accounting standards	**3,138**	3,138	**3,138**	3,138
Total deferred tax assets	**16,573**	24,889	**16,131**	24,585
Deferred tax liabilities comprise:				
Amounts recognised in profit or loss				
Equity accounted associates	**2,470**	2,095	**-**	-
Derivative assets at fair value through profit or loss	**608**	5,762	**687**	5,762
	3,078	7,857	**687**	5,762
Amounts recognised directly in Equity				
Cash flow hedges	**400**	-	**400**	-
Fair value reserve - investment securities held at FVOCI	**4,158**	3,997	**4,158**	3,997
Total deferred tax liabilities	**7,636**	11,854	**5,245**	9,759
Franking account balance	**196,225**	186,771		

FINANCIAL INSTRUMENTS

OVERVIEW

Financial instruments include loans and advances, investment securities, deposits and derivatives and account for the majority of the Group's balance sheet.

Accounting policy

Initial recognition and measurement
Financial assets and liabilities are recognised on the Group's balance sheet on the date they are originated or the trade date, which is the date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially recognised at fair value. Directly attributable transaction costs are added or deducted from the financial asset or liabilities, except for financial instruments measured at fair value through profit or loss, where directly attributable transaction costs are recognised in profit or loss.

Classification
Financial assets and liabilities are subsequently measured at amortised costs or fair value depending on their classification.

Instrument	Classification and measurement category	Note
Financial assets		
Cash and cash equivalents	Amortised cost	Note 8
Loans and advances	Amortised cost	Note 9
Investment securities	Fair value through other comprehensive income	Note 11
Derivative assets	Fair value through profit or loss	Note 18
Other assets	Amortised cost	Note 12
Financial liabilities		
Deposits	Amortised cost	Note 13
Other payables	Amortised cost	Note 14
Lease liabilities	Amortised cost	Note 19
Borrowings	Amortised cost	Note 15
Derivative liabilities	Fair value through profit or loss	Note 18

Derecognition of financial instruments
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

a) the right to receive cash flows from the asset has expired;

b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them without material delay to a third party; or

c) the Group has transferred its rights to receive cash flows from the asset and either:

   (i) has transferred substantially all the risks and rewards of the asset; or

   (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification which is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

8. CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents comprise notes and coins on hand and deposits at call with Authorised Deposit-Taking Institutions ("ADIs") and are stated at the gross value of the outstanding balance. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flows.

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Cash on hand and at bank	**12,494**	13,547	**12,494**	13,547
Deposits at call	**213,248**	183,476	**128,293**	104,484
	225,742	197,023	**140,787**	118,031

9. LOANS AND ADVANCES

Accounting policy

Loans and advances comprise term and revolving credit facilities provided to members and members' overdrawn savings accounts. Loans and advances are initially measured at fair value plus direct transaction costs which are primarily brokerage and origination fees. Subsequently loans and advances are measured at amortised cost using the effective interest rate method, less impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the carrying amount of the loan or advance. When estimating the future cash flows, the Group considers all contractual terms of the loan or advance excluding any expected credit losses (ECLs). Included in this calculation are all fees paid or received that are integral to the contract. The ECL on loans and advances is calculated in accordance with Note 10.

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Revolving credit facilities	**148,835**	201,873	**148,835**	201,873
Term loans	**7,950,407**	7,694,594	**7,950,407**	7,694,594
Gross loans and advances	**8,099,242**	7,896,467	**8,099,242**	7,896,467
Provision for impairment (Note 10)	**(12,309)**	(14,025)	**(12,309)**	(14,025)
Loan origination and processing costs	**9,908**	6,107	**9,908**	6,107
Unearned income	**(2,020)**	(2,462)	**(2,020)**	(2,462)
Net loans and advances	**8,094,821**	7,886,087	**8,094,821**	7,886,087

The loan portfolio of the Group does not include any loans or groups of related loans which represent 10% or more of capital (2020: $Nil).

10. IMPAIRMENT OF LOANS AND ADVANCES

Accounting policy

Financial assets, including loans and advances, migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12 month ECL
The Group collectively assesses ECLs on exposures that have not significantly increased in credit risk since initial recognition and that were not credit impaired upon origination. For these exposures, the Group recognises a collective provision equal to the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months.

Stage 2: Lifetime ECL – asset is not impaired
The Group collectively assesses ECLs on exposures that have significantly increased in credit risk since initial recognition but are not credit impaired. Credit risk is considered to have significantly increased when the exposure is equal to or greater than 30 days past due or when other quantitative criteria are met. For these exposures, the Group recognises a collective provision equal to the lifetime ECL.

Stage 3: Lifetime ECL – asset is impaired
The Group assesses ECLs both collectively and individually on those exposures that are assessed as credit impaired. Exposures are credit impaired when they are equal to or greater than 90 days past due or where one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred, including loan modifications. For exposures that have become credit impaired, a lifetime ECL is recognised as a collective or specific provision.

The measurement of the ECLs reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Other supporting information available to the Group at the reporting date, such as past events, current conditions and forecasts of future economic conditions.

The Group uses three alternative macro-economic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating the ECL; a Base scenario, an Upside scenario and a Downside scenario.

The table below provides a summary of the macro-economic variables used in the Base, Upside and Downside scenarios.

	2021			2020		
	Upside Scenario	**Base Scenario**	**Downside Scenario**	Upside Scenario	Base Scenario	Downside Scenario
	%	**%**	**%**	%	%	%
Forecast unemployment rate	**5.1**	**5.8**	**10.0**	6.5	8.5	11.5
Property price increase/(fall)	**10.0**	**5.0**	**(25.0)**	5.0	(10.0)	(25.0)

The table below provides approximate levels of the provision for impairment of loans and advances under the Base, Upside and Downside scenarios, assuming 100% weighting was applied to each scenario and all other assumptions remain constant.

	2021	2020
	$'000	$'000
Reported probability weighted ECL	**12,309**	14,025
100% Upside scenario	**5,972**	9,876
100% Base scenario	**8,589**	12,921
100% Downside scenario	**29,153**	20,729

10. IMPAIRMENT OF LOANS AND ADVANCES (continued)

Accounting policy (continued)

The impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy. The Group has incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic in the measurement of ECL. It is recognised that uncertainty still exists in relation to the duration of the COVID-19 pandemic-related restrictions, the vaccination roll-out and regulatory actions.

The provision for impairment of loans and advances is categorised as follows:

(i) Specific Provision
Loans and advances that meet significant delinquency and loan size criteria are individually assessed for impairment to estimate the expected credit loss on the loan.

(ii) Collective Provision
Loans and advances that do not meet significant delinquency criteria are not individually assessed but are placed into portfolios of assets with similar risk profiles and a collective assessment of impairment is performed based on objective evidence from historical experience.

The evaluation process is subject to a series of estimates and judgements. In the risk rated exposure, the risk rating system, including the frequency of default and loss given default rates, loss history, and the size, structure and diversity of individual borrowers are considered. Current developments in portfolios (industry, geographic and term) are reviewed.

In the statistically managed retail exposures, the history of defaults and losses, and the size, structure and diversity of portfolios are considered.

In addition, management considers overall indicators of portfolio performance, quality and economic conditions. Changes in these estimates could have a direct impact on the level of provision determined.

(iii) General Reserve for Credit Losses
The difference between the impairment provisions calculated under IFRS and those required by APRA is represented by a General Reserve for Credit Losses within equity. Transfers to and from the General Reserve for Credit Losses are made as an appropriation of retained earnings.

Loans and advances are written off and derecognised when the asset is impaired and there is no reasonable expectation that the outstanding principal and interest will be recovered.

The amount required to bring the specific and collective provision to the level assessed is recognised in the Statements of Profit or Loss and Other Comprehensive Income as set out in Note 9.

The Group considers that its cash and cash equivalents and investment securities have a low credit risk based on the external credit ratings of the counterparties, and as such no provision for impairment is recognised for these financial assets.

10. IMPAIRMENT OF LOANS AND ADVANCES (continued)

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Specific provision:				
Balance at beginning of year	**1,952**	1,200	**1,952**	1,200
Increase/(decrease) in provision	**(1,696)**	752	**(1,696)**	752
Balance at end of year	**256**	1,952	**256**	1,952
Collective provision:				
Balance at beginning of year	**12,073**	7,256	**12,073**	7,256
Increase/(decrease) in provision	**(20)**	4,817	**(20)**	4,817
Balance at end of year	**12,053**	12,073	**12,053**	12,073
Total provision for impairment	**12,309**	14,025	**12,309**	14,025
Charge to profit or loss comprises:				
Provision for loan impairment	**(1,716)**	5,569	**(1,716)**	5,569
Loans written off during the year as uncollectible	**3,044**	4,020	**2,906**	3,905
Bad debts recovered	**(1,386)**	(2,016)	**(1,386)**	(2,016)
Total charge to profit or loss	**(58)**	7,573	**(196)**	7,458
Impaired Loans				
Gross impaired loans	**4,141**	8,644	**4,141**	8,644
Specific provision for impairment	**(256)**	(1,952)	**(256)**	(1,952)
Total impaired loans net of specific provisions	**3,885**	6,692	**3,885**	6,692
Restructured loans	**5,234**	3,647	**5,234**	3,647
Assets acquired through the enforcement of security	**1,760**	4,001	**1,760**	4,001

10. IMPAIRMENT OF LOANS AND ADVANCES (continued)

Consolidated

	Stage 1	Stage 2	Stage 3 Collective	Stage 3 Specific	Total
	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2020	**3,516**	**5,566**	**2,991**	**1,953**	**14,025**
Changes due to loans and advances that have:					
Transferred to Stage 1	6,196	(4,208)	(1,403)	(585)	-
Transferred to Stage 2	(54)	369	(315)	-	-
Transferred to Stage 3 - collective	(9)	(128)	137	-	-
Transferred to Stage 3 - specific	-	-	(11)	11	-
New and increased provisions (net of provision releases)	(2,183)	615	975	(1,123)	(1,716)
Balance as at 30 June 2021	**7,466**	**2,214**	**2,374**	**256**	**12,309**
Balance as at 1 July 2019	3,281	1,810	2,164	1,201	8,456
Changes due to loans and advances that have:					
Transferred to Stage 1	1,294	(815)	(242)	(237)	-
Transferred to Stage 2	(131)	505	(321)	(53)	-
Transferred to Stage 3 - collective	(10)	(154)	265	(101)	-
Transferred to Stage 3 - specific	-	(8)	(12)	20	-
New and increased provisions (net of provision releases)	(918)	4,228	1,137	1,123	5,569
Balance as at 30 June 2020	3,516	5,566	2,991	1,953	14,025

10. IMPAIRMENT OF LOANS AND ADVANCES (continued)

Credit Union

	Stage 1	Stage 2	Stage 3 Collective	Stage 3 Specific	Total
	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2020	**3,516**	**5,566**	**2,991**	**1,953**	**14,025**
Changes due to loans and advances that have:					
Transferred to Stage 1	6,196	(4,208)	(1,403)	(585)	-
Transferred to Stage 2	(54)	369	(315)	-	-
Transferred to Stage 3 - collective	(9)	(128)	137	-	-
Transferred to Stage 3 - specific	-	-	(11)	11	-
New and increased provisions (net of provision releases)	(2,183)	615	975	(1,123)	(1,716)
Balance as at 30 June 2021	**7,466**	**2,214**	**2,374**	**256**	**12,309**
Balance as at 1 July 2019	3,281	1,810	2,164	1,201	8,456
Changes due to loans and advances that have:					
Transferred to Stage 1	1,294	(815)	(242)	(237)	-
Transferred to Stage 2	(131)	505	(321)	(53)	-
Transferred to Stage 3 - collective	(10)	(154)	265	(101)	-
Transferred to Stage 3 - specific	-	(8)	(12)	20	-
New and increased provisions (net of provision releases)	(918)	4,228	1,137	1,123	5,569
Balance as at 30 June 2020	3,516	5,566	2,991	1,953	14,025

11. INVESTMENTS

Accounting policy

Investment securities

Investment securities held by the Group are initially recognised at fair value and subsequently measured at fair value through other comprehensive income. Any resultant gain or loss on debt securities is recognised in other comprehensive income and presented within equity in the fair value reserve, except for impairment losses. Where the financial instruments are derecognised, the cumulative gain or loss previously recognised in other comprehensive income, and presented in the fair value reserve in equity, is transferred to profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest rate method is recognised in profit or loss.

The fair value of financial instruments classified as fair value through other comprehensive income is estimated using discounted cash flow analysis, based on current market rates for similar arrangements. The fair value of investment securities, that do not have an active market, are determined with reference to recent arm's length transactions.

Investment securities are recognised/derecognised by the Group on the date it commits to purchase/sell the investments.

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
a) Investment securities				
Interest-bearing deposits	**59,300**	59,301	**59,300**	59,301
Negotiable certificates of deposit	**498,102**	570,387	**498,102**	570,387
Floating rate notes	**465,100**	465,503	**465,100**	465,503
Bonds	**24,935**	10,118	**24,935**	10,118
Promissory notes	**59,982**	-	**59,982**	-
Shares in unlisted entities	**31,917**	31,917	**31,917**	31,917
Total investment securities	**1,139,336**	1,137,226	**1,139,336**	1,137,226
b) Other investments				
Capital notes	**-**	-	**1,692,454**	2,113,724
Other investments	**29,927**	36,339	**600**	750
Shares in controlled entities	**-**	-	**4,988**	4,988
Total other investments	**29,927**	36,339	**1,698,042**	2,119,462
Total Investments	**1,169,263**	1,173,565	**2,837,378**	3,256,688

11. INVESTMENTS (continued)

c) Shares in controlled entities

	2021 $	2020 $	% held by Holding Entity 2021 %	2020 %
Controlled entities				
Australian Central Services Pty Ltd	**-**	-	**100**	100
Financial Solutions Australasia Pty Ltd	**4,987,973**	4,987,973	**100**	100
People's Choice Community Foundation Limited	**-**	-	**100**	100
	4,987,973	4,987,973		

Special purpose entities

Light Trust No. 3[1]
Light Trust No. 4[2]
Light Trust No. 5R
Light Trust No. 6
Light Trust Warehouse No. 1
Light Trust 2017-2
Light Trust 2016-2
Light Trust 2017-1
Light Trust 2018-1
Light Trust 2019-1

The special purpose entities are wholly owned by Australian Central Credit Union Ltd.

[1] Deregistered on 5 February 2021
[2] Ceased trading on 22 June 2021

12. OTHER ASSETS

Accounting policy

Other assets include non-interest bearing receivables that are stated at cost less any impairment losses.

	Consolidated 2021 $'000	Consolidated 2020 $'000	Credit Union 2021 $'000	Credit Union 2020 $'000
Accrued interest receivable	**1,535**	1,041	**1,535**	1,041
Deferred borrowing costs	**-**	3,562	**-**	3,562
Prepayments	**11,705**	10,366	**11,705**	10,366
Other receivables	**15,238**	16,318	**22,811**	25,661
	28,478	31,287	**36,051**	40,630

13. DEPOSITS

Accounting policy

Deposits are financial liabilities and are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Retail deposits	**6,963,385**	6,618,973	**6,964,174**	6,618,975
Non-retail deposits	**154,374**	123,867	**154,374**	123,867
Withdrawable shares (issued and paid up at $2.00 per share)	**721**	745	**721**	745
	7,118,480	6,743,585	**7,119,269**	6,743,587

The deposit portfolio of the Group does not include any deposits or groups of related deposits which represent 10% or more of liabilities (2020: $Nil).

14. OTHER PAYABLES

Accounting policy

Other payables are non-interest bearing payables, which are normally settled on thirty day terms and are stated at amortised cost.

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Accounts payable and other payables	**34,095**	35,845	**41,171**	60,730
Accrued interest payable	**5,249**	11,851	**7,343**	14,614
Customer refunds	**7,890**	8,900	**5,839**	7,540
	47,234	56,596	**54,353**	82,884

15. BORROWINGS

Accounting policy

The Group initially recognises debt securities issued and subordinated liabilities on the date they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs (including securitisation establishent costs). Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using an effective interest rate method.

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Wholesale funding facilities	**4,105**	5,533	**4,105**	5,533
Loans payable to securitisation trusts	**-**	-	**2,956,695**	3,769,072
Notes payable	**1,371,038**	1,760,531	**-**	-
Term funding facility	**387,541**	130,004	**387,541**	130,004
	1,762,684	1,896,068	**3,348,341**	3,904,609
Wholesale funding facility utilisation				
Wholesale funding facilities - utilised	**4,105**	5,533	**4,105**	5,533
Wholesale funding facilities - unutilised	**-**	-	**-**	-
Wholesale funding approved limits	**4,105**	5,533	**4,105**	5,533
Securitisation warehouse funding facility utilisation				
Securitisation warehouse funding facilities - utilised	**439,985**	504,641	**439,985**	504,641
Securitisation warehouse funding facilities - unutilised	**130,015**	115,359	**130,015**	115,359
Securitisation warehouse funding approved limits	**570,000**	620,000	**570,000**	620,000
Term funding facility utilisation				
Term funding facility - utilised	**387,541**	130,004	**387,541**	130,004
Term funding facility - unutilised	**-**	104,960	**-**	104,960
Term funding approved limit	**387,541**	234,964	**387,541**	234,964

Term funding facility

In response to the COVID-19 pandemic, the RBA has provided a term funding facility to the Credit Union, for a term of three years at a fixed interest rate. Securities sold under this agreement to repurchase are retained on the Statement of Financial Position when the majority of the risk and rewards of ownership remain with the Group. The counterparty liability is included within Borrowings on the Statement of Financial Position when cash consideration is received.

16. STANDBY BORROWING FACILITIES

The Credit Union has the following borrowing facilities:	Credit Union	
	2021	2020
Overdraft facility	**$'000**	$'000
Gross facility amount	**5,000**	5,000
Less: current borrowing	**-**	-
Net available	**5,000**	5,000

17. RISK MANAGEMENT

Financial risk management objectives

The Group is exposed to a range of risks as part of its daily operations. These risks are managed using an enterprise wide approach in line with sound business practice, Australian risk management standards, prudential requirements and the Board's approved risk appetite, providing the Board with a comprehensive view of its risk profile.

As part of the risk management framework, a risk management strategy is maintained which includes policies and plans which detail the Group's approach to the management of risk exposures. The risk management strategy includes systems for the identification, analysis, evaluation, treatment, monitoring and reporting of risk, is subject to regular review and is responsive to the changing regulatory and operating environments.

The Board ensures a sound risk management culture is maintained and embedded in the Group's values and behaviours and the conduct of business. The material financial risks faced by the Group include liquidity risk, credit risk and market risk (incorporating interest rate risk).

a) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Group has in place information systems and a structured process to monitor and manage liquidity risk. The management process incorporates specific liquidity management strategies and liquidity contingency plans that manage liquidity on a daily basis under normal situations and assumed adverse scenarios. The liquidity strategy requires the holding of surplus funds in liquid assets which meet APRA's criteria for classification as eligible Minimum Liquidity Holdings ("MLH"), the availability of appropriate standby lines of funding, maintenance of reliable sources of funding (retail and wholesale) and daily liquidity projections.

APRA Prudential Standards place specific management and reporting requirements on ADIs in relation to liquidity risk. The Prudential Standards provide that liquidity strategies and liquidity holdings can be based on either a scenario analysis or on an MLH basis. APRA has approved the Credit Union to adopt an MLH approach, whereby the Credit Union is required to maintain a minimum holding in specified eligible assets at all times.

The Credit Union's liquidity ratio as at the reporting date (30 June) is provided below:

	Credit Union	
	2021	2020
	%	%
Liquidity ratio	**14.78**	16.96

17. RISK MANAGEMENT (continued)

Contractual undiscounted cash flows

The following tables summarise the maturity profile of the Group's and the Credit Union's financial liabilities as at 30 June 2021 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice is given immediately. However, the Group and the Credit Union expect that many members will not request repayment on the earliest date the Group or the Credit Union could be required to pay and the tables do not reflect the cash flows indicated by the Group's or the Credit Union's deposit retention history. Derivatives designated are based on their contractual maturity. The amounts represent principal and interest cash flows and may differ when compared to the carrying amounts reported on the Statements of Financial Position.

Consolidated Entity	At call $'000	3 Months or less $'000	3 to 12 months $'000	1 to 5 years $'000	Greater than 5 years $'000	Total $'000	Carrying amount $'000
2021							
Financial Liabilities							
Deposits	**5,212,146**	**848,482**	**913,515**	**152,537**	**-**	**7,126,680**	**7,118,480**
Other payables	**-**	**47,234**	**-**	**-**	**-**	**47,234**	**47,234**
Lease liabilities	**-**	**3,446**	**11,018**	**42,176**	**18,082**	**74,722**	**54,320**
Borrowings	**-**	**22,438**	**67,225**	**741,413**	**1,477,812**	**2,308,888**	**1,762,684**
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	**-**	**758**	**1,127**	**(2,590)**	**-**	**(705)**	**(394)**
Total cash flows	**5,212,146**	**922,358**	**992,885**	**933,536**	**1,495,894**	**9,556,819**	**8,982,324**
2020							
Financial Liabilities							
Deposits	4,463,235	738,779	1,401,039	162,713	-	6,765,766	6,743,585
Other payables	-	56,596	-	-	-	56,596	56,596
Lease liabilities	-	2,139	10,180	51,558	18,315	82,192	61,481
Borrowings	-	29,039	87,012	590,046	2,017,562	2,723,659	1,896,068
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	-	1,378	2,102	1,119	-	4,599	4,485
Total cash flows	4,463,235	827,931	1,500,333	805,436	2,035,877	9,632,812	8,762,215

17. RISK MANAGEMENT (continued)

Credit Union	At call $'000	3 Months or less $'000	3 to 12 months $'000	1 to 5 years $'000	Greater than 5 years $'000	Total $'000	Carrying amount $'000
2021							
Financial Liabilities							
Deposits	**5,212,309**	**848,482**	**913,515**	**152,537**	**-**	**7,126,843**	**7,119,269**
Other payables	**-**	**54,353**	**-**	**-**	**-**	**54,353**	**54,353**
Lease liabilities	**-**	**3,446**	**11,018**	**42,176**	**18,082**	**74,722**	**54,320**
Borrowings	**-**	**46,275**	**138,734**	**1,121,435**	**3,227,033**	**4,533,477**	**3,348,341**
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	**-**	**735**	**(633)**	**(3,044)**	**-**	**(2,942)**	**(2,448)**
Total cash flows	**5,212,309**	**953,291**	**1,062,634**	**1,313,104**	**3,245,115**	**11,786,453**	**10,573,835**
2020							
Financial Liabilities							
Deposits	4,463,237	738,779	1,401,039	162,713	-	6,765,768	6,743,587
Other payables	-	82,884	-	-	-	82,884	82,884
Lease liabilities	-	2,139	10,180	51,558	18,315	82,192	61,481
Borrowings	-	59,513	178,433	1,076,416	4,342,866	5,657,228	3,904,609
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	-	(3,183)	(7,973)	(7,621)	-	(18,777)	(15,770)
Total cash flows	4,463,237	880,132	1,581,679	1,283,066	4,361,181	12,569,295	10,776,791

17. RISK MANAGEMENT (continued)

b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statements of Financial Position. The maximum credit exposure does not take into account the value of any collateral or other security held in the event other entities/parties fail to perform their obligations under the financial instruments in question. The value of collateral held against individual exposures is generally only assessed at the time of borrowing or when a specific review of that exposure is undertaken in accordance with policy.

The Group holds collateral against loans and advances to members in the form of mortgage interests over real property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired.

The maximum exposure to credit risk as at the reporting date (30 June) was:

	Consolidated		**Credit Union**	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Deposits at call	**213,248**	183,476	**128,293**	104,484
Other assets	**28,478**	31,287	**36,051**	40,630
Investment securities	**1,107,419**	1,105,309	**1,107,419**	1,105,309
Derivative assets	**1,988**	13,364	**3,622**	19,208
Financial assets other than loans and advances	**1,351,133**	1,333,436	**1,275,385**	1,269,631
Loans and advances	**8,099,242**	7,896,467	**8,099,242**	7,896,467
Total financial assets	**9,450,375**	9,229,903	**9,374,627**	9,166,098
Credit commitments	**1,088,835**	978,743	**1,088,835**	978,743
Total potential exposure to credit risk	**10,539,210**	10,208,646	**10,463,462**	10,144,841
Distribution of financial assets:				
Neither past due nor impaired				
Financial assets other than loans and advances	**1,351,133**	1,333,436	**1,275,385**	1,269,631
Loans and advances	**7,933,474**	7,267,522	**7,933,474**	7,267,522
Past due but not impaired				
Loans and advances	**161,627**	620,301	**161,627**	620,301
Impaired				
Loans and advances	**4,141**	8,644	**4,141**	8,644
	9,450,375	9,229,903	**9,374,627**	9,166,098
Gross loans and advances past due but not impaired [1]				
1 - 30 days	**94,151**	158,917	**94,151**	158,917
31 - 60 days	**22,189**	109,616	**22,189**	109,616
61 - 90 days	**13,725**	239,673	**13,725**	239,673
> 90 days	**31,562**	112,095	**31,562**	112,095
Total	**161,627**	620,301	**161,627**	620,301

[1] The 2020 figures for gross loans and advances which are past due but not impaired include loans with approved repayment deferrals provided as part of the COVID-19 pandemic support packages.

17. RISK MANAGEMENT (continued)

b) Credit risk management (continued)

Geographic concentration of credit risk for gross loans and advances

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
South Australia	**4,902,339**	4,865,871	**4,902,339**	4,865,871
Northern Territory	**1,722,912**	1,643,093	**1,722,912**	1,643,093
Victoria	**980,295**	927,496	**980,295**	927,496
New South Wales	**164,137**	149,000	**164,137**	149,000
Western Australia	**73,093**	76,548	**73,093**	76,548
Queensland	**160,512**	141,209	**160,512**	141,209
Australian Capital Territory	**79,176**	77,732	**79,176**	77,732
Tasmania	**16,778**	15,518	**16,778**	15,518
	8,099,242	7,896,467	**8,099,242**	7,896,467

c) Capital adequacy

The management of the capital of a financial institution is a fundamental part of its risk management process, as an essential element of capital is its availability to absorb future, unexpected and unidentified losses.

APRA Prudential Standards require ADIs to maintain at all times a minimum ratio of capital to risk weighted assets. As part of its risk management process, the Credit Union has developed a methodology with financial modelling to assist in determining the optimum level of capital that is consistent with assessed risk exposure and business activity. The optimum capital is managed within a range well above the minimum required by APRA and incorporates an assessment of the combined risk exposure for operations, market, credit and strategic risk.

The Credit Union's capital management plan ensures capital holdings are maintained in proportion to its risk exposure from its activities. The Credit Union and the Group have complied with all the APRA capital adequacy requirements throughout the year.

The Group's capital adequacy ratio as at the end of the reporting date (30 June) and the comparative are as follows:

	Consolidated	
	2021	2020
	$'000	$'000
Capital Adequacy Ratio	**13.74%**	14.32%
Qualifying capital		
Tier 1	**524,445**	528,323
Tier 2	**13,767**	12,664
Total qualifying capital	**538,212**	540,987
Risk Weighted Assets	**3,917,716**	3,778,457

For further detail on the Group's capital adequacy please refer to our public disclosures under APS 330 Public Disclosure, which is located on the Credit Union's website under Regulatory Disclosures.

17. RISK MANAGEMENT (continued)

d) Market risk management

Market risk is the risk of exposure to changes to financial prices affecting the value of positions held by the Group as part of its normal trading activities. As the Group does not deal in foreign exchange contracts or commodities, market risk for the Group consists solely of interest rate risk.

e) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate risk volatility of net interest income and market value of equity exposures. Positions are monitored regularly and approved hedging strategies are executed to ensure sensitivities and exposures are maintained within the established limits.

The sensitivity in the Statements of Profit or Loss and Other Comprehensive Income is the effect of assumed changes in interest rates on the net interest for one year, based on the floating rate financial assets and financial liabilities held at 30 June 2021, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing the fixed rate of loans and advances, financial assets held at FVOCI (including the effect of any associated hedges), and interest rate swaps designated as cash flow hedges, at 30 June 2021 for the effects of the assumed changes in interest rates. The sensitivity of equity is analysed by maturity of the asset or interest rate swap, with sensitivity based on the assumption that there are parallel shifts in the yield curve.

Monitoring of adherence to policies, limits and procedures is controlled through the Management Asset and Liability Committee ("MALCO") and the Board Risk Committee.

The following table demonstrates the sensitivity to reasonably possible changes in interest rates, on the Group’s income statement and in equity with all other variables held constant.

	Equity Sensitivity		**Net Revenue Sensitivity**	
	2021	2020	**2021**	2020
Consolidated	**%**	%	**$'000**	$'000
25 bp rise	**(0.63)**	(0.69)	**(325)**	560
25 bp fall	**0.63**	0.50	**353**	(2,232)
50 bp rise	**(1.25)**	(1.38)	**(658)**	1,124
50 bp fall	**1.26**	0.46	**695**	(2,904)

17. RISK MANAGEMENT (continued)

e) Interest rate risk (continued)

The Group's exposure to interest rate risk at balance date is shown in the following table and does not differ materially from that of the Credit Union.

Consolidated		**Fixed interest rate maturing:**				
	Floating interest rate	**<1 yrs**	**1-5 yrs**	**> 5 yrs**	**Non-interest bearing**	**Total**
2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets						
Cash and cash equivalents	**213,248**	**-**	**-**	**-**	**12,494**	**225,742**
Loans and advances	**4,302,445**	**1,665,594**	**2,126,272**	**510**	**-**	**8,094,821**
Investment securities	**-**	**1,107,419**	**-**	**-**	**31,917**	**1,139,336**
Other investments	**29,927**	**-**	**-**	**-**	**-**	**29,927**
	4,545,620	**2,773,013**	**2,126,272**	**510**	**44,411**	**9,489,826**
Financial Liabilities						
Deposits	**5,212,264**	**1,755,891**	**150,325**	**-**	**-**	**7,118,480**
Borrowings	**-**	**1,375,143**	**387,541**	**-**	**-**	**1,762,684**
	5,212,264	**3,131,034**	**537,866**	**-**	**-**	**8,881,164**
Interest rate swaps - assets/(liabilities)	**830,000**	**(85,000)**	**(745,000)**	**-**	**-**	**-**

		Fixed interest rate maturing:				
	Floating interest rate	**<1 yrs**	**1-5 yrs**	**> 5 yrs**	**Non-interest bearing**	**Total**
2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets						
Cash and cash equivalents	183,476	-	-	-	13,547	197,023
Loans and advances	4,690,813	1,472,191	1,722,227	856	-	7,886,087
Investment securities	-	1,105,309	-	-	31,917	1,137,226
Other investments	36,339	-	-	-	-	36,339
	4,910,628	2,577,500	1,722,227	856	45,464	9,256,675
Financial Liabilities						
Deposits	4,464,244	2,120,682	158,659	-	-	6,743,585
Borrowings	-	1,896,068	-	-	-	1,896,068
	4,464,244	4,016,750	158,659	-	-	8,639,653
Interest rate swaps - assets/(liabilities)	340,000	(210,000)	(130,000)	-	-	-

17. RISK MANAGEMENT (continued)

f) Interest rate swap contracts

The Group uses interest rate swaps to hedge its exposure to interest rate risks arising from operational and financing activities. In accordance with Group Risk Appetite and Board policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives that do not qualify for hedge accounting are accounted for at fair value through profit or loss. For interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates. The Group enters into interest rate swap contracts for the sole purpose of managing interest rate exposures in the Statements of Financial Position and not for speculative purposes.

Sale of a security with a total return swap

The Group sells debt securities that are subject to a concurrent total return swap. In all cases, the Group retains substantially all of the risks and rewards of ownership resulting in the Group continuing to recognise the transferred securities in its Statements of Financial Position. The cash received is recognised as a financial asset and a corresponding liability is recognised.

The Group does not separately recognise the total return swap that prevents derecognition of the security as a derivative because doing so would result in recognising the same rights and obligations twice. As the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. When the forecast transaction subsequently results in the recognition of a non-financial asset or liability, the associated cumulative gain or loss is removed from other comprehensive income and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or liability, then the associated gains or losses that were recognised directly in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects the Statements of Profit or Loss and Other Comprehensive Income (i.e. when the interest income is recognised).

Effectiveness tests are performed on derivative financial instruments to determine if they are still providing the protection originally intended when entered into by the Group. Where a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, any gain or loss on the instrument previously recognised in other comprehensive income is reversed through profit or loss with all subsequent gains or losses recognised through profit or loss.

When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes to its fair value are recognised directly in profit or loss.

17. RISK MANAGEMENT (continued)

f) Interest rate swap contracts (continued)

Derivative financial instruments
Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the present value of the future cash flows that the Group would receive or pay to terminate the swap at the balance date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Where a financial asset does not qualify for derecognition the associated basis swaps are recognised on an accrual basis in accordance with AASB 9.

	2021			2020		
	Notional Amount	**Fair Value Asset**	**Fair Value Liability**	Notional Amount	Fair Value Asset	Fair Value Liability
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Consolidated						
Derivatives at fair value through profit or loss						
Interest rate swaps	**1,415,611**	**1,988**	**(713)**	1,665,585	13,364	(14,411)
Derivatives held as cash flow						
Interest rate swaps	**830,000**	**-**	**(881)**	340,000	-	(3,438)
	2,245,611	**1,988**	**(1,594)**	2,005,585	13,364	(17,849)
Credit Union						
Derivatives at fair value through profit or loss						
Interest rate swaps	**1,132,616**	**3,622**	**(293)**	1,333,547	19,208	-
Derivatives held as cash flow						
Interest rate swaps	**830,000**	**-**	**(881)**	340,000	-	(3,438)
	1,962,616	**3,622**	**(1,174)**	1,673,547	19,208	(3,438)

The following table details the Group's net fair values and notional principal amounts at the remaining terms of interest rate swap contracts outstanding as at the reporting date:

	Net Fair Value		**Notional Principal**	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Less than 1 year	**(1,810)**	(3,403)	**1,457,309**	825,603
1 to 2 years	**676**	(906)	**290,147**	766,731
2 to 5 years	**1,528**	(177)	**498,155**	405,365
> 5 years	**-**	1	**-**	7,886
	394	(4,485)	**2,245,611**	2,005,585

17. RISK MANAGEMENT (continued)

Offsetting financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group does not have a legally enforceable right to set-off any interest rate swap agreements.

Master netting arrangement – not currently enforceable
Agreements with derivative counterparties are based on the International Swaps and Derivatives Association ("ISDA") Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As neither the Group nor the Credit Union presently have a legally enforceable right of set-off, these amounts have not been offset in the Statements of Financial Position and accordingly derivative assets and derivative liabilities are shown on a gross basis in the Statements of Financial Position.

If under the ISDA Master Agreement there was a legally enforceable right of set-off, there would be a reduction in both the derivative asset and derivative liability of the Credit Union and the Group of $1.594 million as at 30 June 2021 ($13.364 million at 30 June 2020).

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting policy

a) Fair value methodologies

Disclosed below is the estimated fair value of the Group's financial instruments presented in accordance with the requirements of Accounting Standard AASB 7 *Financial Instruments: Disclosures* .

A financial instrument is defined by AASB 132 *Financial Instruments: Presentation* as any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A financial liability is a contractual obligation either to deliver cash or another financial asset to another entity, or, to exchange financial instruments with another entity under conditions that are potentially unfavourable.

The methodologies and assumptions used in measuring fair value depend on the terms and risk characteristics of the various instruments and include the following:

Cash and cash equivalents
Being cash on hand and at call deposits, the carrying amount is the fair value.

Loans and advances
The fair value of loans has been estimated using discounted cash flow analysis, based on current rates offered by the Group for loans with similar terms. The fair value of impaired loans has been estimated as their carrying amount net of the aggregate provision for impairment.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Accounting policy (continued)

Investment securities
The fair value of investment securities is estimated using discounted cash flow analysis, based on current market rates for similar arrangements, with the exception of shares held in other unlisted entities. Shares held in other unlisted entities are measured at fair value on initial recognition and subsequently measured when they can be reliably estimated. Where fair value cannot be measured reliably, the assets are measured at the carrying amount determined at the last date on which the fair value could be determined reliably, subject to impairment testing.

Shares held in other unlisted entities have been classified as Level 3 in the fair value hierarchy in the 2021 financial year due to the limited availability of relevant observable market transactions. Observable market transactions may include sales of shares held by other shareholders. In the absence of any share sales in the current year, the Group has considered the recoverability of the carrying amount of the shares held in other unlisted entities with reference to the unlisted entity's net assets per share. Should a share sale transaction occur in the future, the carrying amount of the Group's shares held in other unlisted entities may be affected.

Other investments
Other investments represent both capital notes and shares in controlled entities. The fair value of capital notes is estimated using discounted cash flow analysis, based on current market rates for similar arrangements.

Derivative financial instruments
Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.

Other assets
This includes items such as sundry debtors, which are short-term by nature and the carrying amount is therefore a reasonable estimate of the fair value.

Deposits
The net fair value of deposits has been estimated using discounted cash flow analysis, based on current rates offered by the Group for deposits with similar terms.

Other payables
The carrying amount approximates net fair value because of the short term of the settlement of the amounts due.

Borrowings
Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Carrying value		Fair value	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Consolidated				
Financial Assets				
Cash and cash equivalents	**225,742**	197,023	**225,742**	197,023
Loans and advances	**8,094,821**	7,886,087	**8,105,994**	7,921,561
Investment securities	**1,139,336**	1,137,226	**1,139,336**	1,137,226
Other investments	**29,927**	36,339	**29,927**	36,339
Derivative assets	**1,988**	13,364	**1,988**	13,364
Other assets	**28,478**	31,287	**28,478**	31,287
	9,520,292	9,301,326	**9,531,465**	9,336,800
Financial Liabilities				
Deposits	**7,118,480**	6,743,585	**7,116,428**	6,752,046
Other payables	**47,234**	56,596	**47,234**	56,596
Borrowings	**1,762,684**	1,896,068	**1,763,340**	1,892,085
Derivative liabilities	**1,594**	17,849	**1,594**	17,849
	8,929,992	8,714,098	**8,928,596**	8,718,576
Credit Union				
Financial Assets				
Cash and cash equivalents	**140,787**	118,031	**140,787**	118,031
Loans and advances	**8,094,821**	7,886,087	**8,105,994**	7,921,561
Investment securities	**1,139,336**	1,137,226	**1,139,336**	1,137,226
Other investments	**1,698,042**	2,119,462	**1,698,042**	2,119,462
Derivative assets	**3,622**	19,208	**3,622**	19,208
Other assets	**36,051**	40,630	**36,051**	40,630
	11,112,659	11,320,644	**11,123,832**	11,356,118
Financial Liabilities				
Deposits	**7,119,269**	6,743,587	**7,117,217**	6,752,048
Other payables	**54,353**	82,884	**54,353**	82,884
Borrowings	**3,348,341**	3,904,609	**3,350,595**	3,901,662
Derivative liabilities	**1,174**	3,438	**1,174**	3,438
	10,523,137	10,734,518	**10,523,339**	10,740,032

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

b) Fair value hierarchy - financial instruments measured at fair value

The following table sets out the fair value of financial instruments that are measured at fair value and analyses them by the level in the fair value hierarchy into which the fair value measurement is categorised:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated Entity				
2021				
Financial Assets				
Financial assets measured at FVOCI	**-**	**1,107,419**	**31,917**	**1,139,336**
Derivative assets	**-**	**1,988**	**-**	**1,988**
	-	**1,109,407**	**31,917**	**1,141,324**
Financial Liabilities				
Derivative liabilities	**-**	**1,594**	**-**	**1,594**
	-	**1,594**	**-**	**1,594**
2020				
Financial Assets				
Financial assets measured at FVOCI	-	1,105,309	31,917	1,137,226
Derivative assets	-	13,364	-	13,364
	-	1,118,673	31,917	1,150,590
Financial Liabilities				
Derivative liabilities	-	17,849	-	17,849
	-	17,849	-	17,849
Credit Union				
2021				
Financial Assets				
Financial assets measured at FVOCI	**-**	**1,107,419**	**31,917**	**1,139,336**
Derivative assets	**-**	**3,622**	**-**	**3,622**
	-	**1,111,041**	**31,917**	**1,142,958**
Financial Liabilities				
Derivative liabilities	**-**	**1,174**	**-**	**1,174**
	-	**1,174**	**-**	**1,174**
2020				
Financial Assets				
Financial assets measured at FVOCI	-	1,105,309	31,917	1,137,226
Derivative assets	-	19,208	-	19,208
	-	1,124,517	31,917	1,156,434
Financial Liabilities				
Derivative liabilities	-	3,438	-	3,438
	-	3,438	-	3,438

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

c) Fair value hierarchy - financial instruments not measured at fair value (continued)

The following table sets out the fair value of financial instruments that are not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total Fair Values $'000	Carrying Amount $'000
Consolidated Entity					
2021					
Financial Assets					
Cash and cash equivalents	**225,742**	**-**	**-**	**225,742**	**225,742**
Loans and advances	**-**	**-**	**8,105,994**	**8,105,994**	**8,094,821**
Other investments	**-**	**29,927**	**-**	**29,927**	**29,927**
Other assets	**28,478**	**-**	**-**	**28,478**	**28,478**
	254,220	**29,927**	**8,105,994**	**8,390,141**	**8,378,968**
Financial Liabilities					
Deposits	**-**	**-**	**7,116,428**	**7,116,428**	**7,118,480**
Borrowings	**-**	**-**	**1,763,340**	**1,763,340**	**1,762,684**
Other payables	**47,234**	**-**	**-**	**47,234**	**47,234**
	47,234	**-**	**8,879,768**	**8,927,002**	**8,928,398**
2020					
Financial Assets					
Cash and cash equivalents	197,023	-	-	197,023	197,023
Loans and advances	-	-	7,921,561	7,921,561	7,886,087
Other investments	-	36,339	-	36,339	36,339
Other assets	31,287	-	-	31,287	31,287
	228,310	36,339	7,921,561	8,186,210	8,150,736
Financial Liabilities					
Deposits	-	-	6,752,046	6,752,046	6,743,585
Borrowings	-	-	1,892,085	1,892,085	1,896,068
Other payables	56,596	-	-	56,596	56,596
	56,596	-	8,644,131	8,700,727	8,696,249

Fair value hierarchy levels have not been disclosed for some financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

c) Fair value hierarchy - financial instruments not measured at fair value (continued)

	Level 1	Level 2	Level 3	Total Fair Values	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Credit Union					
2021					
Financial Assets					
Cash and cash equivalents	**140,787**	**-**	**-**	**140,787**	**140,787**
Loans and advances	**-**	**-**	**8,105,994**	**8,105,994**	**8,094,821**
Other investments	**-**	**1,698,042**	**-**	**1,698,042**	**1,698,042**
Other assets	**36,051**	**-**	**-**	**36,051**	**36,051**
	176,838	**1,698,042**	**8,105,994**	**9,980,874**	**9,969,701**
Financial Liabilities					
Deposits	**-**	**-**	**7,117,217**	**7,117,217**	**7,119,269**
Borrowings	**-**	**-**	**3,350,595**	**3,350,595**	**3,348,341**
Other payables	**54,353**	**-**	**-**	**54,353**	**54,353**
	54,353	**-**	**10,467,812**	**10,522,165**	**10,521,963**
2020					
Financial Assets					
Cash and cash equivalents	118,031	-	-	118,031	118,031
Loans and advances	-	-	7,921,561	7,921,561	7,886,087
Other investments	-	2,119,462	-	2,119,462	2,119,462
Other assets	40,630	-	-	40,630	40,630
	158,661	2,119,462	7,921,561	10,199,684	10,164,210
Financial Liabilities					
Deposits	-	-	6,752,048	6,752,048	6,743,587
Borrowings	-	-	3,901,662	3,901,662	3,904,609
Other payables	82,884	-	-	82,884	82,884
	82,884	-	10,653,710	10,736,594	10,731,080

Fair value hierarchy levels have not been disclosed for some financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values.

19. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Acquisition of assets
All assets acquired, including property, plant and equipment and intangibles (other than goodwill), are initially recorded at cost at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Group if a similar borrowing were obtained from an independent financier under comparable terms and conditions. The unwinding of the discount is treated as interest expense.

The costs of assets constructed or internally generated by the Group (other than goodwill), include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset.

Expenditure, including that on internally generated assets (other than research costs), is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred that are probable and can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Property, plant and equipment
Property, plant and equipment are measured at cost, less any accumulated depreciation and impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is recognised within profit or loss.

Depreciation
Depreciation is calculated on a straight line basis over the estimated useful life of the assets as follows:

Leasehold improvements	5 – 10 years
Furniture, equipment and technology	2 – 12 years

The expected useful life of an asset and the depreciation method applied is reassessed at least annually.

Leased assets
The Group leases branch and office premises, ATMs, motor vehicles and IT equipment under non-cancellable leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The Group assesses whether a contract is, or contains, a lease at contract inception. A lease is present if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Some branch leases contain extension options exercisable by the Group before the end of the non-cancellable period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options are exercisable only by the Group and not by the lessors. The Group assesses at the lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in the circumstances within its control.

The Group recognises a right of use lease asset and a lease liability at the lease commencement date. The right of use lease asset is initially measured at cost, and represents the initial lease liability plus any initial direct costs incurred, less any lease incentives received and an estimate of costs to dismantle and remove any improvements made to branches or office premises. Right of use lease assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Right of use lease assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life as follows:

Branch and office premises	3 – 12 years
ATMs	3 years
Motor vehicles	3 years
IT equipment	3 – 4 years

19. PROPERTY, PLANT AND EQUIPMENT (continued)

Accounting policy (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the Group's incremental borrowing rate. The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and making certain adjustments, where necessary, to reflect the terms of the lease and type of asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimated amount expected to be paid at the end of the lease or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right of use lease asset or is recorded in profit or loss if the asset has been reduced to nil.

	Furniture and Equipment	Leasehold Improvements	Technology	Capital Works in Progress	Right of Use Assets	Total
Consolidated and Credit Union	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2020, net of accumulated depreciation	**1,846**	**14,817**	**1,393**	**31,126**	**54,786**	**103,968**
Additions	**295**	**1,539**	**495**	**-**	**5,358**	**7,687**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Transfers out to Intangible Assets	**-**	**-**	**-**	**(31,023)**	**-**	**(31,023)**
Net other movements in WIP	**-**	**-**	**-**	**374**	**-**	**374**
Depreciation expense	**(842)**	**(3,220)**	**(696)**	**-**	**(12,779)**	**(17,537)**
Balance at 30 June 2021	**1,299**	**13,136**	**1,192**	**477**	**47,365**	**63,469**
At 30 June 2021						
Cost	**7,404**	**35,819**	**24,105**	**477**	**103,885**	**171,690**
Accumulated depreciation and impairment	**(6,105)**	**(22,683)**	**(22,913)**	**-**	**(56,520)**	**(108,221)**
Net carrying amount	**1,299**	**13,136**	**1,192**	**477**	**47,365**	**63,469**
At 1 July 2019, net of accumulated depreciation	2,463	17,648	2,224	6,575	-	28,910
Opening adjustment on adoption of AASB16	-	-	-	-	67,237	67,237
Additions	442	1,153	541	30,238	1,282	33,656
Disposals	-	-	-	-	(1,241)	(1,241)
Transfers out of WIP	-	-	-	(5,687)	-	(5,687)
Depreciation expense	(1,059)	(3,984)	(1,372)	-	(12,492)	(18,907)
Balance at 30 June 2020	1,846	14,817	1,393	31,126	54,786	103,968
At 30 June 2020						
Cost	8,922	39,135	25,749	31,126	105,620	210,552
Accumulated depreciation and impairment	(7,076)	(24,318)	(24,356)	-	(50,834)	(106,584)
Net carrying amount	1,846	14,817	1,393	31,126	54,786	103,968

19. PROPERTY, PLANT AND EQUIPMENT (continued)

This note provides information for leases where the Group is a lessee.

a) Right of use assets

Right of use leases includes office and branch premises, ATMs, motor vehicles and IT equipment. Any renewal rights, escalation and termination clauses have been considered in determining the right of use assets.

	2021 $'000	2020 $'000
Branch and office premises	**46,135**	53,118
ATMs	**24**	26
Motor vehicles	**83**	349
IT equipment	**1,123**	1,293
Net carrying amount	**47,365**	54,786

b) Lease liabilities	**2021 $'000**	2020 $'000
Current	**10,588**	9,941
Non-current	**43,732**	51,540
Balance at 30 June	**54,320**	61,481

The total cash outflows for leases for the year ended 30 June 2021 was $14.194m (2020: $14.634m).

The total cash outlows for low value leases included in operating activies for the year ended 30 June 2021 was $0.105m (2020: $nil)

20. INTANGIBLE ASSETS

Accounting policy

Software

Software assets are measured at cost less accumulated amortisation and accumulated impairment losses. Software assets that are not integral to the operation of hardware are recognised as intangible assets with a finite life. Where the expenditure is of a significant amount and there are related benefits which are expected to be realised over the medium to long term, it is deferred and amortised on a straight line basis over the period in which the benefits are expected to be realised.

Amortisation

Intangible assets are amortised over their expected useful lives. The amortisation rates used for each class of intangible asset in the current and comparative periods are as follows:

Software 2 – 7 years

Amortisation methods, useful lives and residual values are reviewed at least annually and adjusted where appropriate.

Impairment

For intangible assets that are not yet available for use, the recoverable amount is estimated annually. An impairment loss is recognised whenever the carrying amount of an asset (either in its own right or as part of a cash generating unit) exceeds its recoverable amount. Impairment losses are recognised in profit or loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in profit or loss.

20. INTANGIBLE ASSETS (continued)

Consolidated and Credit Union	Computer software $'000	Capital Works in Progress $'000	Total $'000
At 1 July 2020, net of accumulated amortisation	**6,082**	**-**	**6,082**
Additions	**8,850**	**-**	**8,850**
Transfers in from Property, Plant and Equipment	**-**	**31,023**	**31,023**
Net other movements in WIP	**-**	**16,873**	**16,873**
Amortisation	**(3,461)**	**-**	**(3,461)**
Balance at 30 June 2021	**11,471**	**47,896**	**59,367**
At 30 June			
Cost	**35,377**	**47,896**	**83,273**
Accumulated amortisation	**(23,906)**	**-**	**(23,906)**
Net carrying amount	**11,471**	**47,896**	**59,367**

	Computer software $'000	Capital Works in Progress $'000	Total $'000
At 1 July 2019, net of accumulated amortisation	5,018	-	5,018
Additions	3,758	-	3,758
Amortisation	(2,694)	-	(2,694)
Balance at 30 June 2020	6,082	-	6,082
At 30 June			
Cost	26,586	-	26,586
Accumulated amortisation	(20,504)	-	(20,504)
Net carrying amount	6,082	-	6,082

Impairment assessment

The Group has invested in significant intangible software as part of the their digital transformation initiative. As at the reporting date, these assets are not yet available for use and have been tested for impairment.

The recoverable amount of the cash generating unit, to which these assets relate, has been determined based on a value in use methodology. The net present value of the relevant CGU's anticipated cash flows is used as a basis for determining whether any impairment exists.

Projected cash flows for the CGU have been based on the Board approved revenue growth budget for the next financial year and Long Term Financial Model for the subsequent two financial years. No further growth assumptions have been applied to the terminal value.

The recoverable amount of the CGU exceeds its carrying value therefore the intangible assets recognised in capital works in progress are not considered impaired.

21. EQUITY ACCOUNTED INVESTEES

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Interest in joint venture	**3,035**	2,166	**1,500**	1,500
Interest in associate	**9,502**	9,056	**2,740**	2,740
	12,537	11,222	**4,240**	4,240
Share of profit in joint venture	**930**	339		
Share of profit in associate	**446**	942		
	1,376	1,281		

a) Interest in Joint Venture

Mutual Marketplace Pty Ltd ("Mutual Marketplace") is a joint venture jointly controlled by People's Choice Credit Union and Great Southern Bank with both parties having a 50% ownership interest. The company commenced operations in April 2017 and provides professional procure-to-pay services to the mutual sector with its principal places of business in both Adelaide and Brisbane. The Group has a residual interest in the net assets of Mutual Marketplace and accordingly, the investment is classified as a joint venture and accounted for under the equity method.

The following table summarises the financial information of Mutual Marketplace and reconciles the financial information to the carrying amount of the Group's interest in the joint venture.

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Carrying amount of investment in joint venture	**3,035**	2,166	**1,500**	1,500
Share of joint venture's equity				
Paid up share capital	**1,500**	1,500		
Retained earnings	**1,459**	666		
	2,959	2,166		
Share of joint venture's balance sheet				
Cash	**3,932**	2,426		
Other current assets	**2,851**	3,883		
Non-current assets	**276**	371		
Current liabilities	**3,656**	4,267		
Non-current liabilities	**444**	247		
Share of net assets	**2,959**	2,166		
Share of joint venture's profit or loss				
Revenue	**97,989**	83,947		
Interest income	**9**	21		
Depreciation and amortisation	**(226)**	(231)		
Other expenses	**(96,427)**	(83,201)		
Profit/(loss) before income tax	**1,345**	536		
Income tax (expense)/benefit	**(415)**	(197)		
Profit/(loss) after income tax	**930**	339		
Dividend received	**61**	-		

21. EQUITY ACCOUNTED INVESTEES (continued)

	Consolidated	
	2021	2020
Reconciliation to carrying amount of investment:	**$'000**	$'000
Share of joint venture's net assets	**2,959**	2,166
Other adjustments	**76**	-
Carrying amount of investment in joint venture	**3,035**	2,166

As at 30 June 2021, Mutual Marketplace has non-cancellable commitments of $0.776 million (2020: $1.33 million) to be settled over the next five years.

b) Interest in Associate

The Group has an interest in Data Action Pty Ltd ("Data Action") and owns 27.5% (2020: 27.5%) of the equity interests and holds 27.5% (2020: 27.5%) of the voting rights. The Group has determined that it exercises significant influence over Data Action and accordingly, the investment is classified as an associate and accounted for under the equity method.

The following table summarises the financial information of Data Action and reconciles the financial information to the carrying amount of the Group's interest in the associate.

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Carrying amount of investment in associates	**9,502**	9,056	**9,056**	2,740
Share of associate's balance sheet				
Current assets	**6,506**	6,051		
Non-current assets	**5,996**	6,184		
Current liabilities	**2,289**	1,925		
Non-current liabilities	**2,531**	3,264		
Share of associate's net assets	**7,682**	7,046		
Share of associate's profit or loss				
Revenue	**16,322**	11,435		
Expenses	**(15,658)**	(10,331)		
Profit/(loss) before income tax	**664**	1,104		
Income tax expense	**(218)**	(162)		
Profit/(loss) after income tax	**446**	942		
Dividend received	**-**	-		
Reconciliation to carrying amount of investment				
Share of associate's net assets	**7,682**	7,046		
Adjustments for 2015 shareholding restructure	**1,752**	1,752		
Other adjustments	**68**	258		
Carrying amount of investment in associates	**9,502**	9,056		

22. PROVISIONS

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Provision for make good	**96**	390	**96**	390
Provision for annual leave	**7,381**	6,865	**7,305**	6,816
Provision for long service leave	**12,852**	12,798	**12,744**	12,698
Provision for rostered days off	**120**	113	**120**	113
	20,449	20,166	**20,265**	20,017

The non-current component of the Group's provisions at 30 June 2021 is $1,546,040 (2020: $1,568,261).

23. RESERVES

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Redeemed member shares	**848**	816	**848**	816
Fair value reserve - financial assets held at FVOCI	**9,702**	9,327	**9,702**	9,327
General reserve for credit losses	**13,767**	12,664	**13,767**	12,664
Hedging reserve - cash flow hedges	**316**	(2,407)	**316**	(2,407)
Asset revaluation reserve	**6**	6	**-**	-
Other equity reserves	**171,745**	171,745	**171,745**	171,745
	196,384	192,151	**196,378**	192,145

Redeemed member shares

The Corporations Act 2001 requires that redeemable preference shares (Members $2 shares) may only be redeemed out of the Credit Union's profit or through a new issuance for the purpose of the redemption. This reserve represents the amount of Preference Shares redeemed by the Credit Union since 1 July 1999 to date. The value of members' shares for existing members is disclosed in Note 13.

Opening balance 1 July	**816**	787	**816**	787
Transfers from retained earnings	**32**	29	**32**	29
Balance	**848**	816	**848**	816

Fair value reserve - financial assets held at FVOCI

The fair value reserve is the difference in the carrying amount and the financial assets held at FVOCI.

Opening balance 1 July	**9,327**	8,563	**9,327**	8,563
Net unrealised gains/(losses)	**375**	764	**375**	764
Balance	**9,702**	9,327	**9,702**	9,327

General reserve for credit losses

APRA requires ADIs to maintain a prescribed level of provision for regulatory purposes. The difference between the impairment provisions calculated under IFRS and those required by APRA is represented by the general reserve for credit losses. The reserve has been appropriated from retained earnings.

Opening balance 1 July	**12,664**	8,610	**12,664**	8,610
Increase/(decrease) in general reserve for credit losses	**1,103**	4,054	**1,103**	4,054
Balance	**13,767**	12,664	**13,767**	12,664

23. RESERVES (continued)

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
<u>Hedging reserve - cash flow hedges</u>				
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedge transactions that have not yet occurred.				
Opening balance 1 July	**(2,407)**	(3,712)	**(2,407)**	(3,712)
Effective portion of changes in fair values	**1,547**	326	**1,547**	326
Net change in fair value taken to profit or loss	**1,176**	979	**1,176**	979
Balance	**316**	(2,407)	**316**	(2,407)
<u>Asset revaluation reserve</u>				
The asset revaluation reserve relates to assets measured at fair value in accordance with applicable AASB's.				
Balance	**6**	6	**-**	-
Other equity reserves				
The other equity reserves represents the retained earnings of Savings & Loans Credit Union (S.A.) Limited recognised upon merger with the Credit Union.				
Balance	**171,745**	171,745	**171,745**	171,745

24. RELATED PARTIES

Controlled entities

The Credit Union entered into transactions with its Controlled Entities. These transactions were all carried out under normal commercial terms and are eliminated on consolidation in the financial reports. The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

	Aggregate amounts included in the accounts of the Credit Union Income/(expense)		Amounts included in the accounts of the Credit Union Payable/(receivable)		Deposits with the Credit Union	
	2021	2020	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Financial Solutions Australasia Pty Ltd	**225**	221	**7,531**	7,152	**-**	-
Australian Central Services Pty Ltd	**513**	345	**735**	604	**-**	-
People's Choice Community Foundation Limited	**771**	(559)	**(629)**	104	**789**	2

24. RELATED PARTIES (continued)

	Residual Unitholder Net Distribution/ (Contribution)		Net Interest Rate Swap Expense/ (Income)	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Light Trust No. 3[1]	**-**	(224)	**-**	715
Light Trust No. 4[2]	**(209)**	(233)	**560**	633
Light Trust No. 5R	**(20,169)**	7,963	**21,442**	12,323
Light Trust No. 6	**(1,486)**	(1,272)	**1,826**	1,762
Light Trust Warehouse No. 1	**(1,106)**	223	**1,332**	981
Light Trust 2017-2	**(1,001)**	(711)	**2,335**	931
Light Trust 2016-2	**(1,894)**	(1,504)	**433**	212
Light Trust 2017-1	**(2,275)**	(1,255)	**1,860**	1,823
Light Trust 2018-1	**(2,518)**	(2,572)	**2,246**	2,238
Light Trust 2019-1	**(4,782)**	(1,201)	**4,417**	4,021

Controlled entities	Capital Notes held by the Credit Union		Outstanding balance of loans sold to Trust	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Light Trust No. 3[1]	**-**	-	**-**	-
Light Trust No. 4[2]	**-**	3,881	**-**	57,902
Light Trust No. 5R	**1,654,751**	2,066,858	**1,585,026**	1,994,172
Light Trust No. 6	**-**	-	**127,318**	159,899
Light Trust Warehouse No. 1	**9,777**	13,082	**127,056**	172,115
Light Trust 2017-2	**15,842**	15,837	**191,550**	194,710
Light Trust 2016-2	**12,084**	14,066	**144,795**	170,964
Light Trust 2017-1	**-**	-	**176,131**	224,235
Light Trust 2018-1	**-**	-	**219,652**	285,418
Light Trust 2019-1	**-**	-	**387,530**	509,656

[1] Deregistered on 5 February 2021

[2] Ceased trading on 22 June 2021

Equity accounted investees

Note 21 provides information regarding the nature of the Group's relationship with its equity accounted investees. Some of the services provided may be discounted for shareholder customers. The following tables provide the total amount of transactions that were entered into during the relevant financial year.

	Purchases from related parties		Amounts owed to related parties	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Joint venture: Mutual Marketplace Pty Ltd	**79,636**	70,515	**2,103**	3,489
Associate: Data Action Pty Ltd	**9,403**	7,372	**558**	699
	89,039	77,887	**2,661**	4,188

25. SECURITISATION

The Credit Union, through its loan securitisation program, securitises mortgage loans to special purpose entities ("SPEs"), which in turn issues asset-backed securities to investors. Fees are received for various services provided to the SPEs on an arms-length basis, including servicing fees and management fees and are reported in profit or loss. The Credit Union also provides arms-length interest rate swaps and loan facilities to the SPEs. Costs incurred in the establishment of a securitisation issue are amortised over the expected life of the issue.

The Credit Union transferred loans totalling $372 million (2020: $2,370m) during the financial year as part of its ongoing securitisation program. The loan transfers made to SPE's comprise of warehouse funding facilities $73 million (2020: $286m), term securitisation issues of nil (2020: $650m) and the internal securitisation issue $299 million (2020: $1,434m). The total value of transferred loans as at 30 June 2021 was $2,959 million (2020: $3,769m). The Credit Union retains risks and rewards associated with these loans and accordingly, these loans do not qualify for derecognition and are reported on the Credit Union's balance sheet.

No new SPE was established during the year and nil borrowing costs were capitalised.

Refer to Note 24. Related Parties for more information on loan balances and net distributions to unitholders.

26. SIGNIFICANT ALLIANCES

The Credit Union has a significant alliance with the following suppliers of services:

Cuscal Limited
This company provides the Credit Union with the rights to, and the production of member's cheques, ATM management services, card services, provides finance facilities, settlement with bankers, electronic funds deposit and central banking. In addition, this company operates the switching system that links the ATM network, other approved EFT suppliers, Visa acquirers and merchants to the Credit Union's computer systems.

Fiserv (aspac) Pte. Ltd
This company is a member of an international group which owns the core banking system software which the Credit Union operates.

Data Action Pty Ltd
This company operates a computer bureau which provides the Credit Union with a range of computing services (refer to Note 21).

Mutual Marketplace Pty Ltd
This company is a joint venture between People's Choice Credit Union and Great Southern Bank and provides professional procure-to-pay services to the mutual sector (refer to Note 21).

Datacom Systems (AU) Pty Ltd
Datacom provides the Group with information technology services and products, including consulting.

SFDC Australia Pty Ltd
SFDC, an Australian subsidiary of Salesforce.com Inc, provides the Group with cloud computing services and Customer Relationship Management services.

Nucleus Software Exports Limited
This company provides the Group with FinnOne Neo Corporate, an end-to-end digital lending solution.

27. KEY MANAGEMENT PERSONNEL

a) Directors

The Directors of the Credit Union at any time during or since the end of the financial year were:

M. A. Cameron (Chairman)
S. P. W. Laidlaw (Managing Director)
A. E. Heyworth
V. S. Hickey
J. P. Patton
W. Thorpe
G. Williams (Appointed 1 June 2021)
K. A. Skipper (Retired 1 June 2021)

b) Other key management personnel

The following persons, employed by the Credit Union, also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

D. Lewis	Chief Member Officer (Retired 14 August 2020)
M. Camilleri	Chief Member Officer (Appointed 3 August 2020)
V. Pace	Chief Financial Officer
P. Corolis	Chief Transformation and Information Officer
M. Tons	Chief Risk Officer
G. Wenborn	Chief Digital & Technology Officer (Resigned 28 June 2021)
T. Shearn	Chief Legal Officer & Company Secretary
S. Bradley	Chief People and Culture Officer (Appointed 10 August 2020)

c) Key management personnel compensation

Directors and other key management personnel compensation for the Group comprised:

	Short-term Employee Benefits	Post-employment Benefits - Superannuation	Long-term Other Benefits	Termination Benefits	Total
	$'000	$'000	$'000	$'000	$'000
2021	**5,941**	**287**	**80**	**-**	**6,308**
2020	5,382	220	65	-	5,667

d) Loans

Loans to Directors and other key management personnel are either unsecured or secured by registered mortgage over eligible security in accordance with standard lending policies.

	2021	2020
	$'000	$'000
Total aggregate loans as at the reporting date (30 June)	**1,001**	1,142
Total aggregate interest charged during the reporting period	**11**	55

All loans to Directors and other key management personnel are made on normal staff terms and conditions that are applicable to normal staff benefit packages.

The Directors and key management personnel who held loan accounts with the Credit Union during the year were K.A. Skipper, V.S. Hickey, A.E. Heyworth, G. Wenborn, D. Lewis and S. Bradley.

27. KEY MANAGEMENT PERSONNEL (continued)

e) Other transactions with key management personnel

Other transactions with key management personnel generally relate to deposits and financial planning advice. Financial transactions (including loans disclosed within this report) with Directors occur in the ordinary course of business on an arms length basis. For other key management personnel, financial transactions are made on normal staff terms and conditions that are applicable to normal staff benefit packages. Disclosure of financial transactions regularly made as part of normal banking operations is limited to disclosure of such transactions with key management personnel and entities controlled or significantly influenced by them. All such financial transactions that have occurred between entities within the Group and their key management personnel were in the nature of normal personal banking.

As they are required to be a member of the Credit Union, Directors and all key management personnel each hold one share.

28. NOTES TO THE STATEMENTS OF CASH FLOW

Reconciliation of profit after income tax to net cash from operating activities:

	Consolidated		Credit Union	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Profit for the period	**21,072**	22,211	**20,281**	21,402
Adjustments for:				
Depreciation and amortisation	**20,997**	21,601	**20,997**	21,601
(Decrease)/Increase in provision for impairment	**(1,716)**	5,569	**(1,716)**	5,569
Bad debts written off net of recoveries	**1,520**	2,004	**1,658**	1,889
Dividend income classified as investing cash flow	**(380)**	(1,641)	**(441)**	(1,641)
Net (profit)/loss on sale of property, plant & equipment	**(1)**	(11)	**(1)**	(11)
Share of profit of equity accounted investees	**(1,376)**	(1,281)	**-**	-
Change in assets and liabilities:				
Increase/(decrease) in provisions	**283**	1,642	**248**	1,643
(Decrease)/increase in provision for income tax	**(4,217)**	1,711	**(4,224)**	1,711
Increase/(decrease) in deferred tax assets and liabilities	**4,098**	(2,055)	**3,940**	(2,182)
Increase/(decrease) in interest payable	**(6,602)**	(7,827)	**(7,271)**	(10,462)
Increase/(decrease) in other payables	**(2,760)**	(22,755)	**(21,256)**	(7,780)
(Increase) in loans and advances	**(208,734)**	(224,425)	**(208,735)**	(224,310)
Increase in deposits and withdrawable shares	**374,895**	322,064	**375,682**	321,923
(Increase)/decrease in interest receivable	**(494)**	632	**(494)**	632
Increase/(decrease) in derivative assets/liabilities	**(4,879)**	144	**13,322**	(13,904)
(Increase)/decrease in other assets	**2,504**	(13,300)	**4,132**	(16,098)
Net cash from operating activities	**194,210**	104,283	**196,122**	99,982

28. NOTES TO THE STATEMENTS OF CASH FLOW (continued)

Reconciliation of liabilities arising from financing activities to financing cash flows:

	Consolidated				
	Lease Liabilities	Wholesale Funding Facilities	Notes payable	Term Funding Facility	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2020	61,481	5,533	1,760,531	130,004	1,957,549
Financing cash inflows	-	-	67,894	257,537	325,431
Financing cash outflows	(12,519)	(1,428)	(453,825)	-	(467,772)
Non-cash movements	5,358	-	(3,562)	-	1,796
Balance at 30 June 2021	**54,320**	**4,105**	**1,371,038**	**387,541**	**1,817,004**

	Credit Union				
	Lease Liabilities	Wholesale Funding Facilities	Loans payable	Term Funding Facility	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2020	61,481	5,533	3,769,072	130,004	3,966,090
Financing cash inflows	-	-	-	257,537	257,537
Financing cash outflows	(12,519)	(1,428)	(808,815)	-	(822,762)
Non-cash movements	5,358	-	(3,562)	-	1,796
Balance at 30 June 2021	**54,320**	**4,105**	**2,956,695**	**387,541**	**3,402,661**

29. COMMITMENTS

Digital transformation initiative commitments

As at 30 June 2021, the Group has entered into contracts related to digital transformation initiatives which has resulted in capital and expense commitments of $55.5 million (2020: $63.1 million) to be settled within the next 6 years.

	Consolidated	
	2021	2020
Credit commitments	**$'000**	$'000
The Group has the following credit commitments:		
Loans approved not settled	**171,487**	63,214
Members unconditionally cancellable unused credit facilities	**294,953**	364,540
Member funds available for redraw	**622,395**	550,989
	1,088,835	978,743

30. SUPERANNUATION COMMITMENTS

The Group has established a superannuation fund for employees of the Group, which existed for the full financial year. The benefit is the provision of retirement lump sums via accumulation type funds. The basis of contributions to the fund is by way of employer and employee contributions. The obligation to contribute to the fund is to ensure compliance with the superannuation guarantee charge.

31. CONTINGENT ASSETS AND LIABILITIES

	Consolidated	
	2021	2020
Guarantees	**$'000**	$'000
The Group has issued guarantees as follows:		
Guarantees issued for members	**1,666**	1,814

As the probability and value of guarantees being called upon is unpredictable, it is not practical to state the timing of any payment.

CUFSS Limited

With effect from 1 July 1999, the Credit Union is a party to an Industry Support Contract ("ISC") administered by CUFSS Limited ("CUFSS"). The ISC is certified by APRA under Section 11CB of the Banking Act 1959 (Cth) and is a voluntary financial support scheme whose members are Credit Unions, Mutual Banks and Cuscal Limited. CUFSS is a company limited by guarantee, each member's guarantee being $100. As a member of CUFSS, the Credit Union:

- May be required to advance funds (excluding permanent loans) of up to 3% of total assets, capped at $100m, to another CUFSS member requiring financial support;
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

With effect from 28 February 2022, the Credit Union has given notice to withdraw from the ISC scheme.

32. AUDITOR'S REMUNERATION

	Consolidated		Credit Union	
	2021	2020	**2021**	2020
	$	$	**$**	$
Amounts paid or payable to the external auditors - KPMG:				
Auditing the financial report	**318,175**	352,941	**259,092**	294,899
Other regulatory activities and assurance services	**139,709**	137,246	**139,709**	137,246
Taxation services	**74,918**	84,456	**51,631**	63,239
Other services	**22,578**	32,361	**22,578**	17,871
	555,380	607,004	**473,010**	513,255

33. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Credit Union, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years other than disclosed below.

People's Choice announced on 18 August 2021 that it has entered into a non-binding Heads of Agreement with Heritage Bank Limited to explore a merger between the two entities. The merger will be subject to due diligence, regulatory approvals and approval by the members through a vote. The Boards of both organisations believe that the merger is in the best interests of members, as it will allow members the benefits of increased scale, access to a wider range of products and services, and an enhanced digital experience. Should plans proceed, it is estimated that the merger will occur on or before 1 July 2022.

Registered Office

Australian Central Credit Union Ltd
ABN 11 087 651 125

Australian Financial Services Licence 244310
and Australian Credit Licence 244310

50 Flinders Street
Adelaide SA 5000

Telephone

13 11 82

Website

peopleschoice.com.au

Email

general@peopleschoice.com.au

Annual General Meeting

The 2021 Annual General Meeting (**AGM**) of Australian Central Credit Union Ltd trading as People's Choice Credit Union (**People's Choice**) will be held on Tuesday 9 November 2021 at 3.00pm Australian Central Daylight Time. The AGM will be broadcast virtually from the People's Choice registered office, via the Lumi online platform at **web.lumiagm.com**

Bankers

Cuscal Ltd
National Australia Bank Limited
Westpac Banking Corporation
Australia and New Zealand Banking Group Limited

Auditors

KPMG

Tax Agent

KPMG