2022 Annual Report

People's Choice

Banking for life

We're for members

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 2022 Annual General Meeting (Meeting) of members of Australian Central Credit Union Ltd trading as People's Choice Credit Union (People's Choice) will be held on Wednesday 16 November 2022 at 3.00pm Australian Central Daylight Time. The Meeting will be held at Pullman Adelaide, 16 Hindmarsh Square, Adelaide, South Australia and virtually via the Computershare online platform at meetnow.global/MRCA4DL

Auditors

KPMG

Tax Agent

KPMG

Contents

In the spirit of reconciliation, People's Choice acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Chairman and Managing Director's Report

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

Moving forward for our members

People's Choice exists for one reason: to support members to achieve their financial goals. After a year of significant progress and strong performance, we are helping more members than ever to do just that.

During 2021/22, we outperformed the market on several fronts while progressing major strategic initiatives including the proposed merger with Heritage, a similar-sized member-owned banking organisation based in Queensland.

We welcomed 15,650 new members to People's Choice during the year and achieved net member growth of 10,920. This 27% increase in growth compared with the previous financial year reflects the appeal of our products, services, brand and member experience.

Importantly, People's Choice has retained its long-held position as one of Australia's most trusted financial institutions.

Our net promoter score (NPS) averaged +37, which is 25.3 points ahead of the +11 average recorded for the financial institutions surveyed. The NPS is a measure of members' trust and loyalty, and 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).

The success of our member-focused approach was further confirmed with business magazine Forbes listing People's Choice among the World's Best Banks for the third consecutive year. Financial comparison website Mozo named us Personal Loan Provider of the Year and awarded us for our unsecured and discounted personal loans. Another comparison site, Canstar, named us Customer-Owned Institution of the Year for first home-buyers in SA and NT for the eighth year, and for investment home loans.

During the year, we provided 8,600 members with a home loan, a 37% increase on the previous year. We grew our residential loan portfolio by 9.8%, significantly higher than market (system) growth of 7.5%.

We also helped approximately 6,000 members to buy a car, enjoy a holiday or carry out renovations through a personal loan.

This saw total member loans and advances increase by 9.0% to $8.8 billion, while our retail deposit portfolio grew 8.3% to $7.5 billion.

With competitive products and great service, we attracted 15,650 new members to People's Choice during the year.

Through our continued growth in 2021/22, we ended the financial year with total assets of $10.4 billion, an increase of 8.4%.

Our statutory profit before tax was $19.7 million, which included a number of once-off revenue and expense items, notably the sale of our Financial Planning business, cloud computing adjustments (accounting standard requirement to reclassify certain assets to expense) and costs relating to the merger. Adjusting for these, our comparative profit before tax was $36.8 million, an increase of 24% on 2021, and in line with our budgeted expectations.

A future for the making

Our proposed merger with Heritage, a proud member-owned banking organisation just like People's Choice, will retain what's important to members while delivering better products, services, digital capabilities and competitive pricing.

Since advising members in August 2021 that People's Choice was exploring this merger, both organisations completed a detailed and thorough due diligence process. This confirmed that the merger is a compelling opportunity to create a stronger, more sustainable, member-owned banking organisation for all Australians, with both Boards unanimously agreeing to proceed.

The merger is undergoing final regulatory approvals ahead of the member vote planned for our AGM on 16 November 2022. All members will receive full details of the proposal and how to vote in the weeks beforehand to help them make an informed decision.

The best of two. To benefit you.

As a People's Choice member, you have the power to create Australia's leading member-owned banking organisation: large enough to challenge the major banks, while still small enough to remain absolutely focused on you, our members.

By voting 'yes' to the merger with Heritage at our upcoming AGM, you will benefit from the collective strength of an organisation that exists solely for its members.

We will honour our proud history and retain what's important to you, while combining the best of both organisations to improve benefits for you:

We significantly progressed our proposed merger with Queensland-based Heritage, which is proudly member-owned and member-focused, just like People's Choice.

1. We'll remain proudly member-owned

Should members approve the merger, we'll create Australia's leading member-owned banking organisation: large enough to challenge the major banks, while still small enough to remain absolutely focused on you, our members. We'll remain 100% member-owned and committed to members.

2. We'll improve benefits for you

Members will benefit from one of Australia's largest member-owned branch networks, a wider range of award-winning, competitively-priced products and services, the removal of a number of fees and charges, contemporary, secure digital banking backed by ongoing investment, and increased investment in community and environmental support.

3. We'll remain true to our origins

Members will continue to be served by the same friendly employees as we'll retain our branches, with no closures due to the merger. Jobs are safe, with no redundancies below Executive level due to the merger, and we'll keep local knowledge, employment and investment through dual head offices in Adelaide and Toowoomba. Equal Board and Executive representation in the merged organisation reflects that this is a true pairing of equals.

4. Heritage is the ideal partner

Proudly member-owned since 1875, Heritage is based in Toowoomba, Queensland. It is loyal to its members and its regions, just like People's Choice. It is approximately the same size as People's Choice in terms of members, employees and assets, and has complementary strengths and shared values with People's Choice, including an absolute commitment to members and remaining a member-owned organisation.

Maintaining our member focus

Despite ongoing economic uncertainty, People's Choice maintained an absolute focus on member needs throughout the financial year.

Australia's property market continued its unprecedented growth for most of the reporting period, slowed only by the Reserve Bank's decision to begin lifting interest rates in the fourth quarter to address rising inflation.

While our lending portfolio is larger than ever, we believe our long-term policy of responsible lending will ensure borrowers are well positioned to manage the Reserve Bank's rate rise policy, which is expected to continue into the new financial year. Of course, we remain ready to provide assistance to any members who may require additional support.

New levels of regulatory compliance required even more internal resources this year. We are absolutely committed to a safe and secure financial sector, and continued to work with our industry associations, the Customer Owned Banking Association and the Business Council of Co-operatives and Mutuals, to ensure a proportionate and coordinated approach to regulation is adopted to enable Australia's mutual banking sector to receive fair and equitable treatment.

Like most businesses, People's Choice also had to manage the ongoing impact of COVID-19, to protect our employees and members while maintaining essential banking services as far as possible.

We thank all employees, Executives and our Board for their dedication, commitment and hard work across the financial year. Together you have delivered strong results, moved the organisation forward and provided excellent service.

We also sincerely thank our members for continuing to trust People's Choice.

We exist as an organisation solely to help members achieve their financial goals and aspirations. As we face exciting opportunities ahead, we assure you that this central purpose will never change.

Michael Cameron
Chairman

Steve Laidlaw
Chief Executive Officer and Managing Director

Year in Review

Our Norwood Lending and Advice Centre, South Australia.

2022 in review

After extensive development and testing, 2022 saw the successful launch of our new customer relationship management, telephony, credit management, phone banking and workforce management systems.

A central part of our multi-year technology upgrade, these new systems have greatly improved our ability to efficiently assist members with their enquiries and everyday banking requirements.

Progress was made on a number of additional technology streams as part of our commitment to provide members with a simple, seamless and secure digital banking experience.

We upgraded and refreshed the look and feel of our internet banking and mobile banking apps, with improved navigation with consolidated menu items to improve usability.

We created a well-designed, easy-to-use form that helps members and prospective members make their initial home loan enquiry with People's Choice in just minutes. The new enquiry form provides a seamless and efficient member experience and a more efficient workflow for our people.

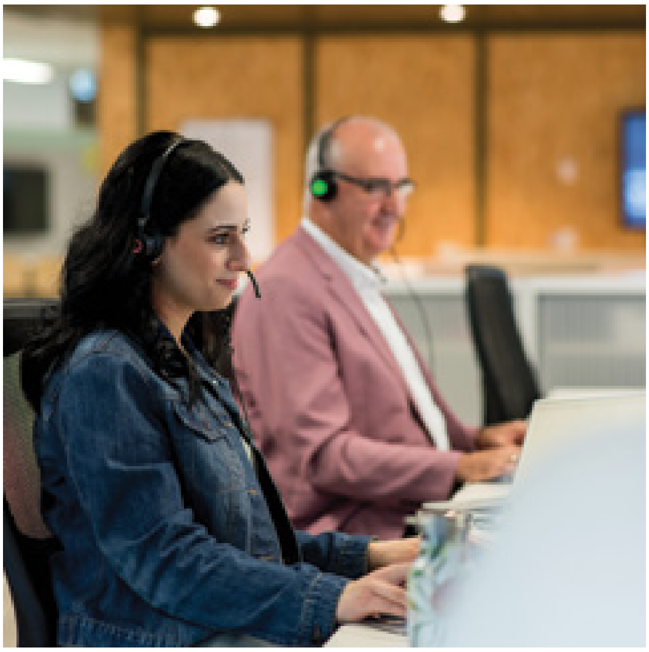
This has also been supported by the launch of DocuSign, which enables digital execution of documents such as loan contracts, providing further convenience for our members.

So far all mandated components of Open Banking have been delivered consistent with Consumer Data Rights requirements, giving members a secure way to share their data. Several deliverables have been completed to progress the implementation of the New Payments Platform PayTo Phase.

We launched our Dream Fund digital savings account, giving members the flexibility to access their savings when they need to. We also simplified our suite of personal loans, making these popular products easier for members to understand and compare.

People's Choice made the difficult decision during the year to sell the Financial Planning business to specialist provider, Fiducian.

A detailed internal review clearly identified that financial planning had become an increasingly complex business, and that our members' long-term wealth management needs would be best provided by a dedicated, specialist organisation. The transfer was smooth for members, and all financial planning employees were fully supported through the transition.



Our new customer relationship management, telephony, and phone banking systems have greatly improved our ability to efficiently help members.

We always aim to deliver a great member experience, so it's important for People's Choice to listen, understand and respond when we receive feedback from our members. In all instances, be it positive or negative, our members' feedback provides valuable insights into our organisation and the opportunity to continually improve our products and services for our members.

During 2021/22 People's Choice managed 2,550 complaints, with 28% being escalated member complaints managed by our Member Response team. Our total member complaints as a percentage of total members was low, at 0.6%.

Pleasingly we saw a 31% reduction in escalated complaints compared with the previous year. Only 2% of complaints were escalated to the Australian Financial Complaints Authority which was almost half the number of the previous year.

When things do go wrong, we want to make sure we resolve matters as soon as possible. During the year, 93% of complaints were resolved within 21 days. At 30 June 2022, 55 complaints remained in progress.

Our members will always be our focus and we have an open and transparent complaints management process.

Focus on Environment, Social and Governance

A long-term partner, People's Choice has raised more than $1 million for Cancer Council SA through a range of activities including Daffodil Day.

A new way of reporting

As a proudly member-owned banking organisation, ethical and responsible practices are enshrined in the People's Choice business model and constitution. Our purpose is to work with our members for a sustainable future, not to maximise shareholder profits like the major banks.

During 2021/22, People's Choice broadened this longstanding focus on supporting members and their communities by establishing a wider range of environment, social and governance (ESG) objectives and initiatives.

The development of an ESG framework, overseen by an ESG steering committee with regular reporting to the Executive team and Board, is driving activity to embed further sustainable business practices into People's Choice.

Our ESG framework is based upon the B Corp stakeholder governance model which seeks to ensure businesses are accountable to people and the planet by considering the five perspectives of governance, employees, environment, members and community.

Governance

B Corp certification

People's Choice began the process of seeking B Corp certification during the year, recognising the importance of this independent, internationally recognised model to measure an organisation's total social and environment impact.

We worked closely with B Corp assessors as they analysed the way People's Choice interacts with members, employees and communities, as well as our environmental impact and governance standards. People's Choice is now a fully accredited B Corp organisation.

ESG reporting

In our annual reports, People's Choice has always informed members of the organisation's activities beyond the purely financial. This year we have formalised and expanded this practice by committing to reporting annually on our ESG activity to ensure members are aware of our commitments, initiatives and progress.

In addition to the annual report, we publicly disclose certain practices through our Workplace Gender Equality Agency Report, Modern Slavery Statement and Carbon Neutral Disclosure via Climate Active.

Industry leadership

We are an active participant in the Sustainable Mutual Business program, which is being led by the Business Council of Co-operatives and Mutuals, a key Australian industry association.

This program brings together Australia's leading mutual organisations, representing a range of sectors, to learn from each other and international experts on issues such as the environment, sustainability and governance strategies, frameworks and reporting.

People's Choice also participated in an Industry-level climate risk program run by the Customer Owned Banking Association to develop a fit-for-purpose approach to transition climate risk management for the sector. The program included analysis of mutual banking specific impacts due to a changing climate.

By collaborating with like-minded mutuals, we can better develop the tools we need to deliver on our commitment to a sustainable tomorrow while continuing to provide excellent service to our members.

Certified

Corporation

Employees

Leaders from across the organisation took part in our United Leadership program.

Culture and engagement

Our 'Speak up. Be heard.' program enables constant attention on our employees' perceptions of our organisational culture and their experience of working at People's Choice.

Based on a series of regular and anonymous employee surveys, the program assesses employee engagement and strength of culture, enabling us to respond to feedback and prioritise opportunities to improve. Results are shared with leaders and teams to encourage discussion and suggestions, which are then fed into organisational action planning.

Diversity and inclusion

Our commitment to diversity and inclusion extends to everyone at all levels of the organisation as we shape a workplace where everyone is respected, valued and feels safe to contribute and thrive – where diversity of experience and perspective are celebrated and valued for the benefit of our people, members and the communities we operate in.

The Board approved a comprehensive Workplace Diversity & Inclusion Strategy during the year which provides our roadmap to a more diverse and inclusive workplace through deliberate and planned activity over four horizons.

The strategy will see the establishment of measurable targets that will be monitored annually to drive and direct progress, with a launch planned for the first quarter of the 2023 financial year. The first year of activity will be focused on building the foundations to support a more diverse and inclusive organisation.

More than half our Board of Directors are female and the Executive team (excluding CEO) has 43% female Executives.

As part of our commitment to celebrating diversity and strengthening inclusion and community connection, we hosted an International Women's Day breakfast panel and celebrated Harmony Week, NAIDOC Week and Reconciliation Week.

Health and wellbeing

Our Work from Anywhere philosophy is a key employee benefit and helps us attract and retain high quality people. It also provides flexibility when COVID-19 is more active in the community, enabling head office employees to work safely from home where possible. Our member-facing employees continue to work diligently to safeguard members and themselves, while managing the disruptions caused by COVID-19-related absences.

We introduced measures during the year to support our employees' health and wellbeing including new COVID-19 policies and assistance, free flu vaccinations and a half-day's leave for COVID-19 vaccinations, a dedicated Wellbeing Month incorporating RUOK Day, and increases to family & domestic violence leave and bonding & parental leave.

We also put in place a new end-of-year work slowdown ahead of our two-week shutdown over Christmas/New Year to ensure our people had the opportunity to relax and recharge with loved ones at this time while retaining essential banking services for members.

Reward and recognition

Our people contribute every day to our vision of being Australia's most trusted financial services provider, so we're committed to providing opportunities to acknowledge and celebrate the efforts and achievements of our people across the organisation.

During the year, we refreshed our employee recognition program, resulting in 228 employees being acknowledged by their peers or leaders with Living the Values awards and 41 employees being both recognised and rewarded for going above and beyond for our members.

With restrictions on gatherings easing, we reintroduced Social Club activities, length of service milestone recognition events and end-of-year celebrations to thank and acknowledge the hard work and commitment of our people.

Environment

Cudgee Regeneration Project, Queensland – one of three projects supported by People's Choice's carbon offset credits.

Carbon neutral

People's Choice was officially certified as carbon neutral in November 2022, and we're working to reduce our carbon footprint even further.

We achieved this milestone by purchasing carbon offset credits to balance our 2021 carbon output of 6,047 tonnes. This was calculated with the help of the Australian Government's Climate Active partnership which analysed our organisation and business practices.

The carbon credits came from three fully-approved Australian farming projects which are re-establishing native forests on previously cleared land: the Farnham Plains Regeneration Project, Wambin Carbon Project and Cudgee Regeneration Project.

Hybrid vehicles

In 2021/22, People's Choice began transitioning its fleet to hybrid vehicles to reduce our transport-related carbon footprint by some 40% and our petrol usage by approximately 45%.

Thirteen hybrid Toyota RAV4s are now in use in Victoria and Canberra, with a further 33 soon to be operating in South Australia and the Northern Territory.

The new cars will totally replace our existing petrol-only vehicles.

We are now also offering green car loans which provide a significant interest rate discount for members who purchase a full electric, hybrid, fuel cell or hydrogen vehicle.

6-star head office

The People's Choice head office at 50 Flinders Street, Adelaide, has retained its status as one of the greenest office buildings in Australia.

The National Australian Built Environment Rating System (NABERS) has maintained its highest rating of 6 stars for the building's energy efficiency. The importance is clear, as buildings are responsible for 40% of the world's carbon emissions and use approximately 40% of the world's energy.

The building also received a 6-star rating for indoor environment, which takes into account indoor air quality, lighting quality, thermal comfort and acoustic qualities.

The building is one of only seven buildings across Australia to have maintained these sustainability ratings without the use of purchased green power.

Waste and emissions reductions

Our head office now benefits from light motion detection and programming changes which have reduced power consumption. We have updated a number of our branches with LED lighting to reduce emissions, and this is now standard for all new fitouts.

We have implemented a number of waste management streams within head office to reduce waste to landfill including coffee cups. We use carbon neutral photocopy paper and environmentally-friendly cleaning products, and have an office recycling program which includes toner cartridges, stationery and batteries.

Climate Active Carbon Neutral ORGANISATION

Members

Vulnerable members

People's Choice has a clear responsibility to protect vulnerable members and their financial affairs. Members can be vulnerable in many different ways: from language difficulties and mental impairment to domestic violence and financial abuse.

During 2021/22, we strengthened our capabilities in this area. We developed and implemented new training so our member-facing employees are better able to recognise potentially vulnerable members and then provide suitable, immediate assistance.

We also created a Member Care and Wellbeing Framework, supported by a dedicated working group and specialised team to manage more complex issues, and ensure a coordinated, organisation-wide response, underpinned by the principles of listen, care, and act.

At every level we want to make sure we provide understanding, compassion and privacy.

Voice of the member

To consistently deliver high-quality service, we have to be able to identity and rectify those issues which are causing problems.

While various parts of our organisation have systems to do this, we have created a new approach called Voice of the Member which brings all this information together to provide a single structured and coordinated process to address poor member experiences.

By being able to see the whole picture, the Voice of the Member process means we are better able to identify trends in member feedback or issues, direct corrective actions, monitor the effects of any change and prioritise work as needed

Our goal is to ensure that every member interaction is a positive one.

Community

Reconciliation Action Plan

As we begin our reconciliation journey, we're learning from people like Kaurna Elder, Uncle Tamaru.

To live up to our values, we believe we need to provide better support, and have a better understanding, of Aboriginal and Torres Strait Islander peoples – as our members, employees or part of our wider community.

People's Choice is working closely with Reconciliation SA to develop its first Reflect level Reconciliation Action Plan.

The plan will include initial actions and see us develop relationships with First Nations' stakeholders, to help us decide on our long-term vision for reconciliation. A working group has been established, with specialist training provided which included exploration of potential initiatives.

At its core, reconciliation is about building respectful relationships between First Nations' people and the wider Australian community to enable us to work together to close the gaps, and to achieve a shared sense of fairness and justice.

Reconciliation will make us a better organisation – for all members.

Community Lottery

Over the years, the People's Choice Community Lottery has helped to raise more than $20 million for worthy community groups across Australia.

In 2021/22, the Lottery generated $955,116 for more than 700 organisations, ranging from community sports clubs and animal rescue groups to local charities and emergency services in South Australia, Victoria and the Northern Territory. The Lottery's official charity partner, HeartKids, raised more than $110,000.

Created in 1984, the Lottery has one goal – to help community groups with limited resources raise much needed funding. This is only possible with People's Choice organising and funding the entire process, from securing the licence and sourcing the prizes, through to operating the website and driving promotions, so that participating groups get to keep the entire $2 from every $2 ticket sold.

Corporate community investment

Through our suite of fundraising, giving and sponsorship programs we contributed 4.4% of our pre-tax profit to corporate community investment in 2021/22. This is five times the average contribution made by major Australian companies (source: Giving Large).

Our branch network supported 140 community activities throughout the year, dedicating $97,000 to a range of sponsorships, scholarships and events including the Darwin RSPCA, The Smith Family Career Expo and West Whyalla Football Club.

The annual People's Choice Community Lottery benefits hundreds of community and sporting groups across Australia.

Our employee volunteering program – The Good Squad – means our people can spend two paid days a year helping charities of their choice.

Our high-profile sponsorships of the AFL's Western Bulldogs and the Adelaide Strikers men's and women's teams in the Big Bash League, and ongoing support of Norwood in the SANFL, contribute enormously to their local communities while helping build our profile, and in turn our membership.

Including funds raised through the Community Lottery and other programs, People's Choice generated $2.6 million for the community during the year.

Employee volunteering and fundraising

People's Choice re-energised its longstanding employee volunteering program during the year, relaunching as The Good Squad to encourage employees to volunteer for worthy organisations around the country.

Each of our 900 employees can spend two working days every year supporting their community in this way – either individually in their local community or via a team-based volunteering activity with one of our community partners.

During the year, our employees volunteered their time to community organisations such as the Hospital Research Foundation, RSPCA SA and Talk Out Loud.

A range of employee-based activities raised $24,678. These included our Workplace Giving Program, joining Australia's Biggest Morning Tea, taking part in the Adelaide City Plunge for HeartKids, as well as Positive Impact Days which supported groups such as the Wings for Life Foundation, the Black Dog Institute and Pride Foundation Australia.

Annual Financial Report

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 2022 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
Non-Executive Director
BCom, BA, GAICD

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.

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 22.

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 and the sale of insurance policies. Prior to the sale of financial planning business on 1 February 2022, the Group provided financial planning services to members and customers. There have been no other 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 2022, including both continuing and discontinuing operations, of $19.661 million (2021: $9.740 million).
The result for the year was impacted by expenditure relating to cloud computing arrangements, costs incurred for the merger opportunity with Heritage Bank Limited and the financial planning business sale.

The adoption of the International Financial Reporting Standard Interpretations Committee (IFRIC) agenda decisions regarding cloud computing arrangements has resulted in a reclassification of some intangible assets to an expense in the Statement of Comprehensive Income. The change in accounting policy has been applied retrospectively and historical financial information has been restated to reflect this change. Refer to Note 2 e) for further details.

Merger costs incurred in current financial year relate to the proposed merger with Heritage Bank. These costs would not otherwise have been incurred in the ongoing operations of the business.

The financial planning business was sold to the Fiducian Group on 1 February 2022. Following the sale, the financial planning business was transitioned to Fiducian with no disruption to members' access to financial planning services. With financial planning business requirements becoming increasingly complex and specialised, over the long term the financial planning members will be best served by Fiducian's dedicated resources and focus on meeting members' evolving financial advice needs.

As a result of the sale, the financial planning business has been reclassified as a discontinued operation and the results have been presented separately from the continuing operations of the Group in the Statement of Profit or Loss and Other Comprehensive Income in both the current and comparative periods.

The table below details the impact on profit before tax for the year ended 30 June 2022, resulting in a comparative profit before tax of $36.767 million, an increase of $7.028 million (24%) from 2021.

	2022	2021	Movement	
	$'000	$'000	$'000	%
Statutory profit before tax	**19,661**	**9,740**	**9,921**	**102%**
Cloud computing	18,871	19,999		
Merger costs	5,664			
Gain on sale of financial planning business	(7,429)			
Comparative profit before tax	**36,767**	**29,739**	**7,028**	**24%**

The total assets for the Group at 30 June 2022 were $10.447 billion (2021: $9.635 billion), representing an increase of $812 million (8.4%) from 30 June 2021. Lending settlements for the twelve months ended 30 June 2022 were $2.364 billion (2021: $1.605 billion), and member retail deposits grew by $581 million (2021: $375 million) representing a portfolio increase of 8.3%. The residential lending portfolio increased by 9.2% from 30 June 2021 and total member loans and advances increased by 9.0% to $8.820 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 2022 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.

LIKELY DEVELOPMENTS

In August 2021 People's Choice announced that it had entered into a non-binding Heads of Agreement to explore a merger with Heritage Bank Limited to form a combined Mutual ADI. In April 2022, following the completion of due diligence, the parties entered into a binding Merger Implementation Deed which sets out the terms and conditions on which People's Choice Credit Union and Heritage Bank have agreed to propose and implement the merger.

The proposed merger is conditional on a number of matters, including receipt of member approval and regulatory approvals. If these conditions are satisfied, the merger is expected to be completed in early 2023.

If the merger proceeds, all of the assets and liabilities (including loans and deposits held by members) of People's Choice Credit Union and Heritage Bank will become assets and liabilities of the combined Mutual ADI. People's Choice members will become members of the combined Mutual ADI and deemed to have become members of the combined Mutual ADI on the date they became a People's Choice member to ensure tenure is recognised. A top-level governance structure has been agreed to oversee the management and strategic direction of the combined Mutual ADI.

Further information on the merger will be contained in the Member Information Booklet which People's Choice expects to provide to members in late calendar year 2022.

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 21 and forms part of the Directors' Report for the year ended 30 June 2022.

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 on the 14th day of September, 2022
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 Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Australian Central Credit Union Ltd for the financial year ended 30 June 2022 there have been:

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

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

KPMG

KPMG

Paul Cenko
Partner

Adelaide

14 September 2022

Corporate Governance Statement

This Corporate Governance Statement has been approved by the Board of Australian Central Credit Union Ltd (ACN 087 651 125) trading as People's Choice Credit Union ("People's Choice"). It describes People's Choice's key governance practices and articulates how decision-making is guided to meet stakeholder expectations of sound corporate governance, acknowledging People's Choice's specific and broader responsibilities to its members, employees and the communities in which it operates.

HOW WE DO BUSINESS

Together with management, the Board of People's Choice is committed to acting lawfully, responsibly, ethically and with the highest standards of integrity.

People's Choice adopts 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 adheres 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 benefitting 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 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 that 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 significant changes in the legal structure of the People's Choice group.

Importantly, the Board is also responsible for assessing compliance by People's Choice with its regulatory requirements and operating policies and practices, and ensuring that 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 of the People's Choice's Constitution ("Constitution"). The Board comprises a combination of member-elected Directors, Board-appointed 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 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
W. Thorpe	2019
G. Williams	2021

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

Further information on the Directors can be found on page 17 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.

The 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 annual general meetings.

Risk Committee – The Risk Committee assists the Board by 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 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.

Nominations Committee – The Nominations Committee is established in association with Director elections. It assists the Board to manage the process for the nomination of Directors, including the conduct of nominee interviews and the preparation of 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 2022, which can be found under "About Us" in the Regulatory Disclosures section of our website.

STRATEGY

The Board is committed to regularly evaluating the organisation's strategy to ensure that the strategic direction adopted by People's Choice promotes the creation of innovative and sustainable benefits for members, and meets People's Choice's responsibilities to its members, employees and communities in which it operates.

BOARD SKILLS AND EXPERIENCE

The Board believes that its membership should consist of high calibre Directors with an appropriate mix of skills, professional experience, tenure and backgrounds that allow the Directors individually, and the Board collectively, to discharge their responsibilities and duties under the law effectively. Accordingly, in selecting potential new Directors, the Board identifies the competencies and diversity required to enable the Board to fulfil its responsibilities.

DIVERSITY

The Board is committed to diversity and the promotion of an environment conducive to the appointment of well-qualified employees, management and Directors. A diversity policy is in place to assist People's Choice to maintain a workplace which values and respects all individuals. The policy has been developed in a way that recognises the diversity of the People's Choice 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, and is available on the People's Choice 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(2)	B	A(3)	B
M.A Cameron (Chairman)	D	10	10			5	5			6	6
S.P.W. Laidlaw (Managing Director)	E	10	10								
A.E. Heyworth	M	10	10	4	4			7	7		
V.S. Hickey	M	10	10			5	5			6	6
J.P. Patton	M	10	10	4	4			7	7		
W. Thorpe	D	10	10					7	7	6	6
G. Williams	M	10	10	4	4	5	5				

(1) Seven scheduled Board meetings and three additional meetings were held during FY2022.

(2) Four scheduled Risk Committee meetings and three additional meetings were held during FY2022.

(3) Four scheduled Remuneration Committee meetings and two additional meetings were held during FY2022.

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 2022 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 2022;
- 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 opinion

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 audit 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 opinion on the Financial Reports does 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 audit 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 audit, 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 audit 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 audit 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

14 September 2022

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 28 to 83 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 2022 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 on the 14th day of September, 2022
in accordance with a resolution of the Board of Directors of the Credit Union.

M. A. CAMERON	**S. P. W. LAIDLAW**
Chairman	**Managing Director**

Statements of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2022

	Note	Consolidated		Credit Union	
		2022	2021 *Restated	**2022**	2021 *Restated
		$'000	$'000	**$'000**	$'000
Interest income	4	**235,455**	262,075	**278,498**	321,729
Interest expense	4	**(47,902)**	(66,412)	**(101,477)**	(137,449)
Net interest income		**187,553**	195,663	**177,021**	184,280
Share in net profit/(loss) of equity accounted investees	21	**(519)**	1,376	**-**	-
Other income	5	**52,261**	43,611	**61,102**	52,915
Non-interest income		**51,742**	44,987	**61,102**	52,915
Net (impairment charge)/recoveries on loans and advances	10	**2,249**	58	**2,320**	196
Other expenses	6	**(230,226)**	(231,643)	**(228,223)**	(230,105)
Profit before tax		**11,318**	9,065	**12,220**	7,286
Income tax expense	7	**(1,871)**	(2,465)	**(2,110)**	(1,945)
Profit from continuing operations		**9,447**	6,600	**10,110**	5,341
Discontinued operation	24				
Profit from discontinued operation, net of tax		**8,069**	473	**6,973**	942
Profit for the period		**17,516**	7,073	**17,083**	6,283
Profit attributable to:					
Members of the parent		**17,516**	7,073	**17,083**	6,283
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		**464**	1,680	**464**	1,680
Effective portion of changes in fair value of cash flow hedges		**50,966**	2,208	**50,966**	2,208
Changes in fair value of financial assets held at FVOCI		**11,794**	537	**11,794**	537
Income tax on items of other comprehensive income		**(18,967)**	(1,327)	**(18,967)**	(1,327)
Other comprehensive income for the year, net of income tax		**44,257**	3,098	**44,257**	3,098
Total comprehensive income for the year		**61,773**	10,171	**61,340**	9,381

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

* Comparative Information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 2 e) and f)

Statements of Financial Position

AS AT 30 JUNE 2022

	Note	Consolidated			Credit Union		
		30 June 2022 $'000	30 June 2021 *Restated $'000	1 July 2020 *Restated $'000	**30 June 2022 $'000**	30 June 2021 *Restated $'000	1 July 2020 *Restated $'000
Assets							
Cash and cash equivalents	8	**176,532**	225,742	197,023	**83,005**	140,787	118,031
Loans and advances	9	**8,820,290**	8,094,821	7,886,087	**8,820,290**	8,094,821	7,886,087
Derivative assets	17 f)	**55,550**	1,988	13,364	**51,929**	3,622	19,208
Investment securities	11 a)	**1,186,235**	1,139,336	1,137,226	**1,186,235**	1,139,336	1,137,226
Other investments	11 b)	**59,183**	29,927	36,339	**1,718,287**	1,698,042	2,119,462
Property, plant and equipment	19	**55,739**	63,488	73,654	**55,739**	63,488	73,654
Intangible assets	20	**7,510**	3,320	367	**7,510**	3,320	367
Interest in equity accounted investees	21	**11,527**	12,537	11,222	**4,240**	4,240	4,240
Current tax receivable	7	**4,154**	2,511	-	**4,154**	2,518	-
Deferred tax assets	7	**35,646**	33,382	35,698	**41,059**	32,940	35,394
Other assets	12	**34,420**	28,478	31,287	**41,383**	36,051	40,630
Total Assets		**10,446,786**	9,635,530	9,422,267	**12,013,831**	11,219,165	11,434,299
Liabilities							
Deposits	13	**7,668,050**	7,118,480	6,743,585	**7,668,238**	7,119,269	6,743,587
Derivative liabilities	17 f)	**3,732**	1,594	17,849	**22,678**	1,174	3,438
Other payables	14	**54,358**	47,234	56,596	**39,975**	54,353	82,884
Lease liabilities	19 b)	**49,736**	54,320	61,481	**49,736**	54,320	61,481
Borrowings	15	**1,940,055**	1,762,684	1,896,068	**3,506,374**	3,348,341	3,904,609
Current tax payable	7	**-**	-	1,706	**-**	-	1,706
Deferred tax liabilities	7	**25,861**	7,636	11,854	**29,204**	5,245	9,759
Provisions	22	**20,088**	20,449	20,166	**20,088**	20,265	20,017
Total Liabilities		**9,761,880**	9,012,397	8,809,305	**11,336,293**	10,602,967	10,827,481
Net Assets		**684,906**	623,133	612,962	**677,538**	616,198	606,818
Equity							
Reserves	23	**224,896**	196,384	192,151	**224,890**	196,378	192,145
Retained earnings		**460,010**	426,749	420,811	**452,648**	419,820	414,673
Total Equity		**684,906**	623,133	612,962	**677,538**	616,198	606,818

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

* Comparative Information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 2 e) and f)

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2022

Consolidated Entity	**Note**	**Reserves $'000**	**Retained Earnings $'000**	**Total $'000**
Opening balance at 1 July 2021		**196,384**	**426,749**	**623,133**
Profit for the year after tax		**-**	**17,516**	**17,516**
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	23	**35,676**	**-**	**35,676**
Taken to profit or loss	23	**325**	**-**	**325**
Change in fair value of financial assets held at FVOCI	23	**8,256**	**-**	**8,256**
Derecognition of equity instrument held at FVOCI	23	**(2,007)**	**2,007**	**-**
Total comprehensive income for the period		**42,250**	**2,007**	**44,257**
Transactions recorded directly in equity				
Redeemed member shares	23	**29**	**(29)**	**-**
General reserve for credit losses	23	**(13,767)**	**13,767**	**-**
Total recorded directly in equity		**(13,738)**	**13,738**	**-**
Closing balance at 30 June 2022		**224,896**	**460,010**	**684,906**
Opening balance at 1 July 2020		192,151	446,031	638,182
Prior period restatement*			(25,220)	(25,220)
Restated opening balance at 1 July 2020*		192,151	420,811	612,962
Restated profit for the year after tax*		-	7,073	7,073
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)	-
Restated closing balance at 30 June 2021*		196,384	426,749	623,133

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

* Comparative information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 2 e) and f)

FOR THE YEAR ENDED 30 JUNE 2022

Credit Union	Note	Reserves $'000	Retained Earnings $'000	Total $'000
Opening balance at 1 July 2021		**196,378**	**419,820**	**616,198**
Profit for the year after tax		**-**	**17,083**	**17,083**
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	23	**35,676**	**-**	**35,676**
Taken to profit or loss	23	**325**	**-**	**325**
Change in fair value of financial assets held at FVOCI	23	**8,256**	**-**	**8,256**
Derecognition of equity instrument held at FVOCI	23	**(2,007)**	**2,007**	**-**
Total comprehensive income for the period		**42,250**	**2,007**	**44,257**
Transactions recorded directly in equity				
Redeemed member shares	23	**29**	**(29)**	**-**
General reserve for credit losses	23	**(13,767)**	**13,767**	**-**
Total recorded directly in equity		**(13,738)**	**13,738**	**-**
Closing balance at 30 June 2022		**224,890**	**452,648**	**677,538**
Opening balance at 1 July 2020		192,145	439,893	632,038
Prior period restatement *			(25,220)	(25,220)
Restated opening balance at 1 July 2020*		192,145	414,673	606,818
Restated profit for the year after tax*		-	6,283	6,283
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)	-
Restated closing balance at 30 June 2021*		196,378	419,820	616,198

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

* Comparative Information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 2 e) and f)

Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2022

	Note	Consolidated		Credit Union	
		2022	2021 *Restated	**2022**	2021 *Restated
		$'000	$'000	**$'000**	$'000
Cash from operating activities					
Interest received		**235,989**	261,581	**279,032**	321,235
Interest paid		**(47,650)**	(71,339)	**(98,830)**	(143,045)
Payment of interest on lease liabilities		**(1,509)**	(1,675)	**(1,509)**	(1,675)
Fees and commission received		**48,303**	47,217	**42,954**	47,651
Other income received		**8,884**	7,663	**17,227**	16,905
Increase in loans and advances		**(723,220)**	(208,676)	**(723,149)**	(208,539)
Net increase in deposits and withdrawable shares		**549,570**	374,895	**548,969**	375,682
Payments to employees and suppliers		**(217,871)**	(228,648)	**(209,474)**	(225,365)
Income taxes paid		**(8,648)**	(10,115)	**(8,648)**	(10,034)
Net cash from operating activities	28	**(156,152)**	170,903	**(153,428)**	172,815
Cash from investing activities					
Net increase in investment securities held at FVOCI		**(37,996)**	(1,574)	**(37,965)**	(1,574)
Acquisition/disposal of non-tradeable investments		**(29,256)**	6,411	**(20,245)**	421,420
Acquisition of property plant and equipment		**(1,059)**	(2,705)	**(1,059)**	(2,705)
Acquisition of software intangibles		**(4,311)**	(2,417)	**(4,311)**	(2,417)
Proceeds from sale of property, plant and equipment		**25**	1	**-**	1
Dividends and distributions received		**5,049**	441	**5,049**	441
Proceeds from sale of discontinued operations		**8,820**	-	**7,845**	-
Net cash from investing activities		**(58,728)**	157	**(50,686)**	415,166
Cash from financing activities					
Payment of principal portion of lease liabilities		**(11,701)**	(12,519)	**(11,701)**	(12,519)
Proceeds from borrowings		**75,000**	257,537	**75,000**	257,537
Proceeds from residential mortgage backed securities issued		**600,000**	67,894	**600,000**	-
Repayment of borrowings		**(1,363)**	(1,428)	**(516,967)**	(810,243)
Payments to Noteholders		**(496,266)**	(453,825)	**-**	-
Net cash from financing activities		**165,670**	(142,341)	**146,332**	(565,225)
Net increase/(decrease) in cash and cash equivalents		**(49,210)**	28,719	**(57,782)**	22,756
Cash and cash equivalents at 1 July		**225,742**	197,023	**140,787**	118,031
Cash and cash equivalents at 30 June	8	**176,532**	225,742	**83,005**	140,787

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

* Comparative Information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 2 e) and f)

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 2022 was authorised for issue in accordance with a resolution by the Directors on 14 September 2022.

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

The Group is primarily involved in the provision of loans, savings, investment facilities and the sale of insurance policies to members and customers. Prior to the sale of financial planning business on 1 February 2022, the Group provided financial planning services to members and customers. There have been no other 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 tentative agenda decisions
In September 2022, the International Accounting Standards Board (IASB) may endorse the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision on Cash received via Electronic Transfer as Settlement for a Financial Asset. The Group has yet to consider the implication of this agenda decision.

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.

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.

2. BASIS OF PREPARATION (continued)

d) Use of judgements and estimates (continued)

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
- Note 20 Intangible Assets

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.

e) Changes in significant accounting policies

Software-as-a-Service (SaaS) arrangements
The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact SaaS arrangements:

- Customer's right to receive access to the supplier's software hosted on the cloud (March 2019) – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.
- Configuration or customisation costs in a cloud computing arrangement (April 2021) – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

2. BASIS OF PREPARATION (continued)

e) Changes in significant accounting policies (continued)

Software-as-a-Service (SaaS) arrangements (continued)

The Group's accounting policy has historically been to capitalise all costs related to SaaS arrangements as intangible assets in the Statement of Financial Position. The adoption of the above agenda decisions has resulted in a reclassification of these intangible assets to either a prepaid asset in the Statement of Financial Position and/or recognition as an expense in the Statement of Comprehensive Income, impacting both the current and/or prior periods presented.

The new accounting policy is presented in Note 6.

SaaS arrangements are service contracts providing the group with the right to access the cloud providers application software over the contract period. Costs relating to the ongoing fees to the cloud provider's application software are recognised over the contract term. Costs incurred to configure or customise the software are recognised as other expenses when the services are received.

Historical financial information has been restated to account for the impact of the change in accounting policy in relation to SaaS arrangements. The change has been applied retrospectively and impacted the prior year financial statement captions of the Group and the Credit Union as follows:

Statement of financial position as at 1 July 2020

	Consolidated			Credit Union		
	Previously reported $'000	Adjustment $'000	Restated $'000	Previously reported $'000	Adjustment $'000	Restated $'000
Assets						
Property, plant and equipment	103,968	(30,314)	73,654	103,968	(30,314)	73,654
Intangible assets	6,082	(5,715)	367	6,082	(5,715)	367
Deferred tax assets	24,889	10,809	35,698	24,585	10,809	35,394
Total Assets	**9,447,487**	**(25,220)**	**9,422,267**	**11,459,519**	**(25,220)**	**11,434,299**
Net Assets	**638,182**	**(25,220)**	**612,962**	**632,038**	**(25,220)**	**606,818**
Equity						
Retained earnings	446,031	(25,220)	420,811	439,893	(25,220)	414,673
Total Equity	**638,182**	**(25,220)**	**612,962**	**632,038**	**(25,220)**	**606,818**

2. BASIS OF PREPARATION (continued)

e) Changes in significant accounting policies (continued)

Software-as-a-Service (SaaS) arrangements (continued)

Statement of financial position as at 30 June 2021

	Consolidated			Credit Union		
	Previously reported $'000	Adjustment $'000	Restated $'000	Previously reported $'000	Adjustment $'000	Restated $'000
Assets						
Property, plant and equipment	63,469	19	63,488	63,469	19	63,488
Intangible assets	59,367	(56,047)	3,320	59,367	(56,047)	3,320
Deferred tax assets	16,573	16,809	33,382	16,131	16,809	32,940
Total Assets	**9,674,749**	**(39,219)**	**9,635,530**	**11,258,384**	**(39,219)**	**11,219,165**
Net Assets	**662,352**	**(39,219)**	**623,133**	**655,417**	**(39,219)**	**616,198**
Equity						
Retained earnings	465,968	(39,219)	426,749	459,039	(39,219)	419,820
Total Equity	**662,352**	**(39,219)**	**623,133**	**655,417**	**(39,219)**	**616,198**

Statement of profit or loss and other comprehensive income for the year ended 30 June 2021

	Consolidated			Credit Union		
	Previously reported $'000	Adjustment $'000	Restated $'000	Previously reported $'000	Adjustment $'000	Restated $'000
Expenses						
Other expenses	(211,644)	(19,999)	(231,643)	(210,106)	(19,999)	(230,105)
Profit before tax	**29,064**	**(19,999)**	**9,065**	**27,285**	**(19,999)**	**7,286**
Income tax expense	(8,465)	6,000	(2,465)	(7,945)	6,000	(1,945)
Profit from continuing operations	**20,599**	**(13,999)**	**6,600**	**19,340**	**(13,999)**	**5,341**
Profit after tax	**21,072**	**(13,999)**	**7,073**	**20,281**	**(13,999)**	**6,283**

Statement of cash flows for the year ended 30 June 2021

	Consolidated			Credit Union		
	Previously reported $'000	Adjustment $'000	Restated $'000	Previously reported $'000	Adjustment $'000	Restated $'000
Cash from operating activities						
Payments to employees and suppliers	(205,341)	(23,307)	(228,648)	(202,058)	(23,307)	(225,365)
Net cash from operating activities	**194,210**	**(23,307)**	**170,903**	**196,122**	**(23,307)**	**172,815**
Cash from investing activities						
Acquisition of software intangibles	(25,724)	23,307	(2,417)	(25,724)	23,307	(2,417)
Net cash from investing activities	**(23,150)**	**23,307**	**157**	**391,859**	**23,307**	**415,166**

2. BASIS OF PREPARATION (continued)

f) Changes in comparatives

Discontinued operations
The financial planning business was sold to the Fiducian Group on 1 February 2022. The business has been reclassified as a discontinued operation.

The financial results of business reclassified as discontinued operations are excluded from the results of the continuing operations and are presented as a single line item Net profit after tax from discontinued operations in the Statement of Profit or Loss and Other Comprehensive Income.

The Statement of Profit or Loss and Other Comprehensive Income for the comparative period is also restated. The Balance Sheet is not restated when a business is reclassified as a discontinued operation. Refer to Note 24 for disclosures on discontinued operations.

3. NEW STANDARDS NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2022, 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	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Interest income under the effective interest method				
Cash and cash equivalents	**310**	411	**105**	87
Loans and advances	**229,592**	256,479	**229,592**	256,479
Investment securities	**5,553**	5,185	**5,553**	5,185
Interest rate derivatives	**-**	-	**19,572**	33,208
Other investments	**-**	-	**23,676**	26,770
Total interest income under the effective interest method	**235,455**	262,075	**278,498**	321,729

	Consolidated		Credit Union	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Interest expense				
Deposits	**20,143**	38,775	**20,143**	38,775
Borrowings	**22,405**	22,720	**79,825**	96,999
Interest rate derivatives	**3,845**	3,242	**-**	-
Lease liabilities	**1,509**	1,675	**1,509**	1,675
Total interest expense	**47,902**	66,412	**101,477**	137,449
Net interest income	**187,553**	195,663	**177,021**	184,280

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.

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 calculating variable commissions 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.

	Consolidated		Credit Union	
	2022 $'000	2021 *Restated $'000	**2022 $'000**	2021 *Restated $'000
Loan, access and other fee income	**26,254**	25,321	**34,605**	34,564
Insurance fees and commissions	**21,324**	17,521	**21,324**	17,521
Dividends received	**4,559**	380	**5,049**	441
Other income	**124**	389	**124**	389
Total other income	**52,261**	43,611	**61,102**	52,915

* Comparative Information has been restated to reflect the change in accounting policy detailed in Note 2 f)

6. OTHER EXPENSES

Accounting policy

Salaries
Salaries and related on-costs include annual leave, long service leave, employee incentives and relevant taxes. Staff expenses are recognised over the period the employee renders the service. Long service leave is discounted to present value using assumptions relating to staff departures, leave utilisation and future salary.

Superannuation
Superannuation expense includes expenses relating to defined contribution and defined benefit superannuation plans. Defined contribution expense is recognised in the period the service is provided, whilst the defined benefit expense, which measures current and past service costs, is determined by an actuarial calculation.

Occupancy
Occupancy and equipment expenses include depreciation which is calculated using the straight-line method over the asset's estimated useful life. The right-of-use asses are depreciated over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within depreciation of Property, plant and equipment.

Information technology costs
IT services expenses are recognised as incurred when the related services are delivered, unless they qualify for capitalisation as computer software because they are identifiable and controlled in a way that allows future economic benefits to be obtained and others' to access those benefits can be restricted.

SaaS arrangements are service contracts providing the group with the right to access the cloud provider's application software over the contract period. Costs relating to the ongoing fees to the cloud provider's application software are recognised over the contract term. Costs incurred to configure or customise the software are recognised as other expenses when the services are received. Where costs are incurred are for the development of software code that enhances, modifies or creates additional capability to existing on-premise systems and meets the recognition criteria for an intangible asset are recognised in accordance with *AASB 138 Intangible Assets,* refer to Note 20.

	Consolidated		Credit Union	
	2022 $'000	2021 *Restated $'000	**2022 $'000**	2021 *Restated $'000
Salary and wages	**105,143**	97,427	**104,862**	97,180
Superannuation	**8,162**	7,442	**8,134**	7,421
Administrative expenses	**30,499**	33,594	**28,434**	31,692
Depreciation of property, plant and equipment	**15,926**	17,537	**15,926**	17,537
Amortisation on intangible computer software	**125**	156	**125**	156
Marketing costs	**7,658**	7,741	**8,061**	8,387
Occupancy expenses	**3,966**	5,182	**3,965**	5,182
Distribution channel costs	**25,858**	25,203	**25,858**	25,203
Information technology costs	**32,889**	37,361	**32,858**	37,347
Total other expenses	**230,226**	231,643	**228,223**	230,105

* Comparative Information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 2 e) and f)

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	
	2022 **$'000**	2021 *Restated $'000	**2022** **$'000**	2021 *Restated $'000
Profit before tax from continuing operations	**11,318**	9,065	**12,220**	7,286
Tax at the tax rate of 30% (2021: 30%)	**3,395**	2,719	**3,666**	2,185
Adjust for tax effect of:				
Fully franked dividends received	**(1,515)**	(132)	**(1,515)**	(132)
Sundry items	**9**	151	**(41)**	165
(Under)/over provision in prior years	**(18)**	(273)	**-**	(273)
Income tax expense	**1,871**	2,465	**2,110**	1,945
The components of tax expense comprise:				
Current tax	**4,017**	5,694	**4,377**	5,332
Deferred tax	**(2,146)**	(3,229)	**(2,266)**	(3,387)
	1,871	2,465	**2,110**	1,945
Income tax recognised in other comprehensive income				
Net gain/(loss) on cash flow hedges	**15,429**	1,167	**15,429**	1,167
Net gain/(loss) on investment securities held at FVOCI	**3,538**	161	**3,538**	161
	18,967	1,328	**18,967**	1,328
Current tax receivable/(payable)	**4,154**	2,511	**4,154**	2,518
Deferred tax assets comprise:				
Amounts recognised in profit or loss				
Loans and advances impairment	**2,792**	3,693	**2,792**	3,693
Accrued superannuation	**298**	294	**298**	292
Unearned fee income	**66**	510	**66**	510
Depreciation	**2,782**	2,779	**2,782**	2,779
Provisions	**6,516**	7,958	**6,492**	7,439
Derivative liabilities at fair value through profit or loss	**1,241**	608	**6,789**	687
Intangible assets	**20,449**	17,276	**20,449**	17,276
Other items	**1,488**	-	**1,377**	-
	35,632	33,118	**41,045**	32,676
Amounts recognised directly in Equity				
Cash flow hedges	**14**	264	**14**	264
Total deferred tax assets	**35,646**	33,382	**41,059**	32,940
Deferred tax liabilities comprise:				
Amounts recognised in profit or loss				
Equity accounted associates	**2,205**	2,470	**-**	-
Derivative assets at fair value through profit or loss	**1,241**	608	**6,789**	687
	3,446	3,078	**6,789**	687
Amounts recognised directly in Equity				
Cash flow hedges	**15,579**	400	**15,579**	400
Fair value reserve - investment securities held at FVOCI	**6,836**	4,158	**6,836**	4,158
Total deferred tax liabilities	**25,861**	7,636	**29,204**	5,245
Franking account balance	**206,127**	196,225		

* Comparative Information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 2 e)

The effective tax rate on continuing operations of the consolidated group is 17% (2021:29%). The reduction in effective tax rate is largely due to fully franked dividends received in the current year.

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 cost 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/Fair value through other comprehensive income	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/Fair value through other comprehensive income	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	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Cash on hand and at bank	**12,383**	12,494	**12,383**	12,494
Deposits at call	**164,149**	213,248	**70,622**	128,293
	176,532	225,742	**83,005**	140,787

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	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Revolving credit facilities	**115,002**	148,835	**115,002**	148,835
Term loans	**8,699,074**	7,950,407	**8,699,074**	7,950,407
Gross loans and advances	**8,814,076**	8,099,242	**8,814,076**	8,099,242
Provision for impairment (Note 10)	**(9,307)**	(12,309)	**(9,307)**	(12,309)
Loan origination and processing costs	**17,249**	9,908	**17,249**	9,908
Unearned income	**(1,728)**	(2,020)	**(1,728)**	(2,020)
Net loans and advances	**8,820,290**	8,094,821	**8,820,290**	8,094,821

The loan portfolio of the Group does not include any loans or groups of related loans which represent 10% or more of capital (2021: $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.

		2022			2021	
	Upside Scenario %	**Base Scenario %**	**Downside Scenario %**	Upside Scenario %	Base Scenario %	Downside Scenario %
Forecast unemployment rate	**4.0**	**4.8**	**9.0**	5.1	5.8	10.0
Property price increase/(fall)	**5.0**	**-**	**(30.0)**	10.0	5.0	(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.

	2022 $'000	2021 $'000
Reported probability weighted ECL	**9,307**	12,309
100% Upside scenario	**3,298**	5,972
100% Base scenario	**5,031**	8,589
100% Downside scenario	**23,175**	29,153

10. IMPAIRMENT OF LOANS AND ADVANCES (continued)

Accounting policy (continued)

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.

Loans and advances that are not individually assessed 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 and other forward-looking indicators.

(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. The GRCL is no longer required from 1 January 2022 under the revised APS 220 Credit Risk Management.

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.

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	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Specific provision:				
Balance at beginning of year	**256**	1,952	**256**	1,952
Increase/(decrease) in provision	**(158)**	(1,696)	**(158)**	(1,696)
Balance at end of year	**98**	256	**98**	256
Collective provision:				
Balance at beginning of year	**12,053**	12,073	**12,053**	12,073
Increase/(decrease) in provision	**(2,844)**	(20)	**(2,844)**	(20)
Balance at end of year	**9,209**	12,053	**9,209**	12,053
Total provision for impairment	**9,307**	12,309	**9,307**	12,309
Charge/(recovery) to profit or loss comprises:				
Provision for loan impairment	**(3,002)**	(1,716)	**(3,002)**	(1,716)
Loans written off during the year as uncollectible	**1,665**	3,044	**1,594**	2,906
Bad debts recovered	**(912)**	(1,386)	**(912)**	(1,386)
Total charge/(recovery) to profit or loss	**(2,249)**	(58)	**(2,320)**	(196)
Impaired Loans				
Gross impaired loans	**3,627**	4,141	**3,627**	4,141
Specific provision for impairment	**(98)**	(256)	**(98)**	(256)
Total impaired loans net of specific provisions	**3,529**	3,885	**3,529**	3,885
Restructured loans	**4,583**	5,234	**4,583**	5,234
Assets acquired through the enforcement of security	**915**	1,760	**915**	1,760

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 2021	**7,466**	**2,214**	**2,374**	**256**	**12,309**
Changes due to loans and advances that have:					
Transferred to Stage 1	1,623	(992)	(597)	(34)	-
Transferred to Stage 2	(72)	375	(228)	(75)	-
Transferred to Stage 3 - collective	(23)	(141)	164	-	-
Transferred to Stage 3 - specific	-	-	(14)	14	-
New and increased provisions (net of provision releases)	(3,088)	(330)	478	(63)	(3,002)
Balance as at 30 June 2022	**5,906**	**1,126**	**2,177**	**98**	**9,307**
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

Credit Union

	Stage 1	Stage 2	Stage 3 Collective	Stage 3 Specific	Total
	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2021	**7,466**	**2,214**	**2,374**	**256**	**12,309**
Changes due to loans and advances that have:					
Transferred to Stage 1	1,623	(992)	(597)	(34)	-
Transferred to Stage 2	(72)	375	(228)	(75)	-
Transferred to Stage 3 - collective	(23)	(141)	164	-	-
Transferred to Stage 3 - specific	-	-	(14)	14	-
New and increased provisions (net of provision releases)	(3,088)	(330)	478	(63)	(3,002)
Balance as at 30 June 2022	**5,906**	**1,126**	**2,177**	**98**	**9,307**
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

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	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
a) Investment securities				
Interest-bearing deposits	**59,275**	59,300	**59,275**	59,300
Negotiable certificates of deposit	**522,202**	498,102	**522,202**	498,102
Floating rate notes	**429,403**	465,100	**429,403**	465,100
Bonds	**-**	24,935	**-**	24,935
Promissory notes	**129,775**	59,982	**129,775**	59,982
Shares in unlisted entities	**45,580**	31,917	**45,580**	31,917
Total investment securities	**1,186,235**	1,139,336	**1,186,235**	1,139,336
b) Other investments				
Capital notes	**-**	-	**1,699,772**	1,692,454
Other investments	**59,183**	29,927	**13,527**	600
Shares in controlled entities	**-**	-	**4,988**	4,988
Total other investments	**59,183**	29,927	**1,718,287**	1,698,042
Total Investments	**1,245,418**	1,169,263	**2,904,522**	2,837,378

11. INVESTMENTS (continued)

c) Shares in controlled entities

	2022 $	2021 $	% held by Holding Entity 2022 %	% held by Holding Entity 2021 %
Controlled entities				
Australian Central Services Pty Ltd	**-**	-	**100**	100
Financial Solutions Australasia Pty Ltd [1]	**4,987,973**	4,987,973	**100**	100
People's Choice Community Foundation Limited	**-**	-	**100**	100
	4,987,973	4,987,973		

[1] Discontinued operations on 1 February 2022

Special purpose entities

- Light Trust No. 4[2]
- Light Trust No. 5R
- Light Trust No. 6
- Light Trust Warehouse No. 1[3]
- Light Trust 2017-2
- Light Trust 2016-2
- Light Trust 2017-1
- Light Trust 2018-1
- Light Trust 2019-1
- Light Trust 2021-1[4]

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

[2] Deregistered on 31 March 2022
[3] Ceased trading on 13 May 2022
[4] Commenced trading on 1 November 2021

12. OTHER ASSETS

Accounting policy

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

	Consolidated 2022 $'000	Consolidated 2021 $'000	Credit Union 2022 $'000	Credit Union 2021 $'000
Accrued interest receivable	**1,001**	1,535	**1,001**	1,535
Prepayments	**12,488**	11,705	**12,488**	11,705
Other receivables	**20,931**	15,238	**27,894**	22,811
	34,420	28,478	**41,383**	36,051

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	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Retail deposits	**7,544,317**	6,963,385	**7,544,505**	6,964,174
Non-retail deposits	**123,037**	154,374	**123,037**	154,374
Withdrawable shares (issued and paid up at $2.00 per share)	**696**	721	**696**	721
	7,668,050	7,118,480	**7,668,238**	7,119,269

The deposit portfolio of the Group does not include any deposits or groups of related deposits which represent 10% or more of liabilities (2021: $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	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Accounts payable and other payables	**49,386**	34,095	**30,593**	41,171
Accrued interest payable	**3,992**	5,249	**8,481**	7,343
Customer refunds	**980**	7,890	**901**	5,839
	54,358	47,234	**39,975**	54,353

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 establishment 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	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Wholesale funding facilities	**3,148**	4,105	**3,148**	4,105
Loans payable to securitisation trusts	**-**	-	**3,041,091**	2,956,695
Notes payable	**1,474,772**	1,371,038	**-**	-
Term funding facility	**387,541**	387,541	**387,541**	387,541
Subordinated debt	**74,594**	-	**74,594**	-
	1,940,055	1,762,684	**3,506,374**	3,348,341
Wholesale funding facility utilisation				
Wholesale funding facilities - utilised	**3,148**	4,105	**3,148**	4,105
Wholesale funding facilities - unutilised	**-**	-	**-**	-
Wholesale funding approved limits	**3,148**	4,105	**3,148**	4,105
Securitisation warehouse funding facility utilisation				
Securitisation warehouse funding facilities - utilised	**314,786**	439,985	**314,786**	439,985
Securitisation warehouse funding facilities - unutilised	**135,214**	130,015	**135,214**	130,015
Securitisation warehouse funding approved limits	**450,000**	570,000	**450,000**	570,000
Term funding facility utilisation				
Term funding facility - utilised	**387,541**	387,541	**387,541**	387,541
Term funding facility - unutilised	**-**	-	**-**	-
Term funding approved limit	**387,541**	387,541	**387,541**	387,541

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.

Subordinated Debt
On the 16 September 2021, the Credit Union issued subordinate debt of $75m that classifies as Tier 2 capital. The subordinated notes pay variable interest and have a final maturity date of 16 September 2031, with an option to redeem notes on the early redemption date of 1 September 2026, subject to APRA approval.

16. STANDBY BORROWING FACILITIES

The Credit Union has the following borrowing facilities:

	Credit Union	
	2022	2021
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	
	2022	2021
	%	%
Liquidity ratio	**13.78**	14.78

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 2022 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 Statement 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
2022							
Financial Liabilities							
Deposits	**5,889,974**	**909,348**	**795,240**	**93,397**	**-**	**7,687,959**	**7,668,050**
Other payables	**-**	**54,358**	**-**	**-**	**-**	**54,358**	**54,358**
Lease liabilities	**-**	**3,314**	**9,996**	**40,758**	**-**	**54,068**	**49,736**
Borrowings	**-**	**24,741**	**204,131**	**647,824**	**1,590,425**	**2,467,121**	**1,940,055**
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	**-**	**(4,226)**	**(16,120)**	**(14,194)**	**-**	**(34,540)**	**(51,818)**
Total cash flows	**5,889,974**	**987,535**	**993,247**	**767,785**	**1,590,425**	**10,228,966**	**9,660,381**
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

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
2022							
Financial Liabilities							
Deposits	**5,890,137**	**909,348**	**795,240**	**93,397**	**-**	**7,688,122**	**7,668,238**
Other payables	**-**	**39,975**	**-**	**-**	**-**	**39,975**	**39,975**
Lease liabilities	**-**	**3,314**	**9,996**	**40,758**	**-**	**54,068**	**49,736**
Borrowings	**-**	**49,142**	**277,330**	**1,037,009**	**3,345,105**	**4,708,586**	**3,506,374**
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	**-**	**(3,130)**	**(7,534)**	**(2,787)**	**-**	**(13,451)**	**(29,251)**
Total cash flows	**5,890,137**	**998,649**	**1,075,032**	**1,168,377**	**3,345,105**	**12,477,300**	**11,235,072**
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

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**	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Deposits at call	**164,149**	213,248	**70,622**	128,293
Other assets	**34,420**	28,478	**41,383**	36,051
Investment securities	**1,140,655**	1,107,419	**1,140,655**	1,107,419
Derivative assets	**55,550**	1,988	**51,929**	3,622
Financial assets other than loans and advances	**1,394,774**	1,351,133	**1,304,589**	1,275,385
Loans and advances	**8,814,076**	8,099,242	**8,814,076**	8,099,242
Total financial assets	**10,208,850**	9,450,375	**10,118,665**	9,374,627
Credit commitments	**1,135,695**	1,088,835	**1,135,695**	1,088,835
Total potential exposure to credit risk	**11,344,545**	10,539,210	**11,254,360**	10,463,462
Distribution of financial assets:				
Neither past due nor impaired				
Financial assets other than loans and advances	**1,394,774**	1,351,133	**1,304,589**	1,275,385
Loans and advances	**8,632,392**	7,933,474	**8,632,392**	7,933,474
Past due but not impaired				
Loans and advances	**178,057**	161,627	**178,057**	161,627
Impaired				
Loans and advances	**3,627**	4,141	**3,627**	4,141
	10,208,850	9,450,375	**10,118,665**	9,374,627
Gross loans and advances past due but not impaired				
1 - 30 days	**117,572**	94,151	**117,572**	94,151
31 - 60 days	**14,248**	22,189	**14,248**	22,189
61 - 90 days	**10,674**	13,725	**10,674**	13,725
> 90 days	**35,563**	31,562	**35,563**	31,562
Total	**178,057**	161,627	**178,057**	161,627

17. RISK MANAGEMENT (continued)

b) Credit risk management (continued)

Geographic concentration of credit risk for gross loans and advances

	Consolidated		Credit Union	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
South Australia	**4,960,974**	4,902,339	**4,960,974**	4,902,339
Northern Territory	**1,725,222**	1,722,912	**1,725,222**	1,722,912
Victoria	**1,516,557**	980,295	**1,516,557**	980,295
New South Wales	**205,331**	164,137	**205,331**	164,137
Western Australia	**78,962**	73,093	**78,962**	73,093
Queensland	**226,943**	160,512	**226,943**	160,512
Australian Capital Territory	**80,272**	79,176	**80,272**	79,176
Tasmania	**19,815**	16,778	**19,815**	16,778
	8,814,076	8,099,242	**8,814,076**	8,099,242

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	
	2022	2021
	$'000	$'000
Capital Adequacy Ratio	**14.91%**	13.74%
Qualifying capital		
Tier 1	**549,163**	524,445
Tier 2	**75,000**	13,767
Total qualifying capital	**624,163**	538,212
Risk Weighted Assets	**4,186,244**	3,917,716

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 2022, 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 2022 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**	
	2022	2021	**2022**	2021
Consolidated	**%**	%	**$'000**	$'000
50 bp rise	**(1.15)**	(1.25)	**(642)**	(658)
50 bp fall	**1.16**	1.26	**676**	695
100 bp rise	**(2.31)**	(2.51)	**(1,283)**	(1,316)
100 bp fall	**2.32**	2.53	**1,352**	1,390

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**
2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets						
Cash and cash equivalents	**164,148**	**-**	**-**	**-**	**12,384**	**176,532**
Loans and advances	**4,758,432**	**1,144,035**	**2,917,138**	**685**	**-**	**8,820,290**
Investment securities	**-**	**1,140,655**	**-**	**-**	**45,580**	**1,186,235**
Other investments	**59,183**	**-**	**-**	**-**	**-**	**59,183**
	4,981,763	**2,284,690**	**2,917,138**	**685**	**57,964**	**10,242,240**
Financial Liabilities						
Deposits	**5,890,535**	**1,685,176**	**92,339**	**-**	**-**	**7,668,050**
Borrowings	**-**	**1,682,517**	**257,538**	**-**	**-**	**1,940,055**
	5,890,535	**3,367,693**	**349,877**	**-**	**-**	**9,608,105**
Interest rate swaps - assets/ (liabilities)	**1,460,000**	**(265,000)**	**(1,195,000)**	**-**	**-**	**-**

		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)	-	-	-

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.

	2022			2021		
	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	**1,488,829**	**3,621**	**(3,684)**	1,415,611	1,988	(713)
Derivatives held as cash flow hedges						
Interest rate swaps	**1,460,000**	**51,929**	**(48)**	830,000	-	(881)
	2,948,829	**55,550**	**(3,732)**	2,245,611	1,988	(1,594)
Credit Union						
Derivatives at fair value through profit or loss						
Interest rate swaps	**1,194,841**	**-**	**(22,630)**	1,132,616	3,622	(293)
Derivatives held as cash flow hedges						
Interest rate swaps	**1,460,000**	**51,929**	**(48)**	830,000	-	(881)
	2,654,841	**51,929**	**(22,678)**	1,962,616	3,622	(1,174)

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**	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Less than 1 year	**28,296**	(1,810)	**1,668,926**	1,457,309
1 to 2 years	**22,108**	676	**1,000,421**	290,147
2 to 5 years	**1,414**	1,528	**279,482**	498,155
> 5 years	**-**	-	**-**	-
	51,818	394	**2,948,829**	2,245,611

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 $3.732 million as at 30 June 2022 ($1.594 million at 30 June 2021).

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 2022 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.

In November 2021, the Group participated in a share-buy back related to its shares held in an unlisted entity. The fair value of the investment sold as at the date of derecognition was $2.9m, resulting in cumulative gain on disposal transferred to retained earnings of $2.0m.

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	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Consolidated				
Financial Assets				
Cash and cash equivalents	**176,532**	225,742	**176,532**	225,742
Loans and advances	**8,820,290**	8,094,821	**8,718,719**	8,105,994
Derivative assets	**55,551**	1,988	**55,551**	1,988
Investment securities	**1,186,235**	1,139,336	**1,186,235**	1,139,336
Other investments	**59,183**	29,927	**59,183**	29,927
Other assets	**34,420**	28,478	**34,420**	28,478
	10,332,211	9,520,292	**10,230,640**	9,531,465
Financial Liabilities				
Deposits	**7,668,050**	7,118,480	**7,613,248**	7,116,428
Derivative liabilities	**3,732**	1,594	**3,732**	1,594
Other payables	**54,358**	47,234	**54,358**	47,234
Borrowings	**1,940,055**	1,762,684	**1,924,643**	1,763,340
	9,666,195	8,929,992	**9,595,981**	8,928,596
Credit Union				
Financial Assets				
Cash and cash equivalents	**83,005**	140,787	**83,005**	140,787
Loans and advances	**8,820,290**	8,094,821	**8,718,719**	8,105,994
Derivative assets	**51,929**	3,622	**51,929**	3,622
Investment securities	**1,186,235**	1,139,336	**1,186,235**	1,139,336
Other investments	**1,718,287**	1,698,042	**1,718,287**	1,698,042
Other assets	**41,383**	36,051	**41,383**	36,051
	11,901,129	11,112,659	**11,799,558**	11,123,832
Financial Liabilities				
Deposits	**7,668,238**	7,119,269	**7,613,436**	7,117,217
Derivative liabilities	**22,678**	1,174	**22,678**	1,174
Other payables	**39,975**	54,353	**39,975**	54,353
Borrowings	**3,506,374**	3,348,341	**3,492,410**	3,350,595
	11,237,265	10,523,137	**11,168,499**	10,523,339

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				
2022				
Financial Assets				
Financial assets measured at FVOCI	**-**	**1,140,655**	**45,580**	**1,186,235**
Derivative assets	**-**	**55,550**	**-**	**55,550**
	-	**1,196,205**	**45,580**	**1,241,785**
Financial Liabilities				
Derivative liabilities	**-**	**3,732**	**-**	**3,732**
	-	**3,732**	**-**	**3,732**
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
Credit Union				
2022				
Financial Assets				
Financial assets measured at FVOCI	**-**	**1,140,655**	**45,580**	**1,186,235**
Derivative assets	**-**	**51,929**	**-**	**51,929**
	-	**1,192,584**	**45,580**	**1,238,164**
Financial Liabilities				
Derivative liabilities	**-**	**22,678**	**-**	**22,678**
	-	**22,678**	**-**	**22,678**
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

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					
2022					
Financial Assets					
Cash and cash equivalents	**176,532**	**-**	**-**	**176,532**	**176,532**
Loans and advances	**-**	**-**	**8,718,719**	**8,718,719**	**8,820,290**
Other investments	**-**	**59,183**	**-**	**59,183**	**59,183**
Other assets	**34,420**	**-**	**-**	**34,420**	**34,420**
	210,952	**59,183**	**8,718,719**	**8,988,854**	**9,090,425**
Financial Liabilities					
Deposits	**-**	**-**	**7,613,248**	**7,613,248**	**7,668,050**
Borrowings	**-**	**-**	**1,924,643**	**1,924,643**	**1,940,055**
Other payables	**54,358**	**-**	**-**	**54,358**	**54,358**
	54,358	**-**	**9,537,891**	**9,592,249**	**9,662,463**
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

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 $'000	Level 2 $'000	Level 3 $'000	Total Fair Values $'000	Carrying Amount $'000
Credit Union					
2022					
Financial Assets					
Cash and cash equivalents	**83,005**	**-**	**-**	**83,005**	**83,005**
Loans and advances	**-**	**-**	**8,718,719**	**8,718,719**	**8,820,290**
Other investments	**-**	**1,718,287**	**-**	**1,718,287**	**1,718,287**
Other assets	**41,383**	**-**	**-**	**41,383**	**41,383**
	124,388	**1,718,287**	**8,718,719**	**10,561,394**	**10,662,965**
Financial Liabilities					
Deposits	**-**	**-**	**7,613,436**	**7,613,436**	**7,668,238**
Borrowings	**-**	**-**	**3,492,410**	**3,492,410**	**3,506,374**
Other payables	**39,975**	**-**	**-**	**39,975**	**39,975**
	39,975	**-**	**11,105,846**	**11,145,821**	**11,214,587**
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

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 2021, net of accumulated depreciation	**1,299**	**13,136**	**1,192**	**496**	**47,365**	**63,488**
Additions	**349**	**253**	**635**	**-**	**7,117**	**8,354**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Net other movements in WIP	**-**	**-**	**-**	**(177)**	**-**	**(177)**
Depreciation expense	**(603)**	**(3,036)**	**(553)**	**-**	**(11,734)**	**(15,926)**
Balance at 30 June 2022	**1,045**	**10,353**	**1,274**	**319**	**42,748**	**55,739**
At 30 June 2022						
Cost	**7,175**	**35,736**	**24,072**	**319**	**108,693**	**175,995**
Accumulated depreciation and impairment	**(6,130)**	**(25,383)**	**(22,798)**	**-**	**(65,945)**	**(120,256)**
Net carrying amount	**1,045**	**10,353**	**1,274**	**319**	**42,748**	**55,739**
At 1 July 2020, net of accumulated depreciation restated*	1,846	14,817	1,393	812	54,786	73,654
Additions	295	1,539	495	-	5,358	7,687
Disposals	-	-	-	-	-	-
Net other movements in WIP restated*	-	-	-	(316)	-	(316)
Depreciation expense	(842)	(3,220)	(696)	-	(12,779)	(17,537)
Balance at 30 June 2021 restated*	1,299	13,136	1,192	496	47,365	63,488
At 30 June 2021 restated*						
Cost	7,404	35,819	24,105	496	103,885	171,709
Accumulated depreciation and impairment	(6,105)	(22,683)	(22,913)	-	(56,520)	(108,221)
Net carrying amount	1,299	13,136	1,192	496	47,365	63,488

* Comparative Information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 2 e)

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.

	2022 $'000	2021 $'000
Branch and office premises	**41,211**	46,135
ATMs	**46**	24
Motor vehicles	**963**	83
IT equipment	**528**	1,123
Net carrying amount	**42,748**	47,365

b) Lease liabilities	**2022 $'000**	2021 $'000
Current	**11,086**	10,588
Non-current	**38,650**	43,732
Balance at 30 June	**49,736**	54,320

The total cash outflows for leases for the year ended 30 June 2022 was $13.209m (2021: $14.194m).
The total cash outflows for low value leases included in operating activities for the year ended 30 June 2022 was $NIL (2021: $0.105m)

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.

SaaS arrangements are service contracts providing the group with the right to access the cloud provider's application software over the contract period. Costs relating to the ongoing fees to the cloud provider's application software are recognised over the contract term. Costs incurred to configure or customise the software are recognised as other expenses when the services are received. Where costs are incurred are for the development of software code that enhances, modifies or creates additional capability to existing on-premise systems and meets the recognition criteria for an intangible asset are recognised in accordance with AASB 138 I*ntangible Assets* .

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 2021, net of accumulated amortisation	**404**	**2,916**	**3,320**
Additions	**-**	**4,312**	**4,312**
Net other movements in WIP	**-**	**-**	**-**
Amortisation	**(122)**	**-**	**(122)**
Balance at 30 June 2022	**282**	**7,228**	**7,510**
At 30 June 2022			
Cost	**17,110**	**7,228**	**24,338**
Accumulated amortisation	**(16,828)**	**-**	**(16,828)**
Net carrying amount	**282**	**7,228**	**7,510**

	Computer software $'000	Capital Works in Progress $'000	Total $'000
At 1 July 2020, net of accumulated amortisation*	367	-	367
Additions restated*	193	-	193
Net other movements in WIP restated*	-	2,916	2,916
Amortisation restated*	(156)	-	(156)
Balance at 30 June 2021 restated*	404	2,916	3,320
At 30 June 2021 restated*			
Cost	17,235	2,916	20,151
Accumulated amortisation	(16,831)	-	(16,831)
Net carrying amount	404	2,916	3,320

Impairment assessment
The Group has invested in intangible software as part of the 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 banking business 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.

* Comparative Information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 2 e)

21. EQUITY ACCOUNTED INVESTEES

	Consolidated		Credit Union	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Interest in joint venture	**3,482**	3,035	**1,500**	1,500
Interest in associate	**8,045**	9,502	**2,740**	2,740
	11,527	12,537	**4,240**	4,240
Share of profit in joint venture	**937**	930		
Share of profit/(loss) in associate	**(1,456)**	446		
	(519)	1,376		

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	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Carrying amount of investment in joint venture	**3,482**	3,035	**1,500**	1,500
Share of joint venture's equity				
Paid up share capital	**1,500**	1,500		
Retained earnings	**1,906**	1,459		
	3,406	2,959		
Share of joint venture's balance sheet				
Cash	**3,798**	3,932		
Other current assets	**2,656**	2,851		
Non-current assets	**538**	276		
Current liabilities	**3,365**	3,656		
Non-current liabilities	**221**	444		
Share of net assets	**3,406**	2,959		
Share of joint venture's profit or loss				
Revenue	**105,926**	97,989		
Interest income	**8**	9		
Depreciation and amortisation	**(96)**	(226)		
Other expenses	**(104,481)**	(96,427)		
Profit/(loss) before income tax	**1,357**	1,345		
Income tax (expense)/benefit	**(420)**	(415)		
Profit/(loss) after income tax	**937**	930		
Dividend received	**490**	61		

21. EQUITY ACCOUNTED INVESTEES (continued)

Reconciliation to carrying amount of investment:	Consolidated 2022 $'000	2021 $'000
Share of joint venture's net assets	**3,406**	2,959
Other adjustments	**76**	76
Carrying amount of investment in joint venture	**3,482**	3,035

As at 30 June 2022, Mutual Marketplace has non-cancellable commitments of $1.881 million (2021: $0.776 million) to be settled over the next six years.

b) Interest in Associate

The Group has an interest in Data Action Pty Ltd ("Data Action") and owns 27.5% (2021: 27.5%) of the equity interests and holds 27.5% (2021: 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	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Carrying amount of investment in associates	**8,045**	9,502	**2,740**	2,740
Share of associate's balance sheet				
Current assets	**5,957**	6,506		
Non-current assets	**5,310**	5,996		
Current liabilities	**2,955**	2,289		
Non-current liabilities	**1,771**	2,531		
Share of associate's net assets	**6,541**	7,682		
Share of associate's profit or loss				
Revenue	**17,870**	16,322		
Expenses	**(19,566)**	(15,658)		
Profit/(loss) before income tax	**(1,696)**	664		
Income tax benefit/(expense)	**240**	(218)		
Profit/(loss) after income tax	**(1,456)**	446		
Dividend received	**-**	-		
Reconciliation to carrying amount of investment				
Share of associate's net assets	**6,541**	7,682		
Adjustments for 2015 shareholding restructure	**1,752**	1,752		
Other adjustments	**(248)**	68		
Carrying amount of investment in associates	**8,045**	9,502		

22. PROVISIONS

	Consolidated		Credit Union	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Provision for make good	**74**	96	**74**	96
Provision for annual leave	**7,658**	7,381	**7,658**	7,305
Provision for long service leave	**12,240**	12,852	**12,240**	12,744
Provision for rostered days off	**116**	120	**116**	120
	20,088	20,449	**20,088**	20,265

The non-current component of the Group's provisions at 30 June 2022 is $1.672m (2021: $1.546m).

23. RESERVES

	Consolidated		Credit Union	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Redeemed member shares	**877**	848	**877**	848
Fair value reserve - financial assets held at FVOCI	**15,951**	9,702	**15,951**	9,702
General reserve for credit losses	**-**	13,767	**-**	13,767
Hedging reserve - cash flow hedges	**36,317**	316	**36,317**	316
Asset revaluation reserve	**6**	6	**-**	-
Other equity reserves	**171,745**	171,745	**171,745**	171,745
	224,896	196,384	**224,890**	196,378

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.

	Consolidated		Credit Union	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Opening balance 1 July	**848**	816	**848**	816
Transfers from retained earnings	**29**	32	**29**	32
Balance	**877**	848	**877**	848

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.

	Consolidated		Credit Union	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Opening balance 1 July	**9,702**	9,327	**9,702**	9,327
Net unrealised gains/(losses)	**8,256**	375	**8,256**	375
Derecognition of equity instrument held at FVOCI	**(2,007)**	-	**(2,007)**	-
Balance	**15,951**	9,702	**15,951**	9,702

23. RESERVES (continued)

General reserve for credit losses

Prior to 1 January 2021, APS 220 required 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.

Following the revisions to the credit risk management framework for ADIs as published by APRA in January 2022, the previous APS 220 Credit Quality has now been updated as APS 220 Credit Quality Management. The new APS 220 Credit Quality Management no longer includes the requirement to keep a General reserve for credit losses (“GRCL”).

	Consolidated		Credit Union	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Opening balance 1 July	**13,767**	12,664	**13,767**	12,664
Increase/(decrease) in general reserve for credit losses	**(13,767)**	1,103	**(13,767)**	1,103
Balance	**-**	13,767	**-**	13,767

Hedging reserve - cash flow hedges

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.

	Consolidated		Credit Union	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Opening balance 1 July	**316**	(2,407)	**316**	(2,407)
Effective portion of changes in fair values	**35,676**	1,547	**35,676**	1,547
Net change in fair value taken to profit or loss	**325**	1,176	**325**	1,176
Balance	**36,317**	316	**36,317**	316

Asset revaluation reserve

The asset revaluation reserve relates to assets measured at fair value in accordance with applicable AASB's.

	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
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.

	Consolidated		Credit Union	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Balance	**171,745**	171,745	**171,745**	171,745

24. DISCONTINUED OPERATIONS

Accounting policy

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is a part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

Financial planning fees and commissions

The principal activities of the financial planning business was the provision of financial planning advice services. 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 calculating variable commissions 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.

On 3 November 2021, the Group entered into an agreement with specialist financial services organisation, Fiducian Group Limited, to take ownership of the financial planning business. The sale is in line with the Group's strategy to focus on banking business.

On 1 February 2022, the sale was completed. The financial planning business was sold for upfront cash consideration of $8.820 million with the remaining amount to be received in February 2023. The deferred consideration receivable is dependent on 12 month recurring revenue. Therefore as at the reporting date, management have considered the likelihood and magnitude of recurring revenue in estimating the amount receivable.

The Financial Planning business was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss and OCI has been restated to show the discontinued operation separately from continuing operations.

Results from discontinued operation

	Consolidated		Credit Union	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Revenue	**5,968**	10,569	**5,330**	9,233
Expense	**(5,054)**	(9,894)	**(4,455)**	(7,888)
Results from operating activities	**914**	675	**875**	1,345
Income tax	**(274)**	(203)	**(262)**	(404)
Results from operating activities, net of tax	**640**	473	**613**	942
Gain on sale of discontinued operation	**7,429**	-	**6,360**	-
Income tax on gain on sale of discontinued operation	**-**	-	**-**	-
Profit (loss) from discontinued operations, net of tax	**8,069**	473	**6,973**	942
Cash flows from (used in) discontinued operation				
Net cash used in operating activities	**647**	492	**617**	965
Net cash from investing activities	**6,961**	-	**5,987**	-
Net cash flows for the year	**7,608**	492	**6,604**	965

No income tax expense has been recognised on the gain on sale as the proceeds have been fully offset against previously recognised goodwill, resulting in nil capital gain.

25. 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	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000	**2022 $'000**	2021 $'000
Financial Solutions Australasia Pty Ltd	**134**	225	**6,311**	7,531	**-**	-
Australian Central Services Pty Ltd	**466**	513	**857**	735	**-**	-
People's Choice Community Foundation Limited	**(729)**	771	**(50)**	(629)	**188**	789

	Residual Unitholder Net Distribution/ (Contribution)		Net Interest Rate Swap Expense/ (Income)	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Light Trust No. 4[1]	**-**	(209)	**(23,417)**	560
Light Trust No. 5R	**(6,082)**	(20,169)	**-**	21,442
Light Trust No. 6	**(2,097)**	(1,486)	**12,887**	1,826
Light Trust Warehouse No. 1[2]	**(617)**	(1,106)	**1,183**	1,332
Light Trust 2017-2	**(3,895)**	(1,001)	**643**	2,335
Light Trust 2016-2	**(3,772)**	(1,894)	**1,561**	433
Light Trust 2017-1	**(3,298)**	(2,275)	**381**	1,860
Light Trust 2018-1	**(4,111)**	(2,518)	**990**	2,246
Light Trust 2019-1	**(6,881)**	(4,782)	**1,250**	4,417
Light Trust 2021-1[3]	**(9,227)**	-	**2,293**	-

Controlled entities	Capital Notes held by the Credit Union		Outstanding balance of loans sold to Trust	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Light Trust No. 4[1]	**-**	-	**-**	-
Light Trust No. 5R	**1,672,375**	1,654,751	**1,580,508**	1,585,026
Light Trust No. 6	**-**	-	**100,122**	127,318
Light Trust Warehouse No. 1[2]	**-**	9,777	**-**	127,056
Light Trust 2017-2	**16,219**	15,842	**198,503**	191,550
Light Trust 2016-2	**11,178**	12,084	**134,892**	144,795
Light Trust 2017-1	**-**	-	**134,902**	176,131
Light Trust 2018-1	**-**	-	**162,466**	219,652
Light Trust 2019-1	**-**	-	**283,540**	387,530
Light Trust 2021-1[3]	**-**	-	**448,892**	-

[1] Deregistered on 31 March 2022

[2] Ceased trading on 13 May 2022

[3] Commenced trading on 1 November 2021

25. RELATED PARTIES (continued)

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**	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Joint venture: Mutual Marketplace Pty Ltd	**67,081**	79,636	**568**	2,103
Associate: Data Action Pty Ltd	**9,396**	9,403	**527**	558
	76,477	89,039	**1,096**	2,661

26. 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 $1,531m (2021: $372m) during the financial year as part of its ongoing securitisation program. The loan transfers made to SPEs comprise of warehouse funding facilities $421m (2021: $73m), term securitisation issues of $600m (2021: nil) and an internal securitisation issue $510m (2021: $299m). The total value of transferred loans as at 30 June 2022 was $3,043m (2021: $2,959m). 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.

One new SPE was established during the year (Light Trust 2012-1) and $1.420m borrowing costs were capitalised (2021: nil).

Refer to Note 25. Related Parties for more information on loan balances and net distributions to unitholders.

27. 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.

27. SIGNIFICANT ALLIANCES (continued)

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

28. 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

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:

M. Camilleri	Chief Member Officer
V. Pace	Chief Financial Officer
P. Corolis	Chief Risk Officer
M. Tons	Chief Merger Transition Officer
T. Shearn	Chief Legal Officer & Company Secretary
S. Bradley	Chief People and Culture Officer
A. Weir	Chief Information Officer

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
2022	**5,044**	**243**	**134**	**-**	**5,421**
2021	5,941	287	80	-	6,308

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.

	2022	2021
	$'000	$'000
Total aggregate loans as at the reporting date (30 June)	**767**	1,001
Total aggregate interest charged during the reporting period	**25**	11

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 V.S. Hickey, A.E. Heyworth,and S. Bradley.

28. 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.

29. NOTES TO THE STATEMENTS OF CASH FLOW

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

	Consolidated		**Credit Union**	
	2022 $'000	2021 *Restated $'000	**2022 $'000**	2021 *Restated $'000
Profit for the period	**17,516**	7,073	**17,083**	6,283
Adjustments for:				
Depreciation and amortisation	**16,051**	17,693	**16,051**	17,693
(Decrease)/Increase in provision for impairment	**(3,002)**	(1,716)	**(3,002)**	(1,716)
Bad debts written off net of recoveries	**753**	1,520	**682**	1,658
Dividend income classified as investing cash flow	**(5,049)**	(380)	**(5,049)**	(441)
Net (profit)/loss on sale of property, plant & equipment	**(25)**	(1)	**(8)**	(1)
Share of profit of equity accounted investees	**519**	(1,376)	**-**	-
Proceeds on sale of discontinued operation classified as investing	**(8,820)**	-	**(7,845)**	-
Change in assets and liabilities:				
Increase/(decrease) in provisions	**(361)**	283	**(177)**	248
(Decrease)/increase in provision for income tax	**(1,643)**	(4,217)	**(1,636)**	(4,224)
Increase/(decrease) in deferred tax assets and liabilities	**15,335**	(1,768)	**15,167**	(2,065)
Increase/(decrease) in interest payable	**(1,257)**	(6,602)	**1,138**	(7,271)
Increase/(decrease) in other payables	**8,381**	(2,760)	**(15,516)**	(21,256)
(Increase) in loans and advances	**(723,220)**	(208,734)	**(723,149)**	(208,735)
Increase in deposits and withdrawable shares	**549,570**	374,895	**548,969**	375,682
(Increase)/decrease in interest receivable	**534**	(494)	**534**	(494)
Increase/(decrease) in derivative assets/liabilities	**(15,424)**	(4,879)	**9,198**	13,322
(Increase)/decrease in other assets	**(6,010)**	2,366	**(5,868)**	4,132
Net cash from operating activities	**(156,152)**	170,903	**(153,428)**	172,815

* Comparative Information has been restated to reflect the change in accounting policy and the prior period restatements detailed in Note 2 e) and f)

29. 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	Subordinate Debt	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2021	54,320	4,105	1,371,038	387,541	-	1,817,004
Financing cash inflows	-	-	600,000	-	75,000	675,000
Financing cash outflows	(11,701)	(957)	(496,266)	-	(406)	(509,330)
Balance at 30 June 2022	**42,619**	**3,148**	**1,474,772**	**387,541**	**74,594**	**1,982,674**

Credit Union

	Lease Liabilities	Wholesale Funding Facilities	Loans payable	Term Funding Facility	Subordinate Debt	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2021	54,320	4,105	2,956,695	387,541	-	3,402,661
Financing cash inflows	-	-	600,000	-	75,000	675,000
Financing cash outflows	(11,701)	(957)	(515,604)	-	(406)	(528,668)
Balance at 30 June 2022	**42,619**	**3,148**	**3,041,091**	**387,541**	**74,594**	**3,548,993**

30. COMMITMENTS

Digital transformation initiative commitments
As at 30 June 2022, the Group has entered into contracts related to digital transformation initiatives which has resulted in capital and expense commitments of $40 million (2021: $55.5 million) to be settled within the next 5 years.

Credit commitments

	Consolidated	
	2022	2021
	$'000	$'000
The Group has the following credit commitments:		
Loans approved not settled	**183,912**	171,487
Members unconditionally cancellable unused credit facilities	**274,420**	294,953
Member funds available for redraw	**677,363**	622,395
	1,135,695	1,088,835

31. 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.

32. CONTINGENT ASSETS AND LIABILITIES

	Consolidated	
	2022	2021
Guarantees	**$'000**	$'000
The Group has issued guarantees as follows:		
Guarantees issued for members	**1,758**	1,666

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

Regulatory and Customer Exposures

In recent years there has been an increase in the number of matters in which the Group engages with its regulators, including supervisory activities, regulatory reviews, and formal and informal inquiries. The Group is currently engaged with one of its regulators on a matter related to a product no longer offered by the Credit Union. This matter may result in a financial exposure to claims by customers however the potential outcome and total costs associated with this matter remains uncertain.

33. AUDITOR'S REMUNERATION

	Consolidated		Credit Union	
	2022	2021	**2022**	2021
	$	$	**$**	$
Amounts paid or payable to the external auditors - KPMG:				
Auditing the financial report	**414,462**	318,175	**356,553**	259,092
Other regulatory activities and assurance services	**195,386**	139,709	**195,386**	139,709
Taxation services	**60,729**	74,918	**43,237**	51,631
Other services	**33,899**	22,578	**33,899**	22,578
	704,476	555,380	**629,075**	473,010

34. 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.

In August 2021 People's Choice announced that it had entered into a non-binding Heads of Agreement to explore a merger with Heritage Bank Limited to form a combined Mutual ADI. Further details have been provided on the status of the merger opportunity and likely developments in the operations of the Group in the Directors' Report on page 17.