Annual Financial Report

**for the year ended
30 June 2022**

Broken Hill® Community Credit Union
Your Credit Union

CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2022.

Board of Directors

The Board has the following key responsibilities:

- Act in the best interest of the Credit Union as a whole
- Observe their duties as Directors in terms of the Corporations Act, the Credit Union's Constitution and other relevant legislation
- Compliance with APRA Prudential Standards
- Enhance member value

In order to meet these responsibilities, the key functions of the Board include:

- Establishing and making delegations to Board Committees
- Appointing, delegating to, supporting, evaluating and rewarding the General Manager and having in place a succession plan
- Seek to achieve a diverse and effective Board, with appropriate skills, operating standards and procedures for the Board and its Committees
- Reviewing, determining and monitoring the strategic direction and objectives
- Reviewing, approving and monitoring the strategic plan including financial and non-financial performance measures
- Ensuring that the principal business risks have been identified and the implementation and monitoring by management of a framework to manage those risks
- Reviewing, approving and monitoring policy, within a policy and compliance framework
- Ensuring a process is in place for the maintenance of the integrity of internal controls, and financial and management information systems
- Ensuring the Credit Union acts legally and responsibly on all matters
- Ensuring that appropriate ethical standards are maintained
- Reviewing, determining and monitoring the skills and performance of the Board as a whole, Directors as individuals and Board Committees
- Reporting to the members on the Board's stewardship as required

Board Composition

The Constitution of the Credit Union stipulates that the Board may have up to 7 Directors, or such lower number as determined by the Board. The Board may also appoint up to 3 Directors in addition to elected Directors. There is no maximum period of service for Directors, however elected Directors serve a three year term and retire in rotation but may stand for re-election.

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report and their term of office are detailed in the Directors' Report.

Board Independence

All Directors have been assessed as independent.

CORPORATE GOVERNANCE STATEMENT (con't)

When determining whether a non-executive Director is independent the Board is of the view that it would ordinarily expect a relationship to be considered material when it accounts for more than 5% of the total services provided by the member or supplier or more than 10% of the total supplies of the Credit Union.
Independent Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at the Credit Union's expense. Written approval must be obtained from the Chairperson prior to incurring any expense on behalf of the Credit Union.

Performance Evaluation

Performance evaluations of the Board and all Board members are conducted annually. A questionnaire for all Board members is completed to provide feedback on how they thought the Board had performed. The Chairperson may also speak to each Director individually regarding their role as a Director, if necessary. The results from the questionnaire are collated and developed into a series of recommendations to improve performance. The recommendations are presented to the Board at which time an action plan is developed to implement the recommendations and set the performance criteria and goals for the next year.

Audit Committee

The Committee's role includes:

- Facilitate communication between the internal auditor, the external auditors and the Board
- Reviewing and considering any changes to accounting policies
- If necessary, requiring the internal auditor or senior management undertake any audit or compliance project and report on such
- Considering and reviewing with the external auditors, the internal auditor and management the adequacy of internal controls and any related significant findings and recommendations
- Consider and review with management and the internal auditor significant findings during the year, and difficulties encountered in the course of the internal audits, including any restrictions on the scope of their work, any changes required in the planned scope of the internal audit plan, and the internal audit budgets and staffing
- Reviewing legal and regulatory matters that may have a material impact on the Credit Union's compliance policies and programs and reports received from APRA
- Considering and reviewing the policies and procedures for the selection, appointment and reappointment of the external auditor, the rotation of the external audit engagement partners and the terms of any such appointment
- Monitor the Credit Union's compliance with legal obligations to which it is subject
- Assist the Board and management in monitoring risk management, controls and corporate government performance

CORPORATE GOVERNANCE STATEMENT (con't)

Risk Committee

The Committee's role includes:

- Receiving and considering reports from management so as to determine the effectiveness of the Credit Union's risk management systems
- Reviewing legal and regulatory matters that may have a material impact on the Credit Union's compliance policies and programs and reports received from APRA
- Monitor the Credit Union's compliance with legal obligations to which it is subject
- Assist the Board and management in monitoring risk management, controls and corporate governance performance

Corporate Governance & Remuneration Committee

The Committee's role includes:

- Reviewing and reporting to the Board on current corporate governance policies and review outcomes
- Reviewing and reporting to the Board on corporate governance issues
- Providing recommendations to the Board on corporate governance practices after assessment and review
- Providing recommendations to the Board on the Credit Union's compliance with APRA Prudential Standard *CPS510 Governance* and the best practice recommendations of the ASX Corporate Governance Council
- Reviewing disclosure of corporate governance policies and information on the Credit Union's website
- Reviewing and reporting to the Board on best practice developments in corporate governance
- Providing recommendations to the Board on effective policies and procedures to ensure effective communication of the Credit Union's corporate governance policies to members, media, analysts and industry participants
- Providing recommendations to the Board on technical or professional development courses to assist Directors in keeping up to date with relevant issues and practices
- To review and recommend to the Board remuneration policies and packages for the Board of Directors and Executive Management
- To recommend to the Board any changes in remuneration policy including superannuation, other benefits and remuneration structures
- To ensure there is proper performance management processes in place throughout the organisation and that it is operating effectively

There are no schemes for retirement benefits other than statutory superannuation for non-executive Directors.

Ethical Standards

The core values of the Credit Union centre on improving the quality and efficiency of financial service delivery by providing products and services to help members meet their financial goals. To this end the Credit Union is committed to maintaining the highest ethical standards in delivering products and services to its members.

CORPORATE GOVERNANCE STATEMENT (con't)

The Credit Union acknowledges that personal financial information is sensitive and subject to privacy legislation. To this end, the Credit Union is committed to ethical and appropriate practices and compliance with relevant privacy legislation. It has in place processes to maintain the expectations of the community and members for the security, privacy and integrity of personal financial information.

The Board has adopted Codes of Conduct which set out the expectations for Directors and staff in their business affairs and in dealings with members. The Codes of Conduct require high standards of personal integrity and honesty in all dealings, a respect for privacy of members and others and observance of the law.

The Board regularly reviews all its policies to ensure their continued relevance and effectiveness.

Where necessary, at Board meetings, Directors report on any interest that could potentially conflict with those of the Credit Union and report on any Director related transactions in the Notes to the Annual Financial Statements.

Communication with Members

The Board aims to ensure that members are informed of all major developments affecting the state of affairs of the Credit Union. Information is communicated to members as follows:

- The Annual Report is distributed to all members who request it and includes information about the operations of the Credit Union during the year, changes in the state of affairs of the Credit Union and details future developments, in addition to other disclosures required by the *Corporations Act 2001*
- When the Credit Union becomes aware of information which in the view of the Board requires members to be notified immediately a letter is sent to members
- The Credit Union's website

Other Information

Further information relating to the Credit Union's corporate governance practices and policies has been made publicly available on the Credit Union's website at https://mybhccu.com.au/

Directors' report

The Directors present their report together with the Financial Statements of The Broken Hill Community Union Ltd (the 'Credit Union') for year ended 30 June 2022 and the auditor's report thereon.

Directors

The names and details of the Directors of the Credit Union in office during the financial year and until the date of this report unless noted otherwise are:

Director	Special Responsibility / Qualifications / Experience / Interest in Shares
Mr Allan Carter	**Chairperson** BHSM (Op) MBA FAICD FIPA Allan is an accountant with extensive experience in the Aged Care and Health sectors. He has been a Director since 1993 and Chairperson since 2002. Allan is a member of the Audit Committee and the Governance & Remuneration Committee. 1 Member Share in The Broken Hill Community Credit Union Ltd.
Mrs Judith Hoare	**Vice-Chairperson** MAHRI MAICD Judi has a Professional Diploma in Human Resource Management and a Certificate IV in Work, Health & Safety and was the Office Manager for Austen Brown Thompson Solicitors, Accountants & Financial Planners from 1986 until 2001 and the Human Resource Manager at Southern Cross Care (Broken Hill) Ltd from 2001 until 2019. Judi has been a Director since 1998. Judi is the Chair of the Audit Committee and a member of the Governance Committee. 1 Member Share in The Broken Hill Community Credit Union Ltd.
Mr Gary Oldman	B.IT MACS (Snr) Gary has a Degree in Information Technology, Certificates in Electrical Engineering and Electronics & Communications and is a senior member of the Australian Computer Society. He held the position of IT Manager with the Royal Flying Doctor Service from 1990 until 2019, prior to that Gary was Chief Communications Officer. Gary was with the RFDS since 1979. He has been a Director since April 2007 and is a member of the Risk Committee and the Audit Committee. 1 Member Share in The Broken Hill Community Credit Union Ltd.
Mr Tony Hiscox	FIPA ACIS JP Tony is an accountant who was the manager of Investments and Administration for Broken Hill Mine Employees Superannuation Fund until 1999.Tony then spent 8 years with OACC as its Small Business Officer followed by a period at Broken Hill City Council. Tony plays an active part in the Broken Hill community through his involvement with Southern Cross Care (Broken Hill) Ltd and the Rotary Club of Broken Hill. Tony has been a Director since August 2007. Tony is a member of the Audit Committee and the Risk Committee. 1 Member Share in The Broken Hill Community Credit Union Ltd.
Mrs Lorelle Emmett	Lorelle has had considerable management experience in retailing and accommodation industries, a qualification in road design, and was employed with the NSW Government at locations within the state. Lorelle is currently a company director and is a life member of two local community organisations. Lorelle has been a Director of the Credit Union since July 2011. Lorelle is the Chairperson of the Corporate Governance & Remuneration Committee. 1 Member Share in The Broken Hill Community Credit Union Ltd.

Directors' report (cont'd)

Directors (cont'd)

Director	Special Responsibility / Qualifications / Experience / Interest in Shares
Ms Diana Ferry	BA LLB MM MLP GAICD Diana is a lawyer with 20 years' experience working for the Commonwealth and State Government across national and protective security, critical infrastructure, emergency response coordination, risk management, procurement, governance, compliance, internal reviews, data, reporting, contracts, privacy, right to information, grants administration and program/project management. Diana's early career was spent in the film and television industries. Diana has been a Director of the Credit Union since January 2018. She is Chairperson of the Risk Committee and a member of the Corporate Governance & Remuneration Committee. 1 Member Share in The Broken Hill Community Credit Union Ltd.

All Directors are considered to be independent non-executive Directors.

Company Secretary

Mrs Louise Hunt (Bachelor of Business (Accounting), Graduate Certificate in Business Administration) was appointed as Company Secretary of the Credit Union on 1st July 2020 and continues to act in this capacity. Louise has worked for the Credit Union for the past 33 years and is currently the General Manager.

Directors' report (cont'd)

Directors' meetings

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

			Committee Meetings							
Director	**Directors' Meetings**		**Audit Committee**		**Risk Committee**		**Corporate Governance & Remuneration Committee**		**Nominations Committee**	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Mr Allan Carter	10	10	3	3	-	-	2	2	-	-
Mrs Judith Hoare	10	10	3	3	-	-	2	2	-	-
Mr Gary Oldman	10	10	3	3	4	4	-	-	-	-
Mr William Hiscox	10	9	3	1	4	3	-	-	-	-
Mrs Lorelle Emmett	10	8	-	-	4	4	2	2	-	-
Ms Diana Ferry	10	10	-	-	4	4	2	2	-	-

A – Number of meetings the Director was eligible to attend during the year
B – Number of meetings attended

Directors' report (cont'd)

Principal activities

The principal activities of the Credit Union during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution. No significant changes in the nature of these activities occurred during the year.

Operating results

The profit for the financial year before income tax was $192,501 (2021: $341,872). The result for 2021 included an impairment reversal gain of $242,853 relating to the head office building.

Review of operations

Net loans and advances for the year have increased by $1,573,501 to $61,461,330.
Deposits increased during the year by $9,932,531 to $96,595,897.
Equity during the year has increased by $199,334 to $8,731,252.

Dividends

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the Directors as the Credit Union is limited by guarantee and cannot distribute dividends by virtue of the provisions of its Constitution.

State of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Credit Union during the financial year under review.

Events subsequent to balance 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, to affect significantly the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union in subsequent financial years.

Likely developments

There are no major developments planned for the immediate future that will affect significantly the operating results of the Credit Union in future years.

Directors' report (cont'd)

Directors' benefits

During or since the end of the financial year, no Director of the Credit Union has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration paid or payable to the Directors as shown in the general purpose financial statements) by reason of a contract entered into by the Credit Union (or an entity that the Credit Union controlled, or a body corporate that was related to the Credit Union when the contract was made, or when the Director received, or became entitled to receive, the benefit) with:

- a Director,
- a firm of which a Director is a member, or
- an entity in which a Director has a substantial financial interest.

Indemnification and insurance of Directors and Officers

During the year, a premium was paid in respect of a contract insuring Directors and Officers of the Credit Union against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Credit union, other than conduct involving a wilful break of duty in relation to the Credit Union.

In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the Credit Union.

Public Prudential Disclosure

In accordance with the APS 330 *Public Disclosure* requirements, the Credit Union is to publicly disclose certain information in respect of:

- details on the composition and features of regulatory capital and risk weight assets;
- both qualitative disclosure and quantitative remuneration disclosures for Senior Managers and material risk-takers.

These disclosures can be viewed on the Credit Union's website:
https://mybhccu.com.au/ (under Prudential Information section).

Corporate governance

The Credit Union is committed to achieving high standards of corporate governance. The Credit Union is directed and controlled by its Board of Directors through systems of oversight, delegation and policies so as to achieve its business objectives responsibly and in accordance with high standards of accountability and integrity.

Directors' Report (Cont'd)

Auditor independence declaration

The auditor independence declaration for the year ended 30 June 2022 has been received and can be found on page 11 of the financial report.

Dated at Broken Hill this 13th October 2022.

Signed in accordance with a resolution of the Directors.

Mr Allan Carter - Director
Chair, Board of Directors

Mrs Judith Hoare - Director
Chair, Audit Committee

Crowe Albury
ABN 16 673 023 918
491 Smollett Street
Albury NSW 2640 Australia

PO Box 500
Albury NSW 2640 Australia

Main 02 6021 1111
Fax 02 6041 1892
www.crowe.com.au

Auditor Independence Declaration under Section 307C of the *Corporations Act 2001* to the Directors of The Broken Hill Community Credit Union Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2022 there have been no contraventions of:

(1) The auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(2) Any applicable code of professional conduct in relation to the audit.

This declaration is in respect of The Broken Hill Community Credit Union Ltd for the financial year ended 30 June 2022.

Crowe Albury

CROWE ALBURY

David Munday

DAVID MUNDAY
Partner

13 October 2022
Melbourne

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2022

	Note	2022 $	2021 $
Interest revenue	2(a)	3,103,300	3,123,025
Interest expense	2(b)	(170,399)	(310,153)
Net interest income		2,932,901	2,812,872
Other revenue & other income	3	961,834	1,736,232
General administration expenses	4(a)	(1,823,211)	(1,848,003)
Revaluation decrement	4(b)	-	(40,000)
Other expenses	4(c)	(1,172,884)	(1,632,182)
Net impairment gain/(loss) on financial assets	11	(16,410)	(19,081)
Electronic data processing expenses		(689,729)	(667,966)
Profit before tax		192,501	341,872
Income tax benefit/(expense)	5	(28,520)	(126,469)
Profit after tax		163,981	215,403
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Gain on the revaluation of land, net of tax		-	4,000
Gain on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		35,353	17,309
Other comprehensive income for the year, net of tax		35,353	21,309
Total comprehensive income for the year attributable to members		199,334	236,712

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes set out on pages 16 to 60.

Broken Hill Community Credit Union
Your kind of banking

Statement of Changes in Equity
For the year ended 30 June 2022

Year ended 30 June 2021	**Retained Profits $**	**Reserve for Credit Losses $**	**Capital Reserve $**	**Asset Revaluation Reserve $**	**Card Fraud Reserve $**	**Financial Asset Reserve $**	**Total $**
Opening balance at 1 July 2020	7,642,303	186,627	93,724	161,000	30,000	181,552	8,295,206
Profit after tax	215,403	-	-	-	-	-	215,403
Other comprehensive income	-	-	-	4,000	-	17,309	21,309
Total comprehensive income for the period	215,403	-	-	4,000	-	17,309	236,712
Transfer to/(from) reserve	(4,701)	1,755	2,946	-	-	-	-
Closing balance at 30 June 2021	7,853,005	188,382	96,670	165,000	30,000	198,861	8,531,918
Year ended 30 June 2022							
Opening balance at 1 July 2021	7,853,005	188,382	96,670	165,000	30,000	198,861	8,531,918
Profit after tax	163,981	-	-	-	-	-	163,981
Other comprehensive income	-	-	-	-	-	35,353	35,353
Total comprehensive income for the period	163,981	-	-	-	-	35,353	199,334
Transfer to/(from) reserve	(7,182)	-	7,182	-	-	-	-
Closing balance at 30 June 2022	8,009,804	188,382	103,852	165,000	30,000	234,214	8,731,252

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes set out on page 16 to 60.

Statement of Financial Position
As at 30 June 2022

	Note	2022 $	2021 $
ASSETS			
Cash and cash equivalents	7	7,052,192	6,211,579
Receivables due from other financial institutions	8	32,511,191	24,726,906
Other receivables	9	145,275	156,004
Prepayments		156,711	128,327
Loans and advances	10	61,461,330	59,887,829
Income tax receivable	6	-	-
Other financial assets	12	489,049	441,912
Property, plant and equipment	13	4,566,130	4,723,520
Investment properties	14	-	80,000
Deferred tax assets	6	389,227	461,101
TOTAL ASSETS		106,771,105	96,817,178
LIABILITIES			
Member deposits	15	96,595,897	86,663,366
Accounts payable and other liabilities	16	660,634	801,967
Employee benefits	17	403,922	408,957
Deferred tax liabilities	6	379,400	410,970
TOTAL LIABILITIES		98,039,853	88,285,260
NET ASSETS		8,731,252	8,531,918
EQUITY			
Reserves		721,448	678,913
Retained profits		8,009,804	7,853,005
TOTAL EQUITY		8,731,252	8,531,918

The Statement of Financial Position is to be read in conjunction with the accompanying notes set out on pages 16 to 60.

Statement of Cash Flows
For the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Interest received – loans & advances		2,833,925	2,920,070
Interest received – investments		221,586	205,107
Other income		1,018,759	1,507,029
Interest paid		(284,536)	(390,675)
Payments to employees and suppliers		(3,479,055)	(3,763,606)
Income tax refunded/(paid)		57,039	40,012
		367,718	517,937
Net (increase)/decrease in loans and advances		(1,588,318)	371,710
Net increase/(decrease) in deposits		9,932,531	6,915,378
Net cash from operating activities	19	8,711,931	7,805,025
Cash flows from investing activities			
Net (increase)/decrease in receivables from other financial institutions (net)		(7,784,285)	(8,203,211)
Acquisition of property, plant and equipment		(187,809)	(200,656)
Proceeds from sale of plant and equipment		100,776	36,340
Net cash from investing activities		(7,871,318)	(8,367,527)
Net increase / (decrease) in cash and cash equivalents		840,613	(562,502)
Cash and cash equivalents at 1 July		6,211,579	6,774,081
Cash and cash equivalents at 30 June	7	7,052,192	6,211,579

The Statement of Cash Flows is to be read in conjunction with the accompanying notes set out on pages 16 to 60.

Notes to the Financial Statements
For the year ended 30 June 2022

1. Significant accounting policies

The Broken Hill Community Credit Union Ltd (the 'Credit Union') is a company domiciled in Australia. The Financial Statements were authorised for issuance by the Directors on 13th October 2022.

(a) Statement of compliance

The Financial Statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001.*

Not-for-profit status
Under Australian Accounting Standards, there are requirements that apply specifically to not-for-profit entities that are not consistent with International Financial Reporting Standards requirements. The Credit Union has analysed its purpose, objectives and operating philosophy and determined that it does not have profit generation as its prime objective. Consequently, where appropriate the Credit Union has elected to apply options and exemptions within Australian Accounting Standards that are applicable to not-for-profit entities.

(b) Basis of preparation

The financial statements are presented in Australian dollars. The financial statements have been prepared on the basis of historical costs except that the following assets and liabilities (if applicable) are stated at their fair value: land and buildings, investment properties and other financial assets.

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

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 1(s).

The Credit Union presents the statement of financial position showing assets and liabilities in their broad order of liquidity, because this presentation provides more relevant information than separate current and non-current classifications.

Going concern
There has been a significant amount of scenario testing and forecasting undertaken to provide comfort that there is no material uncertainty in terms of the Credit Union as a 'going concern'. The scenario testing undertaken indicates that key metrics such as Capital Adequacy and Liquidity are able to be maintained at levels above both statutory requirements and internal benchmarks for the forecasting period.

Based on these forecasts, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

1. Significant accounting policies (cont'd)

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits at call and other short-term deposits with Approved Deposit-taking Institutions that can be readily converted into cash. Cash and cash equivalents are recognised at the gross value of the outstanding balance.

(d) Receivables due from other financial institutions

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

These assets include term deposits, Negotiable Certificates of Deposits ('NCDs') and High Quality Liquid Asset ('HQLA) bonds.

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

(e) Loans and advances

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

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

Loan origination fees
Loan establishment fees, discounts and other fees that are deemed to be an integral part of the effective interest rate are initially deferred as part of the loan balance and are brought to account as income over the expected life of the loan or other relevant period. The amounts brought to account are included as part of Interest revenue.

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

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

1. Significant accounting policies (cont'd)

(f) Provision for impairment / expected credit losses of financial assets

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

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

- Financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans) ('Stage 1'); and
- Financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' covers financial assets that have objective evidence of impairment (loans in default) at the reporting date.

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

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

Exposures are assessed on a collective basis in Stage 1, and on individual basis in Stage 2 and Stage 3. At each reporting date, the Credit Union assesses the credit risk of exposures in comparison to the risk at initial recognition, to determine the stage that applies to the associated ECL measurement.

If the credit risk of an exposure has increased significantly since initial recognition, the asset will migrate to Stage 2. If no significant increase in credit risk is observed, the asset will remain in Stage 1. Should an asset become credit-impaired it will be transferred to Stage 3.

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

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

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

1. Significant accounting policies (cont'd)

(f) Provision for impairment / expected credit losses of financial assets (cont'd)

Measurement of ECL (cont'd)
The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost of effort at the reporting rate about past events, current conditions and forecasts of future economic conditions.

Critical accounting estimates and judgments in the ECL
A number of significant judgments are required in applying the accounting requirements for measuring ECL, which are detailed below:

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

Assessment of significant increase in credit risk
In determining whether the risk of default has increased significantly since recognition, the Credit Union considers both quantitative and qualitative factors. These include:

- When a loan reaches 30 days past due; and
- Loan with approved hardship or modified terms; where there is non-compliance with agreed terms.

Calculation of expected credit losses
Expected credit losses (ECLs) are calculated using three main parameters i.e. a probability of default (PD), a loss given default (LGD) and an exposure at default (EAD). These parameters are derived from industry standards and historical loss models.

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

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

The EAD represents the expected exposure at default.

The 12-months ECL is equal to the sum over the next 12-month PD multiplied by LGD and EAD. Lifetime ECL is calculated using the sum of PD over the full remaining life multiplied by LGD and EAD.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

1. Significant accounting policies (cont'd)

(f) Provision for impairment / expected credit losses of financial assets (cont'd)

Critical accounting estimates and judgments in the ECL (cont'd)

Sensitivity analysis and forward looking information

The Credit Union has prepared a sensitivity analysis over the allowance for expected credit losses, taking into consideration the following individual scenarios across the Credit Union's loan portfolio. The scenarios, including the underlying indicators, have been developed using a combination of publicly available data and internal forecasts ato form the base case scenario.

Base Case – the scenario was prepared using reasonable and supportable information that is relevant and available without undue cost or effort at balance date. The Credit Union took into consideration hardship loans, loan-to-value ratio on security for loans in hardship, borrower's capacity to repay and expected default of borrowers, unemployment rates (based on the forecasted unemployment rates from the Reserve Bank of Australia), costs of living and the interest rate environment.

Worse than Base Case – this scenario considered a deterioration of borrower's capacity to repay and expected default of borrowers, a future increase in unemployment rates, and a price shock to the property market compared to the base case.

Better than Base Case – this scenario considered an improvement in the borrower's capacity to repay and unexpected default of borrowers, a future decrease in unemployment rates, and an improvement to the property market compared to the base case.

The results of the sensitivity analysis performed, taking into consideration a probability-weighted average of each different scenario eventuating, showed that the effect was not material compared to the Credit Union's base case allowance for expected credit losses. The Credit Union has elected to use the base case to measure its expected credit loss allowance at 30 June 2022.

Given the economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future period, expected credit losses reported by the Credit Union should be considered as a best estimate within a range of possibilities.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

1. Significant accounting policies (cont'd)

(f) Provision for impairment / expected credit losses of financial assets (cont'd)

Critical accounting estimates and judgments in the ECL (cont'd)

Grouping of loans for losses measured on a collective basis
For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous. The Credit Union has elected to use the following segments when assessing credit risk for Stage 1 of the ECL model:

- Mortgage loans – residential and commercial
- Personal loans – secured and unsecured
- Overdrafts / overdrawn

(g) Other financial assets

AASB 9 requires the Credit Union's equity investments in other financial assets to be held at fair value. The Credit Union has elected for these to be held at fair value through other comprehensive income (FVOCI). Subsequent movements in fair value are recognised in other comprehensive income and never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss, unless the dividend clearly represents return of capital.

(h) Property, plant and equipment

Land and buildings
Land and buildings are shown at fair value, based on periodic, at least every three to five years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings.

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

Capital works in progress
Capital works in progress is stated at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of items. Items are transferred from capital works in progress to other categories of property, plant and equipment when the asset is ready for intended use. Capital works in progress is not depreciated.

Depreciation/amortisation
Depreciation/amortisation is charged to the Statement of Profit or Loss and Other Comprehensive Income on a diminishing balance method over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

• Buildings	40 years
• Plant and equipment	3 - 10 years

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

Land is not depreciated.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

1. Significant accounting policies (cont'd)

(h) Property, plant and equipment (cont'd)

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

(i) Impairment of non-financial assets

At each reporting date the Credit Union assesses whether there is any indication that individual non-financial assets are impaired. Where impairment indicators exist, recoverable amount is determined, and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount.

(j) Employee entitlements

Long term service benefits
The Credit Union's net obligation in respect of long term service benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to high quality corporate bonds at the balance date which have maturity dates approximating to the terms of the Credit Union's obligations.

Short term benefits
Liabilities for employee benefits for wages, salaries and annual leave expected to be taken within 12 months represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wages and salary rates that the Credit Union expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax. Annual leave expected to be taken after 12 months is discounted back to present value using the rates attached to high quality corporate bond rates at balance date.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

1. Significant accounting policies (cont'd)

(k) Member Deposits

Member deposits are held at amortised cost.

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

(l) Accounts payable and other liabilities

These amounts represent liabilities for goods and services provided to the Credit Union prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Revenue recognition

Interest revenue
Interest income arising from financial assets held at amortised cost is recognised using the effective interest rate method. Fees and transaction costs that are integral to the lending arrangement are recognised in the profit and loss over the expected life of the instrument in accordance with the effective interest rate method.

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

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

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

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

Refer to Note 3 for further details of the revenue recognition for fees income.

Commissions
Commission income which includes insurance and financial planning advice is recognised when the performance obligation is satisfied.

Refer to Note 3 for further details of the revenue recognition for commission income.

Dividend income
Dividend income is recognised when the right to receive income is established.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

1. Significant accounting policies (cont'd)

(m) Revenue recognition (cont'd)

Income from property
Rental income from leases is recognised on a straight-line basis over the term of the lease.

Government assistance
Government assistance grant income is recognised in profit or loss when the Credit Union satisfies the performance obligations stated within the funding agreements. If there are sufficiently specific performance obligations attached to the grant which must be satisfied before the Credit Union is eligible to retain the contribution, the grant will be recognised in the statement of financial position as a liability until those obligations are satisfied. If there are no sufficiently specific performance obligations attached to the grant, the grant is recognised as income when received or receivable (based on conditions of the grant being met).

The Credit Union presents government assistance grants received in the profit or loss, within 'other income'.

(n) Leases

Credit Union as a lessee
At inception of a contract, the Credit Union assesses whether a lease exists – i.e. whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Credit Union has elected to separate non-lease components from lease components and has accounted for payments separately, rather than as a single component.

At the lease commencement, the Credit Union recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Credit Union believes it is reasonably certain that the option will be exercised.

The right-of-use asset using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Credit Union's incremental borrowing rate is used. Typically the Credit Union uses its incremental borrowing rate as the discount rate.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured whether there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

1. Significant accounting policies (cont'd)

(n) Leases (cont'd)

The Credit Union has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets (defined by the Credit Union as $10,000). Credit Union recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Intangible assets such as software licences continue to be accounted for under AASB 138 *Intangible Assets*, regardless of whether the arrangement would otherwise meet the AASB 16 *Leases* definition.

Credit Union as a lessor
The lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When the Credit Union has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*. The lease income is recognised on a straight-line basis over the lease term.

(o) Income tax

Income tax for the periods presented comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

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

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

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

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

1. Significant accounting policies (cont'd)

(p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of accounting of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cashflows are included on the Statement of Cashflows on a gross basis. The GST components of cashflows from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

As a financial institution, the Credit Union is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases is generally recovered on a proportionate basis, using the safe harbour apportionment rate of 18% adopted per Practical Compliance Guide 2018/15 from 1 July 2017. In addition, certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

(q) Reserves

Asset revaluation reserve
The asset revaluation reserve relates to the revaluation of land and buildings.

Financial asset reserve
The financial asset reserve relates to the revaluation of equity investments (other financial assets) classified as fair value through other comprehensive income.

Reserve for credit losses
In addition to the expected credit loss provision mentioned at Note 1(f), the Credit Union has recognised the need to maintain a reserve to ensure there is adequate protection for customers against the prospect that some borrowers will experience loan repayment difficulties in the future. The balance of the general provision is carried in equity as an allocation from retained profits.

Capital reserve account
Under the Corporations Act 2001, redeemed preference shares (members' shares) may only be redeemed out of the Credit Union's profit or through a new issue of shares for the purpose of the redemption. The Credit Union has transferred the value of member shares redeemed from 1st July 1999 to the date of this report from retained earnings to the Capital Reserve Account. The value of member shares for existing members is disclosed in Note 15.

Reserve for card fraud
In addition to the expected credit loss provision mentioned at Note 1(f), the Credit Union has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience card fraud in the future. The card fraud reserve is based on an estimation of potential risk in the card portfolio.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

1. Significant accounting policies (cont'd)

(r) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and assumes that the transaction will take place either in the principal market or, in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques are used that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Fair value measurement hierarchy
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective. The fair value of assets and liabilities classified as Level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

(s) Accounting estimates and judgements

Management has been involved in the development, selection and disclosure of the Credit Union's critical accounting policies and estimates and the application of these policies and estimates. In particular, information about areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 1(f) and Note 11 – Impairment of loans and advances with regards to the expected credit loss modelling and judgments, including:
    - Determining criteria for significant increase in credit risk: An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Credit Union takes into account qualitative and quantitative reasonable and supportable forward-looking information;
    - Choosing appropriate models and assumptions for the measurement of expected credit loss; and
    - Establishing groups of similar financial assets for the purposes of measuring expected credit loss: When expected credit loss is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics;
- Note 1(g) and Note 12 – Fair value assumptions used for other financial assets;
- Note 1(h) and Note 13 ; - Fair value assumptions used for land and buildings;
- Note 1(j) and Note 17 – Estimations used in the calculations of the long service leave provision;
- Note 1(h) and Note 13 – Estimation of useful lives of assets in depreciation calculations; and
- Note 1(o) and Note 6 – Assessment that it is probable that future taxable profits will be available against which the carried forward tax losses can be utilised.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

1. Significant accounting policies (cont'd)

(t) New or amended accounting standards adopted

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

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

(u) New accounting standards and interpretations not yet mandatory

There are no new accounting standards or interpretations expected to have any significant impact on the Credit Union's financial report that are issued and not yet applicable.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

2. Interest revenue and interest expense

	2022 $	2021 $
a) Interest Revenue		
Cash deposits at call	17,200	15,093
Deposits with other financial institutions	252,175	187,862
Loans and advances – members	2,833,925	2,920,070
	3,103,300	3,123,025
b) Interest Expense		
Deposits - members	95,486	272,358
Short-term borrowings	21	131
Amortisation of bonds	74,891	37,664
	170,399	310,153

3. Other revenue & other income

	2022 $	2021 $
Revenue from contracts with customers		
Loan fees	107,848	109,359
Transaction & other fees	564,254	601,094
Commissions – insurance	1,162	3,571
Commissions – financial planning	2,727	20,565
Commissions – other	7,175	6,258
Other sources of income		
Dividends	54,502	4,419
Bad debts recovered	1,574	2,801
Rent received – investment & other properties	75,520	84,155
Gain on sale of fixed assets	50	3,178
Other income	2,567	4,275
Government assistance – trainee subsidies	84,007	125,036
Reversal of building revaluation decrement previously expensed	-	242,853
Proceeds from insurance (repair works)	60,448	528,668
Total non-interest revenue	961,834	1,736,232

Revenue recognition is summarised in the accounting policy at Note 1(m).

Further details with regards to the revenue from contract with customers under AASB 15 is disclosed below:

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

3. Other revenue & other income (cont'd)

	Nature and timing of satisfaction of performance obligations	**Revenue recognition under AASB 15**
Fee income		
Loan fees (excluding fees deemed integral to effective interest rate)	Loan fees and charges includes fees for ongoing loan account management, as well as late repayment fees and other penalty charges. These fees and charges are charged to the customer's account as incurred.	Loan fees and charges are recognised at the point in time when the transaction takes place.
Transaction & other fees	The Credit Union provides financial services to members. Fees for ongoing account management are charged to the customer's account on a monthly basis. Transaction-based fees are charged to the customer's account when the transaction takes place.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.
Commission income		
Insurance	Commission income is generated via the issuing of 3rd party insurance policies to members.	Commission income is recognised when the insurance policy is issued. Commission income for renewals is recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of a significant reversal in a subsequent period. The receipt of renewal commission income is outside the control of the Credit Union, and is a key judgement area.
Financial planning	An upfront fee is generated on referral of a Credit Union member to the financial planner.	The upfront fee is recognised when the member is referred to the financial planner.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

		2022 $	2021 $
4.	**Selected expense detail**		
a)	**General administration expenses**		
	Employee benefits	1,264,001	1,275,266
	Depreciation of property, plant and equipment	324,424	308,360
	Other administration expenses	234,786	264,377
		1,823,211	1,848,003
b)	**Revaluation decrement**		
	Investment property fair value adjustment	-	40,000
		-	40,000
c)	**Other expenses**		
	Marketing & promotion	22,441	47,400
	Member protection & benefits	276,903	231,304
	Building expenses – investment & other properties	179,534	667,363
	Loans administration	36,019	36,697
	ATM card & transaction processing	573,508	561,599
	Board & committee expenses	84,479	83,852
	Loss on disposal of fixed assets	-	3,967
		1,172,884	1,632,182

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

5. Income tax

	2022 $	2021 $
Profit before tax	192,501	341,872
Prima facie income tax expense calculated at 25% on net profit (2021: 26%)	48,125	88,887
Increase/(Decrease) in income tax due to:		
Change in tax rate for deferred balances	-	37,752
Non assessable income	-	-
Non-deductible expenses	1,408	910
Imputation credits	(14,599)	492
Other	(1,700)	(1,572)
Adjustment for medium credit union tax rate	(4,714)	-
Income tax expense/(benefit)	28,520	126,469
Current tax expense	-	-
Deferred tax expense/(benefit)	28,520	126,469
Income tax expense/(benefit)	28,520	126,469

6. Taxation balances

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net Movement	
	2022 $	2021 $	2022 $	2021 $	Assets	Liabilities
Loans & advances	55,738	55,601	-	-	137	-
Other financial assets	-	-	73,071	61,287	-	11,784
Other receivables	-	-	3,752	16,961	-	(13,209)
Prepayments	-	-	39,178	32,082	-	7,096
Property, Plant & Equipment, & Investment properties	-	-	263,399	300,641	-	(37,242)
Trade & other payables	6,863	6,814	-	-	49	-
-Employee benefits	100,981	102,239	-	-	(1,259)	-
Intangible assets	17,714	17,714	-	-	-	-
Tax losses carried forward	207,931	278,733	-	-	(70,802)	-
	389,227	461,101	379,400	410,970	(71,875)	(31,571)
Net movement to deferred tax balances						(40,304)
Add back movement through equity – other financial assets (net)						11,784
Deferred tax benefit/(expense)						(28,520)

Income tax payable / (receivable)
The current tax payable for the Credit Union represents the amount of income taxes receivable or payable in respect of current and prior periods.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

6. Taxation balances (cont'd)

	2022 $	2021 $
Income tax payable / (receivable)	-	-
Movement in taxation provision		
Balance at beginning of year	-	(40,012)
Current year's income tax expense on profit before tax	-	-
Income tax received/(paid)	-	40,012
Balance at end of year	-	-

7. Cash and cash equivalents

	2022 $	2021 $
Cash on hand	413,857	1,185,472
Cash at bank & deposits at call	6,638,335	5,026,107
	7,052,192	6,211,579

Cash and cash equivalents includes cash at hand and deposits at call invested with Cuscal Limited rated A1 (short term rating).

8. Receivables due from other financial institutions

	2022 $	2021 $
Term deposits	13,350,010	8,850,010
Negotiable Certificate Deposits	2,496,879	3,249,858
High Quality Liquid Asset bonds	15,914,302	11,877,038
Other bonds	750,000	750,000
	32,511,191	24,726,906

a) Credit quality

The Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APRA prudential standard APS 112 (Attachment E).

The exposure values associated with each credit rating are as follows:

	2022 $	2021 $
ADI's – Credit rating 1 *(long term - rated AA- and above, short term – A1)*	11,843,374	9,089,567
ADI's – Credit ratings 2 & 3 *(long term – rated below AA- to BBB-, short term - A2 & A3)*	7,417,807	7,637,329
Unrated	13,250,010	8,000,010
	32,511,191	24,726,906

9. Other receivables

	2022 $	2021 $
Interest receivable	75,283	27,494
Sundry debtors	23,029	73,887
Other	46,963	54,623
	145,275	156,004

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

10. Loans and advances

	2022 $	2021 $
Overdrafts	976,879	985,320
Term loans	60,707,404	59,124,913
Gross loans and advances – customers	61,684,283	60,110,233
Less: Deferred loan establishment fees	(132,306)	(133,899)
Less: Provision for impairment	(90,647)	(88,505)
Net loans and advances	61,461,330	59,887,829

a) Concentration of risk

Geographical dissection:
Exposures to grouping of individual loans which concentrate risk within particular geographical segments are as follows:

	2022 $	2021 $
Broken Hill	52,440,786	52,844,664
Other Australian locations	9,243,497	7,265,569
	61,684,283	60,110,233
Purpose dissection		
Residential	55,567,918	53,747,462
Personal	3,508,813	3,462,074
Commercial	2,607,552	2,900,697
	61,684,283	60,110,233

Significant individual exposures
As at 30 June 2022, the Credit Union loan portfolio includes three exposures which represent 10% or more of Tier 1 Capital (2021: two).

b) Credit quality of loans
A majority of the portfolio of the loan book is secured on residential property in Australia. Therefore, the Credit Union is exposed to risks in the reduction of the loan to valuation ratio (LVR) cover should the property market be subject to decline. The risk of losses from loans is primarily reduced by the nature and quality of the security obtained.

It is not practical to value all collateral as at the balance date due to the variety of asset and their nature and condition.

A breakdown of the quality of the mortgage security on the portfolio basis is as follows:

	2022 $	2021 $
Secured by Mortgage over Residential Property		
Loan to Value Ratio of 80% or less	46,012,720	44,936,570
Loan to Value Ratio of more than 80% but mortgage insured	8,327,651	9,195,786
Loan to Value Ratio of more than 80% not mortgage insured	3,216,260	2,374,341
Partly secured by goods mortgage	2,332,462	2,595,661
Secured other	279,013	112,828
Wholly unsecured	1,516,177	895,047
	61,684,283	60,110,233

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

11. Impairment of loans and advances

	2022 $	2021 $
Total provision comprises of:		
Expected credit loss allowance	90,647	88,505
Total provision	90,647	88,505

Amounts arising from expected credit loss:
An analysis of the Credit Union's credit risk exposure per class of financial asset and "stage" without reflecting the effects of any collateral or other credit enhancements is demonstrated in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

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

Credit risk exposure under expected credit loss - 2022	**Stage 1 12 month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loan category	**2022 $**	**2022 $**	**2022 $**	**2022 $**
Mortgages – residential & commercial				
Up to 30 days	57,530,817	-	-	57,530,817
More than 30 days, but less than 90 days	-	-	-	-
More than 90 days, but less than 180 days	-	-	-	-
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	8,271	8,271
More than 365 days	-	-	17,543	17,543
Personal loans – secured & under secured	-	-	-	-
Up to 30 days	3,134,944	-	-	3,134,944
More than 30 days, but less than 90 days	-	12,642	-	12,642
More than 90 days, but less than 180 days	-	-	-	-
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	-	-
More than 365 days	-	-	3,187	3,187
Overdrafts / overdrawn	968,223	-	8,656	976,879
Total carrying amount – gross	**61,633,984**	**12,642**	**37,657**	**61,684,283**
Less expected credit loss allowance	(77,094)	(1,709)	(11,844)	(90,647)
Total carrying amount – net (excluding deferred loan fees)	**61,556,890**	**10,933**	**25,813**	**61,593,636**
Security analysis -Stage 2 & Stage 3				
Estimated collateral – after discount	N/A	N/A	84,000	84,000

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

11. Impairment of loans and advances (cont'd)

Credit risk exposure under expected credit loss - 2021	**Stage 1 12 month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loan category	**2021 $**	**2021 $**	**2021 $**	**2021 $**
Mortgages – residential & commercial				
Up to 30 days	56,377,330	-	-	56,377,330
More than 30 days, but less than 90 days	-	-	-	-
More than 90 days, but less than 180 days	-	-	-	-
More than 180 days, but less than 270 days	-	-	112,906	112,906
More than 270 days, but less than 365 days	-	-	16,462	16,462
More than 365 days	-	-	-	-
Personal loans – secured & under secured				
Up to 30 days				
More than 30 days, but less than 90 days	2,598,718	-	-	2,598,718
More than 90 days, but less than 180 days	-	-	-	-
More than 180 days, but less than 270 days	-	-	-	-
More than 270 days, but less than 365 days	-	-	13,750	13,750
More than 365 days	-	-	5,747	5,747
Overdrafts / overdrawn	981,058	-	4,262	985,320
Total carrying amount – gross	**59,957,106**	**-**	**153,127**	**60,110,233**
Less expected credit loss allowance	(48,284)	-	(40,221)	(88,505)
Total carrying amount – net (excluding deferred loan fees)	**59,908,822**	**-**	**112,906**	**60,021,728**
Security analysis -Stage 2 & Stage 3				
Estimated collateral – after discount	N/A	-	147,000	147,000

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

11. Impairment of loans and advances (cont'd)

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

2022:

	Stage 1 12 month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Movement category	**2022 $**	**2022 $**	**2022 $**	**2022 $**
Balance at 1 July 2021	**48,284**	**-**	**40,221**	**88,505**
Movement due to transfers between stages	(1,709)	1,709	-	-
Net remeasurement of loss allowance	30,519	-	(14,109)	16,410
Bad debts written off	-	-	(14,268)	(14,268)
Balance at 30 June 2022	77,094	1,709	11,844	90,647

During the 2021 financial year, there was no significant change to the gross carrying amount of financial instruments subject to the expected credit loss provision.

2021:

	Stage 1 12 month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Movement category	**2021 $**	**2021 $**	**2021 $**	**2021 $**
Balance at 1 July 2020	**35,479**	**125**	**51,545**	**87,149**
Movement due to transfers between stages	125	(125)	-	-
Net remeasurement of loss allowance	12,680	-	6,401	19,081
Bad debts written off	-	-	(17,725)	(17,725)
Balance at 30 June 2021	**48,284**	**-**	**40,221**	**88,505**

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

	2022 $	2021 $
11. Impairment of loans and advances (cont'd)		

Loans restructured
During the year, some loans that were previously past due or impaired, have been restructured by the Credit Union.

	2022 $	2021 $
Balance of restructured loans at the end of the financial year	109,345	-

During the 2022 financial year, one Stage 1 loan was restructured (2021: nil).

No Stage 2 or Stage 3 loans were restructured across the 2022 financial year (2021: nil).

Sale of asset acquired through enforcement of security	2022 $	2021 $
Opening balance of enforcement security	-	-
Real estate acquired through enforcement of security	-	-
Expenses	-	-
Proceeds from sale of property & insurance claim	-	-
Balance of loan written off	-	-
Specific provision for impairment written back	-	-
Balance at the end of the financial year	-	-

12. Other financial assets

	2022 $	2021 $
Equity investment securities designated as fair value through other comprehensive income (FVOCI) – held at fair value		
- Shares in Cuscal Limited	489,049	441,912
	489,049	441,912

Cuscal Limited
This company supplies services to the member organisations which are all Credit Unions and Mutual Banks. The Credit Union designated its investment in CUSCAL equity securities as at FVOCI, as the Credit Union considers these investments to be strategic in nature and the shares are only able to be traded within a market limited to other mutual ADI's.

Management have used unobservable inputs to assess the fair value of the shares. Management has determined that the net tangible asset per share (from the latest available financial statement) is a reasonable approximation of fair value based on the likely value available on a sale.

Refer to Note 26 for more details on the fair value measurement.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

	2022 $	2021 $
13. Property, plant and equipment		
Land		
At fair value	320,000	320,000
	320,000	320,000
Buildings on freehold land		
At fair value	3,087,000	3,087,000
Accumulated depreciation	(77,175)	-
	3,009,825	3,087,000
Plant and equipment		
At cost	3,408,752	3,368,865
Accumulated depreciation	(2,265,999)	(2,052,345)
	1,142,753	1,316,520
Capital works in progress - intangibles		
At cost	93,552	-
	93,552	-
Carrying amount of total property, plant and equipment	4,566,130	4,723,520

Valuations

The freehold land and/or buildings are at Broken Hill (NSW) and were independently valued in June 2021 by the independent firm Smith & Hickey Valuation Services on the basis of and in accordance with Australian Accounting Standards AASB 13 *Fair Value Measurement* and AASB 116 *Property, Plant & Equipment*.

The Directors do not believe there has been a material movement in fair value since the valuation date, as the key assumptions at the time of the valuation are consistent with those at 30 June 2022.

The Credit Union has a set policy for regular valuation of freehold land and buildings at least once every three to five financial years. Refer to Note 1(r) and Note 26 for further information on fair value measurement.

Notes to the Financial Statements for the year ended 30 June 2022 (cont'd)

13. Property, plant and equipment (cont'd)

(a) Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Land $	Buildings $	Plant and equipment $	Capital works in progress $	Total $
Balance at 1 July 2020	330,000	2,909,534	1,395,966	-	4,635,500
Additions	-	11,923	188,733	-	200,656
Transfers	-	-	-	-	-
Disposals	-	-	(37,129)	-	(37,129)
Depreciation	-	(77,310)	(231,050)	-	(308,360)
Revaluation increment/(decrement)	(10,000)	242,853	-	-	232,853
Balance at 30 June 2021	320,000	3,087,000	1,316,520	-	4,723,520
Balance at 1 July 2021	320,000	3,087,000	1,316,520	-	4,723,520
Additions	-	-	94,257	93,552	187,809
Transfers	-	-	-	-	-
Disposals	-	-	(20,776)	-	(20,776)
Depreciation	-	(77,175)	(247,248)	-	(324,423)
Revaluation increment/(decrement)	-	-	-	-	-
Balance at 30 June 2022	320,000	3,009,825	1,142,753	93,552	4,566,130

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

14. Investment properties

	2022 $	2021 $
Investment properties – held for sale	-	80,000
	-	80,000

Reconciliations

Reconciliations of the carrying amount of investment properties is set out below:

	2022 $	2021 $
Balance at beginning of the year	80,000	120,000
Fair value adjustments	-	(40,000)
Disposal of investment property	(80,000)	
Balance at end of the year	-	80,000

On 3rd December 2021, the sale of the investment property in Argent Street settled.

15. Member deposits

	2022 $	2021 $
Deposits at call	79,812,161	67,053,220
Term deposits	16,726,678	19,547,436
Member shares	57,058	62,710
	96,595,897	86,663,366

a) Concentration of risk

Geographical dissection:

The geographical segment details are below:

	2022 $	2021 $
- Broken Hill residents	82,718,555	76,857,885
- Other	13,877,342	9,805,481
	96,595,897	86,663,366

Significant individual customer deposits

As at 30 June 2022, the Credit Union's deposit portfolio did not have any deposit which represented 10% or more of total liabilities (2021: $nil).

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

	2022 $	2021 $
16. Accounts payable and other liabilities		
Member related clearing accounts	514,786	573,961
Accrued interest payable	33,112	147,249
Sundry creditors & accruals	112,736	80,757
	660,634	801,967
17. Employee benefits		
Expected to be settled within 12 months		
Liability for long service leave	298,945	311,331
Liability for annual leave	95,875	94,811
	394,820	406,142
Expected to be settled after 12 months		
Liability for long service leave	9,102	2,815
	403,922	408,957

18. Leases

(a) Credit Union as a lessee

Nature of the leasing activities
The Credit Union leases various ATM sites in Broken Hill.

Terms and conditions of leases
One lease is on a month by month basis, and hence considered a short term lease. The remaining lease remains until May 2024, however the Credit Union only has an enforceable period of three months within the agreement. Subject to three months' notice, the lessor is able to move the Credit Union's ATM site rental location. Hence, this is also considered a short term lease arrangement.

The leases contain annual pricing mechanisms based on CPI movements at each anniversary of the lease inception, or a fixed rate designed to estimate a CPI movement. There are no non-index (i.e. CPI) related variable lease payments associated with these property leases.

There are no leases not yet commenced to which the lessee is committed.

Right-of-use assets
Based on the short term lease exemptions applied above, the Credit Union has not recognised a right-of-use asset for these leases.

Lease liabilities
Based on the short term lease exemptions applied above, the Credit Union has not recognised a lease liability for these leases.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

18. Leases (cont'd)

Income statement
The amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income relating to leases where the Credit Union is a lessee are shown below:

	2022 **$**	**2021** **$**
Rental expense relating to short-term leases	(14,776)	(14,528)
Rental expense relating to low-value assets	-	-

Statement of cash flows

	2022 **$**	**2021** **$**
Total cash outflow for leases	(14,776)	(14,528)

Exemptions applied
The Credit Union has applied the exemptions relating to short-term leases and leases of low-value assets, as described at Note 1(n).

As at 30 June 2022, the Credit Union is committed to $9,752 (2021: $17,377) for short-term leases.

Key assumptions used in calculations
The calculation of the right-of-use assets and lease liabilities are dependent on the following critical accounting judgements:
- **Assessment of lease term** – as discussed above, this considers the enforceable period of a lease.

(b) Credit Union as a lessor

OPERATING LEASES

Nature of the leasing activities
The Credit Union receives rental income from various tenants who lease a portion of the land and buildings owned by the Credit Union in Broken Hill. These leases have been classified as operating leases for financial reporting purposes and the assets are included as investment properties (refer Note 14) or land and buildings (Note 13).

Terms and conditions of leases
These operating lease contracts contain extension options at the right of the lessee. All contracts contain market review clauses in the event that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

18. Leases (cont'd)

The Credit Union manages the risk associated with the underlying investment property via appropriate insurance coverage and use of real estate agents where appropriate.

Income statement
The amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income relating to operating leases where the Credit Union is a lessor (i.e. investment properties) are shown below:

	2022 $	**2021 $**
Lease/rental income – investment properties	11,650	28,717
Lease/rental income – other properties	63,870	55,438
Total lease/rental income relating to properties (under operating leases)	**75,520**	**84,155**
Direct operating expenses (including repairs & maintenance) arising from investment properties	9,132	98,070
Direct operating expenses (including repairs & maintenance) arising from other properties	1,001	61,312
Total direct operating expenses relating to properties (under operating leases)	**10,133**	**159,382**

Maturity analysis of lease payments receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

	2022 $	**2021 $**
< 1 year	55,763	67,902
1 - 2 years	42,476	53,544
2 - 3 years	-	40,816
Total undiscounted lease payments receivable	**98,239**	**162,262**

FINANCE LEASES

Nature of the leasing activities
The Credit Union is not the lessor in any arrangements assessed as a finance lease.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

19. Reconciliation of cash flows from operating activities

(a) Cash flow from operating activities

	2022 $	2021 $
Profit after income tax	163,981	215,403
Non-cash flows in operating surplus/(deficit):		
Loss/(gain) on sale of non-current assets - net	-	789
Depreciation on property, plant & equipment	324,423	308,360
Revaluation of investment property	-	40,000
Reversal of previously expensed building revaluation decrement	-	(242,853)
Deferred loan establishment fees	(1,593)	3,925
Impairment charge / (reversal)	16,410	19,081
Provision for employee entitlements	(5,035)	(139,749)
Changes in assets and liabilities:		
(Increase)/Decrease in other receivables	10,729	11,877
(Increase)/Decrease in deferred tax asset	71,874	(59,331)
(Increase)/Decrease in prepayments	(28,384)	(3,135)
Increase/(Decrease) in accounts payable & other liabilities (excluding capital creditors)	(141,333)	137,757
Increase/(Decrease) in income tax payable	-	40,012
Increase/(Decrease) in deferred tax liability	(43,354)	185,801
Prior year adjustment through equity		-
Net cash from revenue activities	367,718	517,937
Add/(deduct) non-revenue operations		
(Increase)/Decrease in loan and advances	(1,588,318)	371,710
Increase/(Decrease) in deposits and short-term borrowings	9,932,531	6,915,378
	8,711,931	7,805,025

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:
(i) customer deposits to and withdrawals from deposit accounts and short-term borrowings;
(ii) borrowings and repayments on loans, advances and other receivables; and
(iii) receivables from other financial institutions.

(c) Bank overdraft facility

The Credit Union has access to an overdraft facility provided by Cuscal Limited ('Cuscal') to the extent of $500,000 (2021: $500,000) and incurs an interest rate of 4.85% (2021: 4.10%). This overdraft facility is secured by a separate security deposit with Cuscal for $500,000.

As at 30 June 2022, this facility was unused (2021: facility was unused).

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

20. Capital commitments

	2022 $	2021 $
Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date but not provided for (payable not later than one year):		
Property, plant & equipment	87,434	-
	87,434	-

Expenditure commitments are stated inclusive of Goods and Services Tax.

21. Contingent liabilities and credit commitments

In the normal course of business, the Credit Union enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of customers. The Credit Union uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets. Undrawn loan facilities available to members includes undrawn loans, overdrafts and line of credit loans.

Credit related commitments	2022 $	2021 $
Loans approved but not funded	928,360	1,133,050
Undrawn loan facilities		
Total value of facilities approved	2,593,690	5,018,322
Less: Amounts advanced	(977,457)	(3,175,077)
Net undrawn amount	1,616,232	2,344,251
	2,544,592	**3,477,301**
Security analysis of credit related commitments		
Secured by Mortgage over real estate	2,097,818	2,893,968
Other (goods mortgage, unregistered mortgage, funds, unsecured)	446,774	583,333
	2,544,592	**3,477,301**

Guarantees
The Credit Union has issued guarantees on behalf of members for the purpose of lease and trade credit facilities. The amounts of the guarantees at balance date are $42,300 (2021: $10,000). The guarantee is payable only on the member defaulting on the contractual repayments to the lessor/supplier. The guarantees are fully secured against deposit liabilities.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

21. Contingent liabilities and credit commitments (cont'd)

Other contingent liabilities
The Broken Hill Community Credit Union Ltd is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme that all credit unions who are affiliated with Cuscal Limited have agreed to participate in. CUFSS is a company limited by guarantee with each credit union's guarantee being $100.

As a member of CUFSS, the Credit Union:

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

22. Auditors' remuneration

	2022 $	2021 $
Amounts received or due and receivable by the External Auditor of the Credit Union (excluding GST) for:		
Audit of the financial statements & financial services licence	59,500	57,600
Other services - taxation	8,506	7,250
	68,006	64,850

The above amounts include out of pocket expenses recovered.

23. Key management personnel

The following were key management personnel of the Credit Union at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors
Allan Carter
Judith Hoare
Gary Oldman
William (Tony) Hiscox
Lorelle Emmett
Diana Ferry

Executives

Louise Hunt	General Manager
Tracy Harman	Risk & Compliance Manager
Christopher Day	Business Development Manager

Transactions with key management personnel
In addition to their salaries, the Credit Union also provides banking services and products to key management personnel as outlined below.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

23. Key management personnel (cont'd)

Key management personnel compensation

The key management personnel ('KMP') compensation included in "employee benefits expenses" (see Note 4a) are as follows:

	2022 $	2021 $
Short-term employee benefits	473,985	473,992
Other long-term benefits	12,938	12,348
Post-employment benefits	47,442	43,246
	534,365	529,586

Loans to key management personnel and other related parties

Details regarding the aggregate of loans made to key management personnel and their related parties at balance date are as follows:

Loans to key management personnel and other related parties	1,733,235	1,702,427
Interest received on loans to key management personnel	72,659	74,931

Two new loans (2021: nil) were made to key management personnel during the year.

All loans to key management personnel and their related parties by the Credit Union have been made in the normal course of business and on the normal commercial terms and conditions which applied to members for each type of loan. There are no loans to key management personnel or their related parties which are considered impaired.

No amounts have been written down or recorded as allowances, as all balances outstanding are considered fully collectable.

Deposits from key management personnel and other related parties

Total value term and savings deposits from key management personnel and other related parties	340,869	244,122
Total interest paid on deposits to key management personnel and other related parties	300	395

Broken Hill Community Credit Union
Your kind of banking

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

23. Key management personnel (cont'd)

The Credit Union's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted on the same terms and conditions which applied to customers for each type of deposit.

Public disclosure of remuneration

In accordance with the APS 330 *Public Disclosure* requirements, the Credit Union is required to include both qualitative and quantitative disclosures for senior managers and material risk-takers in the Regulatory Disclosure section on their website.

Other key management personnel transactions with the Credit Union

From time to time the key management personnel of the Credit Union and their related parties may conduct banking related transactions with the Credit Union. These transactions are on the same terms and conditions as those entered into by other members. Each Director holds one share in the Credit Union in their capacity as a member.

A number of key management persons of the Credit Union, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

None of these entities transacted with the Credit Union in the reporting period (2021: nil).

24. Risk management objectives and policies

Introduction

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors has established a Risk Committee, which is responsible for developing and monitoring the risk management policies. The Committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Credit Union, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

24. Risk management objectives and policies (cont'd)

and the Credit Union's activities. The Credit Union through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Risk Committee oversees how management monitors compliance with the Credit Union's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Credit Union. The Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Risk Committee.

The Credit Union has undertaken the following strategies to minimise the risks arising from financial instruments.

(a) Market risk

The objective of the Credit Union's market risk management is to monitor, manage, control, identify and report market risk exposures in order to optimise the balance between risk and return.

Market risk is the financial impact through changes in interest rates, foreign exchange rates or other prices and volatilities that may have an adverse effect on the Credit Union's financial performance and position. The Credit Union is not exposed to foreign exchange or currency risk. The Credit Union does not trade in the financial instruments it holds on its books.

The Credit Union is exposed only to interest rate risk arising from changes in market interest rates within its own banking book.

Interest rate risk in the banking book
The interest rate risk is managed by:
- Continuously monitoring the "gap" between the yield on loans and investments and the cost of funds
- Projecting the interest spread forward to future periods
- Amending interest rates on loans and/or deposits to ensure that an appropriate spread is maintained

Method of managing risk
The Credit Union monitors its interest rate risk by the use of interest rate sensitivity analysis. The details and assumptions used in this analysis are set out below.

Interest rate sensitivity
The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. At balance date, if interest rates had moved, as illustrated in the table below, with all other variables constant, post tax profit would have been affected as follows:

Movement in interest rates	**2022 $**	**2021 $**
Plus 2% (200 basis points)	1,196,765	1,241,209
Less 2% (200 basis points)	(1,456,315)	(1,288,296)

The interest rate sensitivity analysis method projects performance based on balances of assets and liabilities that exist on report date, applying the actual rates associated with those balances for

24. Risk management objectives and policies (cont'd)

(a) Market risk (cont'd)

the full 12 month period. The outcome above simulates the dynamics of a 200bps rate decrease/increase on assets and liabilities for the period.

This method includes a variety of behavioural assumptions including average term repricing and the inability to match repricing stress on both sides of the statement of financial position.

(b) Liquidity risk

Liquidity risk is the risk that the Credit Union may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or customers' withdrawal demands. It is the policy of the Board that the Credit Union maintains adequate liquidity and funding arrangements along with committed credit facilities to meet the cash flow needs of customers for withdrawal demands and borrowings as and when required.

The Credit Union is required to adopt prudent practices in managing its liquidity risks and to maintain an adequate level of liquidity to meet its obligations as they fall due across a wide range of operating circumstances.

The Credit Union manages its liquidity and funding risk by:

- Continuously monitoring actual and forecast short and long term daily cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Having in place repurchase arrangements with the Reserve Bank of Australia for the conversion of a qualifying investment to cash should the need arise;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities.

The Credit Union has a contractual arrangement with the Credit Union Financial Support System (CUFSS) which can access committed CUFSS-facilitated industry funds to provide emergency liquidity support for the Credit Union in times of need.

The Credit Union is required under the APRA prudential standards to maintain as a minimum 9% of total liabilities as liquid assets capable of being converted to cash within 48 hours. The Credit Union aims to maintain a required minimum liquidity level of at least 13% to meet adequate operational cash flow requirements. The liquidity ratio is monitored daily and measured against cash flow requirements now and into the future.

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

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

	2022	2021
High quality liquid asset ('HQLA') ratio	23.69%	23.28%
Non-HQLA liquid asset ratio	13.58%	9.32%
Total liquidity ratio	**37.27%**	**32.60%**

24. Risk management objectives and policies (cont'd)

(c) Credit risk

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

CREDIT RISK - LOANS & ADVANCES:

All loans and facilities are within Australia. The geographic distribution is monitored and analysed. Concentrations are described in Note 10.

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved and close monitoring of defaults in the repayment of loans thereafter on a weekly basis. The credit policy has been endorsed by the Board to ensure that loans are only made to members that are creditworthy (capable of meeting loan repayments).

The Credit Union has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value of individual borrowers, non-mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- The ongoing reassessment and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Where appropriate, debt recovery procedures; and
- Review of compliance with the above policies.

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

For loans where repayments are doubtful, external agencies are engaged to conduct recovery action. The exposure to losses arises predominately in personal loans and facilities not secured by registered mortgages over real estate.

Details are set out in Note 1(f) and Note 11 with regards to the expected credit loss provisioning used by the Credit Union.

Bad Debts
For unsecured loans and facilities, amounts are written off when collection of the loan or facility is considered to be remote. All write offs are identified and actioned on a case by case basis.

Collateral secured loans
The loan portfolio primarily is secured by residential property in Australia. Therefore, the Credit Union is exposed to risks in the reduction of the Loan to Value Ratio (LVR) cover should the property market be subject to a substantial negative change. The risk of losses from the loans undertaken is reduced by the diverse nature, geographic spread and quality of the security taken.

Note 10 outlines the nature and extent of the security held against the loans and facilities held as at balance date.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

24. Risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

Concentration risk – loans
Concentration risk is a measurement of the Credit Union's exposure to an individual borrower, industry or geographical areas. Note 10 outlines the concentration risk of loans and facilities held as at balance date.

Maximum exposure to credit risk
The Credit Union's maximum exposure to credit risk, including both on balance sheet and off-balance sheet exposures is:

	2022 $	2021 $
On-balance sheet exposures		
Cash and cash equivalents	7,052,192	6,211,579
Loans and receivables – gross	61,684,283	60,110,233
Receivables from other financial institutions	32,511,191	24,726,906
Other receivables	145,275	156,004
Off-balance sheet exposures		
Loans approved not yet funded	928,360	1,133,050
Undrawn loans and overdrafts	1,616,232	2,344,251
Maximum exposure to credit risk	**103,937,533**	**94,682,023**

CREDIT RISK – RECEIVABLES FROM OTHER FINANCIAL INSTITUTIONS & CASH/CASH EQUIVALENT

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Credit Union.

The risk of losses from the liquid investments undertaken is mitigated by the nature and quality of the independent rating of the investment bodies and the limits to concentration as approved by APRA from time to time.

The Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA prudential guidance note AGN 112. The credit quality assessment scale within this standard has been complied with. Given the high quality of these investments, the Credit Union does not expect any counterparty to fail to meet its obligations. The exposure values associated with each credit quality investment body are detailed in Note 8.

(d) Operational risk

Operational risk is the risk of loss to the Credit Union resulting from deficiencies in processes, personal technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in the Credit Union relate mainly to those risks arising from a number of sources including legal compliance, business continuity, information technology, outsourced service failures, fraud, and employee errors.

Notes to the Financial Statements
For the year ended 30 June 2022 (cont'd)

24. Risk management objectives and policies (cont'd)

(d) Operational risk (cont'd)

Operational risk capital charge
The Credit Union uses the Standardised approach which is considered to be most suitable for its business given the nature of its transaction activities. The operational risk capital charge is calculated by mapping the Credit Union's three-year average net interest income and net non-interest income to the Credit Union's various business lines.

(e) Capital management

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

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

The market risk component is not required as the Credit Union is not engaged in a trading book for financial instruments. The Credit Union uses the standardised approach for credit risk and operational risk, in accordance with APRA requirements.

Capital Adequacy Ratio calculation	**2022 $**	**2021 $**
Common Equity Tier 1 Capital		
Net tier 1 capital	7,929,996	7,678,150
Tier 2 Capital		
Net tier 2 capital	188,382	188,382
Total capital	8,118,378	7,866,532
Risk profile		
Credit risk	41,078,775	36,116,175
Operational risk	5,478,686	5,087,950
Total risk weighted assets	46,557,461	41,204,125
Capital adequacy ratio	**17.44%**	**19.09%**

The Credit Union is required to maintain a minimum total capital level of 8% or an APRA advised Prudential Capital Requirement (PCR), whichever is higher, as compared to the risk weighted assets at any given time.

To manage the Credit Union's capital, the Credit Union reviews the ratio monthly and monitors major movements in the asset levels and capital values. Policies have been implemented to require reporting to the Board and the regulator if the capital ratio is likely to fall below a trigger level. Further a 3-year capital budget projection of the capital levels is maintained and updated on a biannual basis to allow for the measurement and analysis of strategic decisions and/or trends.

Internal capital adequacy assessment process
The Credit Union manages its internal capital levels for both current and future activities through the Credit Union's Strategy Committee. The outputs of the Strategy Committee are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Credit Union's strategic direction and/or forecasts or unforeseen circumstances are assessed by the Strategy Committee and the Board as and when required.

Notes to the financial statements for the year ended 30 June 202 (cont'd)

25. Financial instruments

(a) Interest rate risk

The Credit Union's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities recognised at the balance date are as follows. The time bandings reflect the earlier of the next contractual repricing date or the maturity date of the asset or liability.

Financial instruments	Floating interest rate		Fixed interest rate repricing in: 1 year or less		Fixed interest rate repricing in: Over 1 to 5 years		Fixed interest rate repricing in: More than 5 years		Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 %	2021 %
Financial assets:														
Cash and cash equivalents	6,638	5,027	-	-	-	-	-	-	414	1,185	7,052	6,212	0.38	0.29
Receivables from other financial institutions	-	-	32,511	24,727	-	-	-	-	-	-	32,511	24,727	1.83	0.67
Other receivables	-	-	-	-	-	-	-	-	145	156	145	156	N/A	N/A
Loans and advances (gross)	59,818	60,110	-	-	1,866	-	-	-	-	-	61,684	60,110	4.67	4.83
Other financial assets	-	-	-	-	-	-	-	-	489	442	489	442	N/A	N/A
Total financial assets	66,456	65,137	32,511	24,727	1,866	-	-	-	1,048	1,783	101,881	91,647	N/A	N/A
Financial liabilities:														
Member deposits	24,073	20,897	15,136	17,888	1,592	1,660	-	-	55,795	46,218	96,596	86,663	0.08	0.18
Accounts payable and other liabilities	-	-	-	-	-	-	-	-	661	802	661	802	N/A	N/A
Total financial liabilities	24,073	20,897	15,136	17,888	1,592	1,660	-	-	56,456	47,020	97,257	87,465	N/A	N/A

N/A - not applicable for non-interest bearing financial instruments.

Notes to the Financial Statements for the year ended 30 June 2022 (cont'd)

25. Financial instruments (cont'd)

(b) Maturity profile of financial assets and liabilities

Monetary assets and liabilities have differing maturity profiles depending on the contractual terms, and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event repayment conditions are varied. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly, these values will not agree to the carrying amounts of the Statement of Financial Position.

Financial instruments	Within 3 months		From 3 to 12 months		From 1 to 5 years		More than 5 years		No maturity		Total cash flows		Total carrying amount per Statement of Financial Position	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Financial assets:														
Cash and cash equivalents	7,052	6,212	-	-	-	-	-	-	-	-	7,052	6,212	7,052	6,212
Receivables from other financial institutions	19,767	12,099	4,388	2,006	9,058	10,861	-	-	-	-	33,213	24,966	32,511	24,727
Other receivables (ex accrued interest)	-	-	-	-	-	-	-	-	70	128	70	128	70	128
Loans and advances	1,643	1,695	5,122	4,809	22,979	23,501	57,087	55,814	-	-	86,831	85,820	61,684	60,110
Other financial assets	-	-	-	-	-	-	-	-	489	442	489	442	489	442
Total financial assets	28,462	20,006	9,510	6,815	32,037	34,362	57,087	55,814	559	570	127,655	117,568	101,806	91,619
Financial liabilities:														
Member deposits	85,073	74,425	9,996	10,822	1,597	1,682	-	-	-	-	96,666	86,929	96,596	86,663
Accounts payable and other liabilities (ex accrued interest)	-	-	-	-	-	-	-	-	628	654	628	654	628	654
Total financial liabilities	85,073	74,425	9,996	10,822	1,597	1,682	-	-	628	654	97,294	87,583	97,224	87,317

Notes to the financial statements
For the year ended 30 June 2022 (cont'd)

25. Financial instruments (cont'd)

(c) Financial instruments fair value

The fair value is required to be disclosed where the financial instruments are not measured at fair value in the Statement of Financial Position. Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

Assets where the fair value is lower than the book value have not been written down in the accounts of the Credit Union on the basis that they are held to maturity or, in the case of loans, all amounts due are expected to be recovered in full.

The only financial instrument that the Credit Union holds at fair value in the Statement of Financial Position is in relation to equity instruments held as other financial assets. Refer to Note 12 and Note 26 for further details on the revaluation technique applied to other financial assets.

For all other financial instruments (not measured at fair value), the Credit Union has assessed that, at balance date, the carrying amount of all financial instruments approximates fair value. The description of the valuation techniques and assumptions are detailed below:

Cash/cash equivalents and receivables due from other financial institutions:
The carrying values of cash and cash equivalents and receivables due from other financial institutions redeemable within 12 months approximates their fair value as they are short term in nature or are receivable on demand. The HQLA bonds are considered short term in nature as the interest rate is repriced every 90 days.

Loans and advances:
All of the Credit Union's loans are variable rate loans. The carrying amount of these loans is considered to approximate fair value. The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Member deposits:
The fair value of call and variable rate deposits and fixed rate deposits repricing within 60 months is the amount shown in the Statement of Financial Position. The maximum term for fixed term deposits accepted by the Credit Union is 3 years.

The Credit Union has assessed its own credit risk in regards to the fair value of deposits, and has assessed that no material valuation adjustment is required.

Accounts payable and other liabilities:
The carrying amount approximates fair value as they are short term in nature.

Notes to the financial statements
For the year ended 30 June 2022 (cont'd)

25. Financial instruments (cont'd)

(d) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	2022 $	2021 $
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	7,052,192	6,211,579
Receivables due from other financial institutions	32,511,191	24,726,906
Other receivables	145,275	156,004
Loans and advances (net)	61,461,330	59,887,829
	101,169,988	90,982,318
Financial assets at fair value through other comprehensive income (FVOCI)		
Other financial assets	489,049	441,912
	489,049	441,912
Total financial assets	**101,659,037**	**91,424,230**
Financial liabilities		
Financial liabilities at amortised cost		
Accounts payable and other liabilities	660,634	801,967
Member deposits	96,595,897	86,663,366
Total financial liabilities	**97,256,531**	**87,465,333**

26. Fair value measurement

Fair value hierarchy
Refer to details of the fair value hierarchy at Note 1(r).

2022 **Assets measured at fair value**	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings	-	3,329,825	-	3,329,825
Other financial assets (at FVOCI)	-	-	489,049	489,049
Total	-	**3,329,825**	**489,049**	**3,818,874**

2021 **Assets measured at fair value**	Level 1 $	Level 2 $	Level 3 $	Total $
Land and buildings	-	3,407,000	-	3,407,000
Investment properties	-	-	80,000	80,000
Other financial assets (at FVOCI)	-	-	441,912	441,912
Total	-	**3,407,000**	**521,912**	**3,928,912**

Notes to the financial statements
For the year ended 30 June 2022 (cont'd)

26. Fair value measurement (cont'd)

The Credit Union has assessed that, at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Notes 13 and 25(c).

Assets measured at fair value based categorised as Level 2
Land and buildings have been valued based on similar assets, location and market conditions.

Assets measured at fair value based categorised as Level 3

	Other financial assets (at FVOCI)		Investment properties		Total	
Movement category	**2022 $**	**2021 $**	**2022 $**	**2021 $**	**2022 $**	**2021 $**
Balance at 1 July	441,912	427,182	80,000	120,000	521,912	547,182
Revaluation through profit & loss	-	-	-	(40,000)	-	(40,000)
Disposal	-	-	(80,000)	-	(80,000)	-
Revaluation through other comprehensive income (gross)	47,137	14,730	-	-	47,137	14,730
Closing balance - at 30 June	**489,049**	**441,912**	**-**	**80,000**	**489,049**	**521,912**

Investment properties:
Investment properties have been valued on a lease capitalisation basis supported by comparable rentals. The Level 3 unobservable inputs in regards to lease capitalisation basis for investment properties are:

- Rental amount (per m² per annum)
- Rental yield (for older style commercial premises)
- Long-term vacancy rate (assuming full occupancy, based on current lease arrangements)
- Rental growth & discount rate - minimal impact when considered together
- Required repairs for the property

Any changes in the above inputs would have a direct impact on the profit of the Credit Union, as investment properties are held at fair value. Refer to Note 14.

Other financial assets:
The Credit Union has estimated the fair value of the equity investments within other financial assets utilising the net asset of the underlying Company (i.e. Cuscal Limited) from the most recent financial statements available. Hence, the key unobservable input in regards to the fair value is the net assets/share amount. Any changes in the net assets of the underlying Company would directly impact the net asset/share amount used by the Credit Union, and impact on the fair value estimate of the other financial assets and the Financial Assets Reserve within equity. Refer to Note 12.

Notes to the financial statements
For the year ended 30 June 2022 (cont'd)

27. Subsequent events

No matters or circumstances have arisen since the end of the reporting period which have or may significantly affect the operations of the Credit Union, the results of those operations or the state of affairs of the Credit Union in future financial years.

28. Corporate information

The Credit Union is a company registered under the Corporations Act.

The Head Office of the business and the registered office is 2 Chloride Street, Broken Hill, NSW, 2880.

The nature of the operations and its principal activities are the provision of deposit taking facilities and loan facilities to customers of the Credit Union.

Directors' declaration

In the opinion of the Directors of The Broken Hill Community Credit Union Ltd (the Credit Union):

1. the financial statements and notes, set out on pages 12 to 60, are in accordance with the *Corporations Act 2001*, including:

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

   (b) complying with the Accounting Standards and Corporations Regulations 2001; and

2. 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.

Dated at Broken Hill this 13th October 2022.

Signed in accordance with a resolution of the Directors.

Mr Allan Carter - Director	Mrs Judith Hoare - Director
Chair, Board of Directors	*Chair, Audit Committee*

Crowe Albury
ABN 16 673 023 918
491 Smollett Street
Albury NSW 2640 Australia

PO Box 500
Albury NSW 2640 Australia

Main 02 6021 1111
Fax 02 6041 1892
www.crowe.com.au

The Broken Hill Community Credit Union Ltd

Independent Auditor's Report to the Members of The Broken Hill Community Credit Union Ltd

Opinion

We have audited the financial report of The Broken Hill Community Credit Union Ltd (the Credit Union), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(a) giving a true and fair view of the Credit Union's financial position as at 30 June 2022 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information contained in the Credit Union's Annual Report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Crowe Albury

CROWE ALBURY

David Munday

DAVID MUNDAY
Partner

13 October 2022
Melbourne