

# **Northern Inland Credit Union Limited**

**ABN: 36 087 650 422**

## **Financial Statements**

**For the Year Ended 30 June 2023**

# Northern Inland Credit Union Limited

ABN: 36 087 650 422

## Contents

For the Year Ended 30 June 2023

	<b>Page</b>
<b>Financial Statements</b>	
Chair & Chief Executive Officer's Report	1
Directors' Report	3
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	10
Statement of Profit or Loss and Other Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Notes to the Financial Statements	15
Directors' Declaration	77
Independent Audit Report	78

## **Chair & Chief Executive Officer's Report**

**30 June 2023**

2022-2023 has been an interesting period for NICU and its Members, with a seemingly 'return to normal' as we learn to live with COVID, and now finding ourselves enduring the rising costs of living. It has been a period in which NICU has reflected on its core business, and the key needs of its Members, and has made some decisions around these factors to guide us going forward.

For the past few years, technological development, and cyber security, have been an important focus. To ensure that Members are receiving the best possible and safest products and services, with world-class functionality, NICU undertook extensive work on looking at a new operating system. This was a comprehensive project, involving staff at all levels of the organisation, and multiple suppliers and service providers within Australia. Whilst we always strive to be as easy to deal with as possible, and the Member's experience should be one of seamless convenience, in the background there are many systems, software and connections that make good service possible.

As our Members would be aware, the security of their continued access to their hard-earned savings through reliable electronic methods, within a transactional and banking system that is sustainable and compliant, is very important to NICU. This year we made the difficult decision to discontinue our project for core system replacement, and we are now focused on working within our existing system, and developing it to its fullest capacity. Whilst this reflects in our performance for this financial year, NICU's capital ratios have not been impacted. A decision is being taken on recovery of some costs expended on the project to date.

To this end, in the first quarter of 2023, NICU went live with PayTo, which leverages the real-time payments platform for your regular transfers that used to be carried out by direct debit. We have streamlined our debit cards, and we are currently assisting our Members to transition from a reliance on cheques to alternative forms of bill payment.

Taking into account the concerns of our borrowing Members, we have recently introduced a mortgage loan account that has all the advantages of both a fixed interest rate product, and a variable rate product, for a three year period. The Capped Home Loan is now available for new borrowings.

Scams continue to impact many consumers. In 2022 we launched dedicated pages on our website to help our Members avoid fraud, and these pages are regularly updated. We take this opportunity to remind all our Members that we will not embed links within our updates, nor require our Members to disclose passwords, codes or PINs. In line with the regulator's expectations, we are now requiring all Online Banking users to enhance their online security with the use of One Time Passwords. This will further assist our Members to avoid the loss of funds. NICU continues to maintain an after-hours fraud line, and please do not hesitate to contact us should you be concerned about any transaction, or message that you have received.

We saw some contracting of assets by 3.61% to reach \$414.1 million at the close of the financial year. Our Capital Adequacy Ratio finished the year at 23.24%. The Group Reserves to Total Assets Ratio was 9.85%.

Member deposit balances decreased by 2.48% during the year to \$366.6 million, as consumer spending starts to return to pre-COVID patterns. Net NICU loans decreased by 1.27%, and total net loan balances reached \$279.7 million at year end as Members sought to pay down loans, or downsize.

Our commitment to responsible lending was reflected in our bad and doubtful debt provision levels of 0.04%, which is well below the industry average. NICU was able to minimise the write off of delinquent balances to \$10,500, which in the difficult times of the past year reflects NICU's commitment to working with borrowing Members who might find themselves in financial hardship.

NICU is proud to be the only credit union based in northwest NSW with branches in Tamworth, Gunnedah and Narrabri, and continues to foster its relationships with many communitybased organisations operating in our area. In the past year we have provided financial support by way of sponsorship or donations to:

**Tamworth:** Tamworth City Bowling Club; Tamworth Gymnastics Club Inc; West Tamworth Sports and Bowling Club; Tamworth & District Campdraft Club; Hillvue Rovers Football Club; Benchwarmers Softball Teams; Kootingal Lions Club Art Exhibition; Tamworth Veteran's Week of Golf; Barraba Show; Peel Valley Motorcycle Club; Outlaw Hot Rod Club Annual Swap Meet; Tamworth Swimming Club.

**Narrabri:** Narrabri Meals on Wheels; Narrabri Arts Eisteddfod; Narrabri & District Pony Club; Narrabri High School Awards; Namoi Bushman's Campdraft; Narrabri Clay Target Club; Country Education Foundation of the Namoi, Stingray Swimming Club, Narrabri.

**Gunnedah:** Gunnedah High School Awards; PRAMS Pediatric/Maternity Support Golf Day; Albion Cricket Club; Gunnedah Junior Rugby; Gunnedah Campdraft; Gunnedah Basketball Association.

## **Northern Inland Credit Union Limited**

**ABN: 36 087 650 422**

We express our thanks to all of our dedicated staff and Directors for their efforts during the year, and particularly to our Members for their continued loyalty.

**Derek McIntyre**

Chief Executive Officer  
Dated: 3 October 2023

**Robert Studte**

Board Chair

## **Directors' Report**

**30 June 2023**

The directors present their report, together with the financial statements of the Group, being Northern Inland Credit Union (Company) and its controlled entities, for the financial year ended 30 June 2023.

### **1. General information**

#### **Directors**

The names of the directors in office at any time during, or since the end of, the year are:

<b>Names</b>	<b>Position</b>
Robert James Studte	Director and Chair
Barry Edward Pratten	Director and Deputy Chair
Robert John Carrington	Director
Geoffrey William Harris	Director
Wayne Austin Riggien	Director
David Michael Winnick	Director
Graham Russell Goodman	Director
Anna Louise McMurtrie	Director

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

#### **Information on directors**

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

##### **Robert James Studte**

Qualifications	Graduate Certificate in Financial Planning (PS146 Compliant); Graduate Diploma in Financial Planning; Bachelor of Commerce (Accounting)
Experience	Member of the Board since 2005; Member of Chartered Accountants Australia and New Zealand since 12.01.01; Member of the Australasian Credit Union Institute.
Interest in shares and options	1 Ordinary Share in Northern Inland Credit Union Ltd
Special responsibilities	Director and Chair of the Board (01.07.22 - current); Chair and Member of Remuneration & Executive Committee (01.07.22 - current); Member of Board Nomination Committee (for meeting 05.10.22); Ex officio member of all sub committees (01.07.22 - current)
Occupation	Accountant

## **Directors' Report**

**30 June 2023**

### **1. General information (cont'd)**

#### **Information on directors (cont'd)**

##### **Barry Edward Pratten**

Experience	Member of the Board since 1993; Member of the Australasian Credit Union Institute
Interest in shares and options	1 Ordinary Share in Northern Inland Credit Union Ltd
Special responsibilities	Director (01.07.22 - current); Deputy Chair of the Board (01.07.22 - current); Member of Trust Operations Committee (01.07.22 - current); Member of Marketing Committee (01.07.2022 - current); Member of Board Risk Committee (01.07.22 - 06.12.22); Member of Remuneration & Executive Committee (01.07.22 - current); Member of Board Nomination Committee (for meeting 05.10.22).
Occupation	Grazier

##### **Robert John Carrington**

Experience	Member of the Board since 2000; Member of the Australasian Credit Union Institute
Interest in shares and options	1 Ordinary Share in Northern Inland Credit Union Ltd
Special responsibilities	Director (01.07.22 - current); Chair of Marketing Committee (01.07.22 - current); Member of Audit Committee (01.07.22 - current).
Occupation	Accountant

##### **Geoffrey William Harris**

Qualifications	Diploma in Financial Services
Experience	Member of the Board since 2004; Member of the Australasian Credit Union Institute; Manager of Northern Inland Investment Trust
Interest in shares and options	1 Ordinary Share in Northern Inland Credit Union Ltd
Special responsibilities	Director (01.07.22 - current); Chair of Trust Operations Committee (01.07.22 - current); Member of Board Risk Committee (01.07.22 - current).
Occupation	Retired CEO of Northern Inland Credit Union Ltd

##### **Wayne Austin Riggien**

Qualifications	Bachelor of Commerce (Economics); Bachelor of Laws
Experience	Member of the Board since 2009; Member of the NSW Law Society; Company Director; Member of the Australasian Credit Union Institute
Interest in shares and options	1 Ordinary Share in Northern Inland Credit Union Ltd
Special responsibilities	Director (01.07.22 - current); Chair of Board Risk Committee (01.07.22 - current); Member of Audit Committee (01.07.22 - current); Reserve Member of Remuneration & Executive Committee (01.07.22 - 06.12.22).
Occupation	Solicitor

## **Directors' Report**

**30 June 2023**

### **1. General information (cont'd)**

#### **Information on directors (cont'd)**

##### **David Michael Winnick**

Qualifications	Bachelor of Business
Experience	Member of the Board since 2014; Member of the Australasian Credit Union Institute
Interest in shares and options	1 Ordinary Share in Northern Inland Credit Union Ltd
Special responsibilities	Director (01.07.22 - current); Member of Marketing Committee (01.07.22 - current); Member of Board Risk Committee (01.07.22 - current); Member of Remuneration & Executive Committee (06.12.22 - current)
Occupation	Business Manager

##### **Graham Russell Goodman**

Qualifications	Bachelor of Arts (Economics)
Experience	Member of Board since 2016, Fellow Member of the Australasian Credit Union Institute
Interest in shares and options	1 Ordinary Share in Northern Inland Credit Union Ltd
Special responsibilities	Director (01.07.22 - current); Chair of Audit Committee (01.07.22 - current); Member of Marketing Committee (01.07.22 - current); Member of Board Risk Committee (01.07.22 - current); Member of Board Nomination Committee (for meeting 05.10.22).
Occupation	Retired

##### **Anna Louise McMurtrie**

Qualifications	Graduate Diploma in Financial Management, Bachelor of Agricultural Economics, Graduate Australian Institute of Company Directors
Experience	Member of the Board since April 2021
Interest in shares and options	1 Ordinary Share in Northern Inland Credit Union Ltd
Special responsibilities	Director (01.07.22 - current); Member of Audit Committee (01.07.22 - current); Member of Marketing Committee (06.12.22 - current); Reserve Member of Remuneration & Executive Committee (06.12.22 - current).
Occupation	Consultant

#### **Company secretary**

The following person held the position of company secretary at the end of the financial year:

Anna Clark (Compliance) has been the company secretary since 2011.

## **Directors' Report**

**30 June 2023**

### **1. General information (cont'd)**

#### **Principal activities**

The principal activities of the Group during the financial year were:

- To accept funds on deposit from Members;
- To apply these funds to make loans to Members; and
- To provide other required services to Members.

Activity of the entities within the consolidated entity during the year was the provision of a complete range of financial products and services to Members.

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

### **2. Operating results and review of operations for the year**

#### **Operating results**

The consolidated profit of the Group amounted to loss of \$2,015,956 (2022: profit of \$1,029,810).

#### **Dividends paid or recommended**

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

#### **Review of operations**

A review of the operations of the Group during the financial year and the results of those operations is contained within the Chair and Chief Executive Officer's joint report.



## **Directors' Report**

**30 June 2023**

### **3. Other items**

#### **Significant changes in state of affairs**

There were no significant changes in the state of NICU's affairs during the year.

#### **Significant revenue and expenses**

The following significant expense item is relevant in explaining the financial performance for the 2022-2023 year - write off of development costs \$4.97m.

In December 2022, the Board of Directors resolved to discontinue the project of the core banking system transition (software) due to incompatibility with requirements. This change has resulted in development costs of \$4.97m being expensed in profit or loss and included in 'other operating expenses' in the Statement of Profit or Loss. As at the date of the report, recoverable amounts in respect of the development costs are under ongoing consideration.

#### **Events after the reporting date**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

#### **Future developments and results**

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

#### **Directors' benefits**

No director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by NICU, controlled credit union, or a related body corporate with a director, a firm of which a director is a member or a credit union in which a director has a substantial financial interest, other than that disclosed in Note 26 of the financial report.

## Directors' Report

30 June 2023

### 3. Other items (cont'd)

#### Meetings of the Board of Directors and Board Committees

During the financial year, 31 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Board Meetings		Audit Committee		Marketing Committee		Board Risk Committee		Board Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Barry Pratten	12	11	-	-	1	1	5	4	1	1
Robert Carrington	12	10	5	2	1	1	-	-	-	-
Geoffrey Harris	12	12	-	-	-	-	9	9	-	-
Robert Studte	12	11	5	5	1	1	9	8	1	1
Wayne Riggien	12	10	5	5	-	-	9	9	-	-
David Winnick	12	12	-	-	1	1	9	9	-	-
Graham Goodman	12	12	5	5	1	1	9	9	1	1
Anna McMurtrie	12	12	5	5	-	-	-	-	-	-

	Remuneration & Executive Committee	
	Number eligible to attend	Number attended
Barry Pratten	1	1
Robert Carrington	-	-
Geoffrey Harris	-	-
Robert Studte	1	1
Wayne Riggien	-	-
David Winnick	-	-
Graham Goodman	-	-
Anna McMurtrie	-	-

#### Indemnification and insurance of officers and auditors

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

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

Directors' Report  
30 June 2023

3. Other items (cont'd)

Proceedings on behalf of company

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2023 has been received and can be found on page 10 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Chair: .....

Deputy Chair: .....

Robert James Studte

Barry Edward Pratten

Dated 3 October 2023

**Northern Inland Credit Union Limited**

ABN: 36 087 650 422

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

**PKF**

Chartered Accountants

**PAUL PEARMAN**

Partner

Sydney, NSW

## Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2023

	Note	Consolidated Group		Northern Inland Credit Union Limited	
		2023	2022	2023	2022
		\$	\$	\$	\$
Interest income	3(a)	16,403,993	9,926,058	16,386,615	9,926,058
Interest expense	3(c)	(4,761,345)	(866,045)	(4,761,345)	(866,045)
<b>Net interest income</b>		<b>11,642,648</b>	<b>9,060,013</b>	<b>11,625,270</b>	<b>9,060,013</b>
Fee commission and other income	3(b)	1,817,438	2,056,027	1,278,205	1,533,767
		<b>13,460,086</b>	<b>11,116,040</b>	<b>12,903,475</b>	<b>10,593,780</b>
<b>Non interest expenses</b>					
Impairment losses on loans to Members	3(d)	36,565	(83,439)	36,565	(83,439)
<b>General administration</b>					
Employees compensation and benefits	3(g)	(4,734,694)	(3,945,461)	(4,392,577)	(3,554,799)
Depreciation and amortisation expense	3(e)	(652,356)	(483,383)	(628,110)	(459,000)
Occupancy expense	3(f)	(210,768)	(210,244)	(178,392)	(176,478)
Other operating expenses	3(f)	(10,612,097)	(5,122,943)	(10,450,957)	(5,002,438)
<b>Total non interest expenses</b>		<b>(16,173,350)</b>	<b>(9,845,470)</b>	<b>(15,613,471)</b>	<b>(9,276,154)</b>
<b>(Loss)/profit before income tax</b>		<b>(2,713,264)</b>	<b>1,270,570</b>	<b>(2,709,996)</b>	<b>1,317,626</b>
Income tax expense	4	697,308	(240,760)	696,490	(252,102)
<b>(Loss)/profit for the year after income tax</b>		<b>(2,015,956)</b>	<b>1,029,810</b>	<b>(2,013,506)</b>	<b>1,065,524</b>
<b>Other comprehensive income</b>					
<b>Total comprehensive (loss)/income for the year</b>		<b>(2,015,956)</b>	<b>1,029,810</b>	<b>(2,013,506)</b>	<b>1,065,524</b>
(Loss)/profit attributable to:					
Members of the parent entity		(2,015,956)	1,029,810	(2,013,506)	1,065,524
		<b>(2,015,956)</b>	<b>1,029,810</b>	<b>(2,013,506)</b>	<b>1,065,524</b>

# Northern Inland Credit Union Limited

ABN: 36 087 650 422

## Statement of Financial Position

As At 30 June 2023

	Note	Consolidated Group		Northern Inland Credit Union Limited	
		2023	2022	2023	2022
		\$	\$	\$	\$
<b>ASSETS</b>					
Cash assets	5	10,796,946	17,608,621	10,796,946	17,608,621
Liquid investments	6	111,638,259	114,485,076	110,638,259	114,485,076
Receivables	7	958,308	336,306	923,608	318,312
Current tax assets	18	1,040,509	64,636	1,039,110	47,668
Loans to Members	8	279,658,654	283,248,160	279,658,654	283,248,160
Investments	10	2,385,236	1,885,059	1,885,060	1,885,060
Property, plant and equipment	11	3,663,138	3,801,651	3,656,569	3,789,266
Investment property	12	848,266	866,698	-	-
Deferred tax assets	13	755,738	602,044	722,054	578,099
Intangible assets	14	1,476,803	6,071,727	426,408	5,021,332
Other assets	15	853,558	633,947	724,991	603,484
<b>TOTAL ASSETS</b>		<b>414,075,415</b>	<b>429,603,925</b>	<b>410,471,659</b>	<b>427,585,078</b>
<b>LIABILITIES</b>					
Deposits from Members	16	366,607,313	375,946,345	367,633,964	378,652,667
Creditor accrual & settlement accounts	17	3,563,885	2,106,755	3,534,137	1,971,977
Deferred tax liabilities	18	968,095	961,679	964,523	957,698
Provisions	19	2,129,991	1,629,312	2,060,245	1,541,589
Borrowings	20	-	6,168,851	-	6,168,851
<b>TOTAL LIABILITIES</b>		<b>373,269,284</b>	<b>386,812,942</b>	<b>374,192,869</b>	<b>389,292,782</b>
<b>NET ASSETS</b>		<b>40,806,131</b>	<b>42,790,983</b>	<b>36,278,790</b>	<b>38,292,296</b>
<b>MEMBERS' EQUITY</b>					
Reserves	21	40,806,131	42,790,983	36,278,790	38,292,296
<b>Total equity attributable to equity holders of the Company</b>		<b>40,806,131</b>	<b>42,790,983</b>	<b>36,278,790</b>	<b>38,292,296</b>
<b>TOTAL MEMBER'S EQUITY</b>		<b>40,806,131</b>	<b>42,790,983</b>	<b>36,278,790</b>	<b>38,292,296</b>

The accompanying notes form part of these financial statements.

# Northern Inland Credit Union Limited

ABN: 36 087 650 422

## Statement of Changes in Equity

For the Year Ended 30 June 2023

	Consolidated Group						Total
	Retained Earnings	General Reserve	Reserve for Credit Losses	Member's Shares Reserve	Shares Revaluation Reserve	Asset Realisation Reserve	
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2022</b>	-	39,722,030	-	350,044	978,781	1,740,128	42,790,983
Loss for the year	(2,015,956)	-	-	-	-	-	(2,015,956)
Transfers to/(from) reserves	2,015,956	(1,989,994)	-	5,142	-	-	31,104
<b>Balance at 30 June 2023</b>	-	37,732,036	-	355,186	978,781	1,740,128	40,806,131
<b>Balance at 1 July 2021</b>	-	37,561,529	1,114,343	344,114	458,763	1,716,927	41,195,676
Profit for the year	1,029,810	-	-	-	-	-	1,029,810
Transfers to/(from) reserves	(1,029,810)	2,160,501	(1,114,343)	5,930	506,967	-	529,245
Movement due to change in tax rate	-	-	-	-	13,051	23,201	36,252
<b>Balance at 30 June 2022</b>	-	39,722,030	-	350,044	978,781	1,740,128	42,790,983

	Northern Inland Credit Union Ltd						Total
	Retained Earnings	General Reserve	Reserve for Credit Losses	Member's Shares Reserve	Shares Revaluation Reserve	Asset Realisation Reserve	
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2022</b>	-	35,223,343	-	350,044	978,781	1,740,128	38,292,296
Loss for the year	(2,013,506)	-	-	-	-	-	(2,013,506)
Transfers to/(from) reserves	2,013,506	(2,018,648)	-	5,142	-	-	-
<b>Balance at 30 June 2023</b>	-	33,204,695	-	355,186	978,781	1,740,128	36,278,790
<b>Balance at 1 July 2021</b>	-	33,049,404	1,114,343	344,114	458,763	1,716,927	36,683,551
Profit for the year	1,065,524	-	-	-	-	-	1,065,524
Transfers to/(from) reserves	(1,065,524)	2,173,939	(1,114,343)	5,930	506,967	-	506,969
Movement due to change in tax rate	-	-	-	-	13,051	23,201	36,252
<b>Balance at 30 June 2022</b>	-	35,223,343	-	350,044	978,781	1,740,128	38,292,296

The accompanying notes form part of these financial statements.

## Statement of Cash Flows

For the Year Ended 30 June 2023

	Note	Consolidated Group		Northern Inland Credit Union Limited	
		2023	2022	2023	2022
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Interest received		15,583,523	9,540,115	15,583,330	9,540,115
Fees and commissions		1,968,276	2,058,653	1,370,996	1,481,064
Dividends		62,835	266,455	62,835	266,455
Interest paid		(3,347,823)	(926,412)	(3,347,823)	(926,412)
Payment to suppliers and employees		(10,115,922)	(9,484,181)	(9,500,601)	(8,926,157)
Income taxes paid		(425,842)	(304,858)	(432,082)	(308,219)
Net cash (used in)/from revenue activities	31(a)	3,725,047	1,149,772	3,736,655	1,126,846
Net (decrease)/increase in Member deposits and shares		(9,535,506)	31,506,990	(11,115,919)	31,008,584
Net decrease/(increase) in deposits to other financial institutions		2,782,579	(25,512,520)	3,782,579	(25,512,520)
Net decrease/(increase) in Member loans		3,687,628	(9,242,501)	3,687,628	(9,242,501)
<b>Net cash provided by/(used in) operating activities</b>		<b>659,748</b>	<b>(2,098,259)</b>	<b>90,943</b>	<b>(2,619,591)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds on sale of property, plant and equipment		-	20	-	20
Proceeds on disposal of investments		-	41,810	-	41,810
Purchase of intangible assets		(663,513)	(594,477)	(663,513)	(594,477)
Purchase of property, plant and equipment		(169,988)	(10,182)	(169,988)	(9,773)
Purchase of investments		(500,177)	(520,546)	-	-
Proceeds from sale of investments		31,106	-	-	-
<b>Net cash provided by/(used in) investing activities</b>		<b>(1,302,572)</b>	<b>(1,083,375)</b>	<b>(833,501)</b>	<b>(562,420)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Proceeds from related parties		-	-	99,734	377
Payment of borrowings		(6,168,851)	-	(6,168,851)	-
<b>Net cash provided by/(used in) financing activities</b>		<b>(6,168,851)</b>	<b>-</b>	<b>(6,069,117)</b>	<b>377</b>
Net increase/(decrease) in cash and cash equivalents held		(6,811,675)	(3,181,634)	(6,811,675)	(3,181,634)
Cash at beginning of year		17,608,621	20,790,255	17,608,621	20,790,255
Cash at end of financial year	31(b)	10,796,946	17,608,621	10,796,946	17,608,621



## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2023**

The financial report includes the consolidated financial statements and notes of Northern Inland Credit Union Limited and controlled entities (the Group) and the separate financial statements and notes of Northern Inland Credit Union Limited as an individual entity (NICU). The report was authorised for issue on 3 October 2023 in accordance with a resolution of the board of directors. Northern Inland Credit Union Limited is a for profit entity for the purpose of preparing the financial statements.

The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

#### **1 Summary of Significant Accounting Policies**

##### **(a) Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements have been prepared on an accruals basis, and are based on historical costs, which do not take into account changing money values or current values of non current assets except for real property and investments which are stated at fair value. The accounting policies are consistent with the prior year unless otherwise stated.

##### **(b) Principles of Consolidation**

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 27 to the financial statements.

##### **(c) Revenue Recognition**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the Australian Tax Office (ATO). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

##### **Sale of Non-current Assets**

Revenue from the disposal of assets is recognised when title passes from NICU to the purchaser. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **1 Summary of Significant Accounting Policies (cont'd)**

#### **(c) Revenue Recognition (cont'd)**

##### **Dividends**

Dividend income is recognised on the date NICU's right to receive payment is established.

##### **Interest Income**

Interest income is recognised in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective interest rate, NICU estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

##### **Loan Origination Fees**

Loan origination fees are initially deferred as part of the loan balance, and are brought to account as income over the expected life of the loan. The amounts brought to account are included as part of interest revenue.

##### **Rental Income**

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

##### **Other Revenue**

Fee, commission and other revenue is recognised when the service is completed, or when the fee in respect of services provided is receivable.

#### **(d) 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.

#### **(e) Income Tax**

The tax expense recognised in the statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 1 Summary of Significant Accounting Policies (cont'd)

#### (e) Income Tax (cont'd)

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

Northern Inland Credit Union Limited and its wholly-owned Australian subsidiary and unit trust have been consolidated for tax purposes under the Tax Consolidation System. NICU is responsible for recognising the current tax assets and liabilities for the consolidated group. The tax consolidated group has a tax sharing agreement whereby each entity in the group contributes to the income tax payable in proportion to their contribution to the taxable profit of the tax consolidated group.

#### (f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **1 Summary of Significant Accounting Policies (cont'd)**

#### **(g) Loans and Advances to Members**

All loans are initially recognised at fair value, net of transaction costs incurred and inclusive of loan origination fees on the date that they are originated. Loans are subsequently measured at amortised cost less impairment losses. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the loan using the effective interest method.

Loans are derecognised if NICU's contractual rights to the cash flows from the loans expire or if NICU transfers the loan to another party without retaining control or substantially all risks and rewards of the loan.

#### **(h) Loan Impairment**

Impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit loss model' (ECL). Instruments within the scope of these requirements include loans and advances and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

A broader range of information is considered 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 instrument.

In applying this forward-looking approach, three distinct stages of impairment are made:

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

#### **Measurement of ECL**

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

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

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **1 Summary of Significant Accounting Policies (cont'd)**

#### **(h) Loan Impairment (cont'd)**

##### **Credit impaired financial assets**

At each reporting date, NICU assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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 on terms that would otherwise not be considered;
- 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.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

##### **Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision; and
- Where a financial instrument includes both a drawn and undrawn component, and ECL cannot be identified on the loan commitment component separately from those on the drawn component, a combined loss allowance from both components is presented. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

##### **Write-off**

Loans and debt securities are written off, either partially or in full, when there is no realistic prospect of recovery. This is generally the case when it is determined the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the procedures for recovery of amounts due.

#### **(i) Impairment**

At the end of each reporting period, NICU determines whether there is evidence of an impairment indicator for non-financial assets.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **1 Summary of Significant Accounting Policies (cont'd)**

#### **(i) Impairment (cont'd)**

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the assets is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

#### **(j) Equity Investments and Other Securities**

Investments in shares are classified as fair value through other comprehensive income assets where they do not qualify for classification as loans and receivables, or investments held for trading.

Investments in shares which do not have a ready market and are not capable of being reliably valued are recorded at the lower of cost or recoverable amount.

All investments are in Australian currency.

#### **(k) Intangible Assets**

Items of computer software which are not integral to the computer hardware owned by NICU are classified as intangible assets.

Computer software under development is amortised over the expected useful life of the software on a straight-line basis. These lives range from 3 to 5 years.

The finance portfolio acquired is stated at cost and are considered to have indefinite useful lives and are not amortised. The useful life is assessed annually to determine whether events or circumstances continue to support an indefinite useful life assessment. The carrying value of the finance portfolio is reviewed annually for impairment, at the same time every year.

#### **(l) Bad debts written off**

Bad debts are written off from time to time as determined by management and the board of directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognised. If no provision had been recognised, the write offs are recognised as expenses in profit or loss.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 1 Summary of Significant Accounting Policies (cont'd)

#### (m) Property, Plant and Equipment

Classes of property, plant and equipment are measured using the cost model as specified below.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

#### Depreciation

The depreciable amount of all property, plant and equipment, except for freehold land is depreciated on a straight-line method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

The estimated useful lives used for each class of depreciable asset are shown below:

Fixed asset class	Useful life
Buildings	10 to 40 years
Leasehold improvements	5 to 10 years
Plant and Equipment	3 to 40 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

#### (n) Investment property

Investment property is held at cost which includes expenditure that is directly attributable to the acquisition of the investment property. The investment properties are depreciated on a straight line basis over 40 years.

#### (o) Members' Deposits

Member savings and term investments are recognised at the aggregate amount of money owing to depositors. The amount of interest accrued at balance date is shown as part of payables.

#### (p) Interest Expense

Interest expense is recognised in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability. When calculating the effective interest rate, NICU estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **1 Summary of Significant Accounting Policies (cont'd)**

#### **(q) Redeemable Shares**

NICU issues redeemable shares to each Member upon joining in accordance with the Constitution of NICU. Member shares are issued at a face value of \$10.00 each. A Member share must confer the right to 1 vote, and only 1 vote, at meetings of NICU's Members. No dividend is payable in respect of any Member share.

On 22 November 2013, NICU amended its constitution in respect of the subscription of Member shares.

(a) Member shares issued up to the date of the amendment are redeemed for their face value of \$10.00 each on leaving NICU. On a winding up of NICU the holder of this Member share is entitled:

- i. to payment of the subscription price for the member share where the Member subscribed for the Member share; and
- ii. if any assets remain after the payments in paragraph (a)(i) to any surplus assets of NICU, on par with (b).

(b) On a winding up of NICU the holder of a Member share issued subsequent to the amendment is entitled to a share of the surplus assets of NICU (if any) after making the payments mentioned in (a)(i), on par with (a)(ii), less the subscription price of \$10.00 for the Member share.

#### **(r) Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received.

#### **(s) Employee benefits**

Provision is made for Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Provision for long service leave is on a pro-rata basis from commencement of employment with NICU based on the present value of its estimated future cash flows.

Annual leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at balance date. Annual leave is reflected as part of the sundry creditors and accruals.

Contributions are made by NICU to an employee's superannuation fund and are charged to profit or loss as incurred.

#### **(t) Borrowings**

All borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.



## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **1 Summary of Significant Accounting Policies (cont'd)**

#### **(u) Goods and Services Tax (GST)**

As a financial institution NICU 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 are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST). To the extent that the full amount of the GST incurred is not recoverable from the Australian Tax Office (ATO), the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the balance sheet. Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

#### **(v) Leases**

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

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, NICU's incremental borrowing rate. Generally, NICU uses its' incremental borrowing rate as the discount rate.

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in NICU, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **1 Summary of Significant Accounting Policies (cont'd)**

#### **(w) Financial instruments**

##### **Impairment of financial assets**

Financial assets carried at amortised cost and those carried at fair value through other comprehensive income (FVOCI) are subject to a three-stage expected credit loss model. Loss allowances are measured at an amount equal to lifetime expected credit losses (ECL), except for the following, which are measured as 12 months ECL:

- debt investment securities that are determined to have a low credit risk at the reporting date; and
- other financial instruments on which credit risk has not significantly increased since initial recognition.

##### **Financial assets and liabilities**

Financial assets and liabilities are recognised when NICU becomes a party to the contractual provisions of the financial instrument and are measured initially at cost adjusted by transaction costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

##### **Classification and measurement of financial liabilities**

Financial liabilities include borrowings, Member deposits and other payables. They are initially measured at fair value, and where applicable, adjusted for transaction costs unless NICU designated a financial liability at fair value through the profit and loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except financial liabilities designated at fair value through profit and loss, which are carried subsequently at fair value with gains or losses recognised in the profit and loss.

All interest related charges and if applicable, changes in an instrument's fair value that are reported in the profit and loss are included within interest or non-interest expenses.

##### **Classification of financial assets**

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

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

- Amortised cost;
- Fair value through profit and loss (FVPL); or
- Fair value through other comprehensive income (FVOCI).

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **1 Summary of Significant Accounting Policies (cont'd)**

#### **(w) Financial instruments (cont'd)**

##### **Classification of financial assets (cont'd)**

All income and expenses relating to financial assets that are recognised in profit or loss are presented within net interest income, fees commissions and other income or non-interest expenses.

Classifications are determined both by:

- NICU's business model for managing the financial asset; and
- The contractual cash flow characteristics of the financial assets.

##### **Subsequent measurement of financial assets**

###### **Financial assets at amortised costs**

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Cash, cash equivalents and trade receivables fall into this category of financial instruments.

###### **Financial assets at Fair Value through Profit and Loss (FVPL)**

Financial assets that are within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised as fair value through profit or loss. Irrespective of the business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL.

###### **Fair Value through Other Comprehensive Income (FVOCI)**

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Subsequent movements in fair value are recognised in other comprehensive income and are 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. This category includes unlisted equity securities such as shares in CUSCAL.

###### **Loans to Members**

Loans and advances captions in the statement of financial position include loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **1 Summary of Significant Accounting Policies (cont'd)**

#### **(w) Financial instruments (cont'd)**

##### **Loans to Members (cont'd)**

Loans and advances were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and that NICU did not intend to sell immediately or in the near term.

#### **(x) Accounting standards issued but not yet effective**

The Australian Accounting Standards Board has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. NICU does not expect the adoption of these standards to have any impact on the reporting position or performance of the Credit Union.

#### **(y) Critical accounting estimates and judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Balances which include critical accounting estimates and judgements have been disclosed in the following notes:

- Note 9 - Impairment of Loans and Advances
- Note 10 - Investments
- Note 14 - Intangible Assets.

### **2 Financial Risk Management**

The Board has adopted a policy of compliance and risk management to suit the risk profile of NICU. NICU's risk management focuses on the major areas of market risk, credit risk and operational risk.

The Board has ultimate responsibility to ensure that an appropriate risk profile and appetite is set and complied with. It approves the level of risk which NICU is willing to operate within and builds the framework for reporting and mitigating those risks. The scope of the risk is determined in light of the size, complexity, risk appetite, prudential framework and economic environment within which NICU is operating.

The Board has developed a committee structure to assist in the overseeing and management of the risk management system. The key committees include:

Board Risk Committee: comprising of Directors, this second line of defence body acts to review and challenge decisions. This is a key body in the control of risk and has representatives from both management and staff. The committee does not form a view on the acceptability of risks but instead reviews risks and the controls that are used to mitigate those risks. This includes identification, assessment and reporting. Regular monitoring is carried out by the Committee through monthly review of operational reports acquired using TriLine software.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **2 Financial Risk Management (cont'd)**

The Committee carries out a regular review of risk areas to ensure that risks are being properly controlled and reported. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations. Key reports are presented to the board in the monthly board pack. Monitoring and reviewing of the TriLine system is included in the internal audit scope.

Audit Committee: its key role in risk management is the assessment of the controls that are in place to mitigate risks. The Audit Committee considers and confirms that the significant risks and controls are to be assessed within the internal audit plan. The Audit Committee receives the internal audit reports on assessment and compliance with the controls, and provides feedback to management for their consideration.

Asset and Liability Committee (ALCO): this committee of executive management meets at least quarterly and has responsibility for managing NICU's market risk, liquidity risk and credit risk. The ALCO scrutinises operational reports, monitors exposures against limits determined by the Board and ensures compliance with policies and procedures implemented by NICU. In addition, it monitors the changing environment and the effect that these factors may have on NICU's operations.

Internal Audit: Internal audit has responsibility for implementing the controls testing and assessment as required by the Audit Committee.

Cyber Security Committee: consists of some directors, Executive managers, and IT and Operations departments managers and staff. Operating as a sub Committee of the Board Risk Committee, this committee: identifies and sets out processes to manage NICU's cyber risks and vulnerabilities; identifies potential threats; assesses and reviews information management protocols; oversees cyber security related training delivered to NICU employees and oversees cyber security related information for Member communications. The Committee provides strategic advice to the Board on proposals for improvements in NICU's information systems and cyber security controls.

Key risk management policies encompassed in the overall risk management framework include:

- Interest rate risk
- Liquidity management
- Credit risk management
- Operations risk management.

NICU has undertaken the following strategies to minimise the risks arising from financial instruments.

#### **(a) Market risk**

The objective of NICU's market risk management is to manage and control market risk exposures in order to optimise risk and return.

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on NICU's financial condition or results. NICU is not exposed to currency risk, and other significant price risk. NICU does not trade in the financial instruments it holds on its books. NICU is exposed only to interest rate risk arising from changes in market interest rates.

The management of market risk is the responsibility of the ALCO, which reports directly to the Risk Management Committee and the Board Risk Committee.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 2 Financial Risk Management (cont'd)

#### (a) Market risk (cont'd)

##### (i) Interest rate risk

Interest rate risk is the risk of variability of the fair value of future cash flows arising from financial instruments due to the changes in interest rates. NICU does not have treasury operations and does not trade in financial instruments and is therefore not exposed to interest rate risk arising from those activities.

NICU however is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities. The interest rate risk on the banking book is measured quarterly and reported to ALCO. NICU utilises GTreasury and APRA reporting to assist in measuring and managing interest rate risk.

In the banking book, the most common risk NICU faces arises from fixed rate assets and liabilities. This exposes NICU to the risk of sensitivity should interest rates change. The level of mismatch in the banking book is set out in Note 22. The table set out in Note 22 displays the period that each asset and liability will reprice as at the balance date. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

##### Method of managing risk

NICU manages its interest rate risk by the use of Value at Risk (VaR model). NICU's exposure to market risk is measured and monitored using the VaR methodology of estimating potential losses. Each quarter, a report is generated using GTreasury which calculates the VaR. VaR is a technique that estimates a potential loss that occurs on risk positions taken due to movements in market rates and prices over specified time period to a given level of confidence. VaR, as set out in the table below, has been calculated using historical simulations and using movements in market rates and prices over a period of 1 year, with a 99% confidence level, taking into consideration historical correlations between different markets and rates.

The VaR on the non-trading book was as follows:

<b>VaR</b>	<b>2023</b>	<b>2022</b>
\$ value	975,613	1,017,390
% of Capital	2.87%	3.22%

NICU is therefore 99% confident that, given the risks as at 30 June 2023, it will not incur a one day loss on its non-trading book of more than the amount shown above, based on the VaR model used.

Although the use of VaR models calculates the interest rate sensitivity on the banking book, this is not reflected in the Pillar 1 capital requirement. NICU's exposure to banking book interest rate risk is not expected to change materially in the next year, so existing capital requirements are considered to be an accurate measurement of capital needed to mitigate interest rate risk.

#### (b) Liquidity risk

Liquidity risk is the risk that NICU may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or member withdrawal demands. It is the policy of the board of directors that adequate cash reserves and committed credit facilities are maintained so as to meet the Member withdrawal demands when requested.

NICU manages liquidity risk by:

- Continuously monitoring actual daily cash flows;

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 2 Financial Risk Management (cont'd)

#### (b) Liquidity risk (cont'd)

- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, overdraft facilities and liquidity support facilities; and
- Daily monitoring of the prudential liquidity ratio.

NICU is a party to the Credit Union Financial Support Scheme (CUFSS) and has executed an Industry Support Contract (ISC) with CUFSS. The purpose of the CUFSS scheme is to provide members with emergency liquidity support in accordance with the terms of the ISC, a contract which has been certified by APRA under the Banking Act.

As a member of CUFSS, NICU can access emergency liquidity funding via CUFSS drawing upon its available member-contributed funding pool (currently totalling in excess of \$900 million), plus additional voluntary liquidity support from members via funds from the Reserve Bank of Australia in accordance with the terms of a "Special Loan Facility", as defined in the ISC.

NICU is classified as an ADI subject to the Minimum Liquidity Holdings ("MLH") regime under Prudential Standard APS 210 Liquidity. Under the MLH regime, NICU is required to maintain at least 9% of total adjusted liabilities as liquid assets eligible for repurchase by the RBA and capable of being converted to cash within two business days. NICU policy is to apply a minimum 12% of funds as liquid assets to maintain adequate funds for meeting Member withdrawal requests, with at least 80% of total liquid assets being held with institutions holding a credit grading of 2 or higher (in accordance with the credit gradings prescribed by APS 112, Attachment F). The liquidity ratio is checked daily. Should the liquidity ratio fall below this level the management and board are to address the matter and ensure that the liquid funds are obtained from new deposits, or borrowing facilities available. Note 24 describes the borrowing facilities as at the balance date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms are set out in Note 22(c). The ratio of liquid funds over the past year is set out below:

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	%	%	%	%
<b>APRA</b>				
MLH Ratio – 30 June	15.18	17.00	15.15	16.90
Minimum during the year	14.63	16.16	14.55	16.06

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 2 Financial Risk Management (cont'd)

#### (c) Credit risk

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

##### (i) Credit risk – Loans

The analysis of NICU's loans by class, is as follows:

	Carrying value	Off balance sheet	Max exposure
	\$	\$	\$
<b>2023</b>			
Mortgages	260,787,286	15,060,387	275,847,673
Personal	9,956,265	719,180	10,675,445
Overdrafts	1,745,496	3,856,927	5,602,423
<b>Total to natural persons</b>	<b>272,489,047</b>	<b>19,636,494</b>	<b>292,125,541</b>
Corporate borrowers	7,679,134	1,088,554	8,767,688
<b>Total</b>	<b>280,168,181</b>	<b>20,725,048</b>	<b>300,893,229</b>
<b>2022</b>			
Mortgages	263,937,853	14,071,893	278,009,746
Personal	10,856,087	854,700	11,710,787
Overdrafts	1,502,502	3,067,109	4,569,611
<b>Total to natural persons</b>	<b>276,296,442</b>	<b>17,993,702</b>	<b>294,290,144</b>
Corporate borrowers	7,569,866	2,223,883	9,793,749
<b>Total</b>	<b>283,866,308</b>	<b>20,217,585</b>	<b>304,083,893</b>

Carrying value is the value on the Statement of Financial Position. Maximum exposure is the value on the Statement of Financial Position plus the undrawn facilities (loans approved not advanced, redraw facilities and overdraft facilities). The details are shown in Note 23.

All loans and facilities are within Australia. The geographic distribution is not analysed into significant areas within Australia as the exposure classes are not considered material. Concentrations are described in Note 8.

The composition of the lending book is monitored from month to month and over time to identify any substantial change between mortgage, personal loan and commercial exposures that might warrant variance of exposure limits or provisioning.

The method of managing credit risk is by way of strict adherence to the credit assessment policies before loans are approved and regular close monitoring of defaults in the repayment of loans thereafter. 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). A hindsight review process is employed by the lending team to review approved loan applications to ensure the applicable policies and procedures have been followed in establishing the exposure.



## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **2 Financial Risk Management (cont'd)**

#### **(c) Credit risk (cont'd)**

NICU has established policies over the following:

- Credit assessment and approval of loans and facilities designed to ensure comprehensive risk assessment and security requirements;
- Limits of acceptable exposure to individual borrowers, non mortgage secured loans and commercial lending;
- Reassessment and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with these policies.

A regular review of compliance is conducted as part of the internal audit scope.

#### **Past due and impaired**

A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a Member enters into a lending agreement with NICU that requires interest and a portion of the principle to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past due. Past due does not mean that counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds 90 days the loan is regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

NICU is required to determine a likely impairment loss on loans that have not maintained the loan repayments in accordance with their loan contract and have consequently fallen into arrears, or for some other reason are deemed to be at risk of suffering impairment.

In identifying the likely loss due to impairment, each loan that falls into this category is reviewed for the likelihood of full or partial recovery and the extent of possible loss. Depending on the loan's characteristics, the recoverability of the debt and any special arrangements put in place for repayment, a percentage is then applied to the balance outstanding to ascertain that portion of the loan that is deemed to be at risk of non-recovery.

In addition to specific provisions against individually significant financial assets, NICU makes collective assessments for each financial asset portfolio segmented by similar risk characteristics.

Statement of financial position provisions are maintained at a level that management deems sufficient to absorb probably incurred losses in NICU's portfolio from homogenous portfolios of assets and individually identified loans.

A provision for impaired losses is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered. Specific loans and portfolios of assets are provided against depending on a number of factors including deterioration in country risk, changes in a counterparty's industry, and technological developments, as well as identified structural weaknesses or deterioration in cash flows.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **2 Financial Risk Management (cont'd)**

#### **(c) Credit risk (cont'd)**

The provisions for impaired and past due exposures relate to loans to Members. Past due value is the 'on statement of financial position' loan balances which are past due by 90 days or more. Details are as set out in Note 9.

##### **Bad debts**

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

On secured loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lenders mortgage insurance. A reconciliation in movement of both past due and impaired exposure provision is provided in Note 9(a).

##### **Collateral securing loans**

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

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Note 8(b) describes the nature and extent of the security held against the loans held as at the balance date.

##### **Concentration risk – individuals**

Concentration risk is a measurement of NICU's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of NICU's regulatory capital (10% of Tier 1), a large exposure is considered to exist. No capital is required to be held against these but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark, to be higher than acceptable.

Concentration exposures to counterparties are closely monitored and are reported to the Board on a monthly basis and to APRA on a quarterly basis.

##### **Concentration risk – industry**

There is no concentration of credit risk with respect to loans and receivables as NICU's borrowing Members are dispersed across a wide cross-section of industries which is typical of a community based credit union.

#### **(ii) Credit risk - Liquid investments**

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

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 2 Financial Risk Management (cont'd)

#### (c) Credit risk (cont'd)

There is a concentration of credit risk with respect to investment receivables with the placement of investments in CUSCAL. The Board policy is that investments are only made to institutions that are credit worthy and this is determined through a due diligence process performed prior to an investment being placed. The Board has established policies to ensure that a maximum of 25% of Tier 1 capital can be invested with any one financial institution at a time, with the exception of CUSCAL where up to 100% of Tier 1 capital can be invested, and the Big 4 banks, where up to 50% of Tier 1 capital can be invested.

The risk of losses from the liquid investments placed is reduced by applying portfolio diversification and ensuring a large number of counterparties are invested with across a range of investment horizons.

Under the liquidity support scheme, minimum deposit requirements apply.

#### External Credit Assessment for Institution Investments

NICU uses the ratings assigned by ratings agencies such as Moody's Investor Services and Standard and Poor's to assess the credit quality of all investment exposures, and where applicable, using the credit rating grades in Australian Prudential Standard APS 112, Attachment F.

The exposure values associated with each credit quality step are as follows (inclusive of interest receivable):

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Investments with:</b>				
CUSCAL – rated A+	15,577,374	22,277,286	15,577,374	22,277,286
Semi-government Treasury - rated AA- and above	3,014,647	5,020,614	3,014,647	5,020,614
Financial institutions - rated from BBB- to < AA-	86,418,966	71,744,223	85,401,782	71,744,223
Unrated institutions - Credit Unions/Mutual Banks	17,606,585	32,563,066	17,606,585	32,563,066
	<b>122,617,572</b>	<b>131,605,189</b>	<b>121,600,388</b>	<b>131,605,189</b>

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **2 Financial Risk Management (cont'd)**

#### **(d) Operational risk**

Operational risk is the risk of loss arising from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than credit, market, interest rate and liquidity risks. Operational risks in NICU relate mainly to those risks from a number of sources including, but not limited to, legal compliance, business continuity, data infrastructure and security, outsourced services failures, fraud and employee errors.

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

- Segregation of duties between employees and functions wherever practical, including approval and processing duties;
- Documentation of policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour;
- Implementation of whistle blowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff;
- Education of Members to review their account statements and report exceptions to NICU promptly;
- Effective dispute resolution procedures to respond to Member complaints;
- Effective insurance arrangements to reduce the impact of losses; and
- Contingency plans to address the loss of functionality of systems, premises, utilities or staff.

#### **Fraud**

Fraud can arise from Members' cards and online banking passwords being compromised where not protected adequately by the Member. It can also arise from other systems failures. NICU has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail banking, fraud is potentially a real cost.

#### **IT Systems**

The worst case scenario would be the failure of NICU's core banking and IT network suppliers, to meet customer obligations and service requirements. NICU has outsourced the IT systems management to an independent data processing centre, Experteq. This organisation has the experience in-house to manage any short-term problems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf of NICU by the industry body CUSCAL, to service the settlements with other financial institutions for direct entry, ATM and Visa cards etc.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **2 Financial Risk Management (cont'd)**

#### **(e) Capital management**

The capital levels are prescribed by the Australian Prudential Regulation Authority (APRA). Under the APRA prudential standards, capital is determined in three components:

- Credit risk;
- Market risk;
- Operational risk.

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

#### **Capital resources**

##### **Tier 1 Capital**

The vast majority of Tier 1 capital comprises:

- General reserves;
- Retained earnings.

# Notes to the Financial Statements

For the Year Ended 30 June 2023

## 2 Financial Risk Management (cont'd)

### (e) Capital management (cont'd)

#### Tier 2 Capital

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by APRA. Capital in NICU and the Consolidated Group are made up as follows:

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Tier 1 Common Equity</b>				
General reserves	42,822,088	41,937,762	38,292,296	37,403,362
Current years earnings	(2,015,956)	1,029,810	(2,013,506)	1,065,524
	<b>40,806,132</b>	<b>42,967,572</b>	<b>36,278,790</b>	<b>38,468,886</b>
Less deductions	(3,862,040)	(7,956,787)	(2,311,467)	(6,906,391)
<b>Net Tier 1 capital</b>	<b>36,944,092</b>	<b>35,010,785</b>	<b>33,967,323</b>	<b>31,562,495</b>
<b>Tier 2</b>				
Provisions	112,738	150,379	112,738	150,379
Less deductions	(507,577)	(505,014)	(507,577)	(505,014)
<b>Net Tier 2 capital</b>	<b>(394,839)</b>	<b>(354,635)</b>	<b>(394,839)</b>	<b>(354,635)</b>
<b>Total capital</b>	<b>36,549,253</b>	<b>34,656,150</b>	<b>33,572,484</b>	<b>31,207,860</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 2 Financial Risk Management (cont'd)

#### (e) Capital management (cont'd)

NICU is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time. The risk weighting attached to each asset are based on the weights prescribed by APRA in Australian Prudential Standard APS 112.

	Consolidated Group			Northern Inland Credit Union Limited	
	Weight %	Carrying value	Risk weighted value	Carrying value	Risk weighted value
Cash and cash equivalents	0	710,764	-	710,764	-
Deposits in semi-government Treasury	0	3,014,647	-	3,014,647	-
Deposits in highly rated ADIs	20-30	55,134,599	15,230,746	55,134,599	15,230,746
Deposits in less highly rated ADIs	20-50	63,960,756	18,263,986	62,943,572	17,755,394
Standard/non-standard loans secured against eligible residential mortgages up to 80% LVR	20-100	239,789,484	71,921,753	239,789,484	71,921,753
Standard/non-standard loans secured against eligible residential mortgages over 80% LVR	40-105	20,904,864	9,278,397	20,904,864	9,278,397
Other assets	60-100	24,394,446	23,110,605	23,393,534	22,109,693
<b>Total commitments undrawn</b>		<b>407,909,560</b>	<b>137,805,487</b>	<b>405,891,464</b>	<b>136,295,983</b>

The capital ratio as at the end of the financial year over the past 5 years is as follows:

	2023	2022	2021	2020	2019
	%	%	%	%	%
Consolidated Group	23.24	17.09	17.61	19.83	21.97
Northern Inland Credit Union	21.58	15.56	16.00	18.07	20.29

The level of capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. To manage NICU's capital, NICU reviews the ratio monthly and monitors major movements in asset levels. Policies require that the Board is informed monthly of the capital ratio and APRA is informed on a quarterly basis. Stress testing of the capital ratio is undertaken on a bi-annual basis.

#### Pillar 2 Capital on Operational Risk

This capital component was introduced as from the 1 January 2013 and coincided with changes in the asset risk weightings for specified loans and liquid investments. Previously no operational charge was prescribed.

Notes to the Financial Statements  
For the Year Ended 30 June 2023

2 Financial Risk Management (cont'd)

(e) Capital management (cont'd)

NICU uses the Standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams. The operational risk capital requirement is calculated as ten percent of Total risk-weighted assets for credit risk. Based on this approach, NICU's operational risk requirement is as follows:

	Amount
	\$
Consolidated Group - Operational Risk Capital	14,295,882
Northern Inland Credit Union - Operational Risk capital	14,144,792

Internal capital adequacy management

NICU manages its internal capital levels for both current and future activities through a combination of the various committees. The outputs of the individual committees are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in NICU's forecasts for asset growth, or unforeseen circumstances, are assessed by the ALCO and the Board. The Deputy CEO is responsible for updating the forecast capital resources models produced and determining the impact upon the overall capital position of NICU. In relation to the operational risks, the major factors for holding additional capital are:

1. Fraud;
2. Key service provider failure; and
3. Loss of key persons.



## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 3 Statement of Profit or Loss

#### (a) Interest income

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
Deposits with other financial institutions	4,340,988	794,952	4,323,610	794,952
Loans and advances	12,060,488	9,131,106	12,060,488	9,131,106
Other interest income	2,517	-	2,517	-
<b>Total interest income</b>	<b>16,403,993</b>	<b>9,926,058</b>	<b>16,386,615</b>	<b>9,926,058</b>

#### (b) Fees, commissions and other income

##### Fees and commissions

Fee income on loans - other than loan origination fees	277,370	350,218	277,370	350,218
Fee income from Member deposits	881,228	847,740	439,927	419,392
Insurance commissions	83,946	94,014	83,946	94,014
Other commissions	58,077	45,575	9,063	6,234
	<b>1,300,621</b>	<b>1,337,547</b>	<b>810,306</b>	<b>869,858</b>

##### Other income

Dividend received on financial assets	62,835	266,455	62,835	266,455
Bad debts recovered	3,663	13,655	3,663	13,655
Income from property (rental income)	127,076	115,552	70,187	63,236
Miscellaneous revenue	323,243	322,818	331,214	320,563
	<b>1,817,438</b>	<b>2,056,027</b>	<b>1,278,205</b>	<b>1,533,767</b>

#### (c) Interest expense

Short term term borrowings	22,246	25,547	22,246	25,547
Deposits from Members	4,739,099	840,498	4,739,099	840,498
	<b>4,761,345</b>	<b>866,045</b>	<b>4,761,345</b>	<b>866,045</b>

#### (d) Impairment losses

##### Loans and advances

(Decrease)/increase in provision for impairment	(47,065)	70,410	(47,065)	70,410
Bad debts written off directly against profit	10,500	13,029	10,500	13,029
	<b>(36,565)</b>	<b>83,439</b>	<b>(36,565)</b>	<b>83,439</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 3 Statement of Profit or Loss (cont'd)

#### (e) Depreciation and amortisation expenses

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Depreciation</b>				
Buildings	145,569	135,896	145,569	135,896
Plant and equipment	74,820	105,682	69,005	99,757
Leasehold improvements	6,299	6,299	6,299	6,299
Leases	119,352	133,104	119,352	133,104
	<b>346,040</b>	<b>380,981</b>	<b>340,225</b>	<b>375,056</b>
Investment property	18,431	18,458	-	-
	<b>364,471</b>	<b>399,439</b>	<b>340,225</b>	<b>375,056</b>
<b>Amortisation</b>				
Computer software	287,885	83,944	287,885	83,944
<b>Depreciation and amortisation</b>	<b>652,356</b>	<b>483,383</b>	<b>628,110</b>	<b>459,000</b>
<b>(f) Other expenses</b>				
<b>Occupancy costs</b>				
Property operating lease payments	6,162	5,771	6,162	5,771
Other occupancy costs	204,606	204,473	172,230	170,707
	<b>210,768</b>	<b>210,244</b>	<b>178,392</b>	<b>176,478</b>
<b>Other operating expenses</b>				
<b>Audit and review of financial statements</b>				
Auditors of NICU - PKF	90,040	85,750	90,040	85,750
	<b>90,040</b>	<b>85,750</b>	<b>90,040</b>	<b>85,750</b>
<b>Other services</b>				
Taxation services - Auditors of NICU - PKF	11,300	10,800	11,300	10,800
Other services - PKF	6,630	6,310	6,630	6,310
	<b>17,930</b>	<b>17,110</b>	<b>17,930</b>	<b>17,110</b>
Loss on disposal of assets	4,971,229	-	4,971,229	-
Supervision levy paid to APRA	22,850	20,712	22,850	20,712
Other operating expenses	5,510,048	4,999,371	5,348,908	4,878,866
	<b>10,612,097</b>	<b>5,122,943</b>	<b>10,450,957</b>	<b>5,002,438</b>

# Notes to the Financial Statements

For the Year Ended 30 June 2023

## 3 Statement of Profit or Loss (cont'd)

### (g) Employee costs

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
Net movement in provisions for annual leave	(19,198)	59,780	3,900	44,294
Net movement in provisions for long service leave	114,796	(43,279)	109,676	(57,041)
Net movement in provisions for sick leave	405,080	(8,611)	405,080	(8,611)
Other personnel costs	4,234,016	3,937,571	3,873,921	3,576,157
	<b>4,734,694</b>	<b>3,945,461</b>	<b>4,392,577</b>	<b>3,554,799</b>

## 4 Income Tax Expense

Current income tax expense	(561,554)	382,109	(559,360)	385,205
Less franking credit	(26,929)	(114,195)	(26,929)	(114,195)
Decrease/(increase) in deferred tax asset	(108,825)	30,212	(110,201)	30,081
Under/(over) provision in respect of prior years	-	(57,366)	-	(48,989)
<b>Total income tax expense</b>	<b>(697,308)</b>	<b>240,760</b>	<b>(696,490)</b>	<b>252,102</b>

## Notes to the Financial Statements

### For the Year Ended 30 June 2023

#### 4 Income Tax Expense (cont'd)

Reconciliation of income tax to accounting profit:

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Prima facie tax payable on profit from ordinary activities before income tax at 25%</b>				
- Consolidated Group	(583,230)	317,642	-	-
- Parent entity	-	-	(677,498)	329,407
- Other members of the income tax consolidated group	-	-	104,495	5,022
	<b>(583,230)</b>	<b>317,642</b>	<b>(573,003)</b>	<b>334,429</b>
Add:				
Tax effect of:				
- Franking credit adjustment	(20,197)	(85,646)	(20,197)	(85,646)
- Change in tax rate on opening DTA / DTL balances	-	22,188	-	21,415
- over provision for income tax in prior year	(95,086)	(4,605)	-	(4,254)
- Government stimulus	-	(10,373)	-	(10,373)
- Other non-deductible expenses	1,204	1,553	1,204	1,553
Income tax attributable to operating profit	<b>(697,308)</b>	<b>240,759</b>	<b>(591,995)</b>	<b>257,124</b>
Allocation of income tax expense to wholly owned subsidiary and unit trust under tax sharing arrangement	-	-	(104,495)	(5,023)
	<b>(697,308)</b>	<b>240,759</b>	<b>(696,490)</b>	<b>252,101</b>

#### 5 Cash and cash equivalents

Cash on hand	710,764	764,679	710,764	764,679
Deposits at call	10,086,182	16,843,942	10,086,182	16,843,942
	<b>10,796,946</b>	<b>17,608,621</b>	<b>10,796,946</b>	<b>17,608,621</b>

# Notes to the Financial Statements

For the Year Ended 30 June 2023

## 6 Liquid investments

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Investments at fair value</b>				
Negotiable Certificate of Deposits	10,861,099	15,427,074	10,861,099	15,427,074
Floating Rate Notes	39,857,160	39,638,002	39,857,160	39,638,002
	<b>50,718,259</b>	<b>55,065,076</b>	<b>50,718,259</b>	<b>55,065,076</b>
<b>Investments at amortised cost</b>				
<b>Receivables(a)</b>				
Term Deposits	57,920,000	54,420,000	56,920,000	54,420,000
Treasury Bonds	3,000,000	5,000,000	3,000,000	5,000,000
	<b>60,920,000</b>	<b>59,420,000</b>	<b>59,920,000</b>	<b>59,420,000</b>
<b>Total liquid investments</b>	<b>111,638,259</b>	<b>114,485,076</b>	<b>110,638,259</b>	<b>114,485,076</b>
<b>(a) Dissection of receivables</b>				
Deposits with other societies	20,420,000	21,420,000	20,420,000	21,420,000
Deposits with banks	37,500,000	33,000,000	36,500,000	33,000,000
Deposits with Government Treasury	3,000,000	5,000,000	3,000,000	5,000,000
	<b>60,920,000</b>	<b>59,420,000</b>	<b>59,920,000</b>	<b>59,420,000</b>
<b>7 Receivables</b>				
Interest receivable on deposits with other financial institutions	895,648	276,171	878,464	276,171
Sundry debtors and accrued income	62,660	60,135	45,144	42,141
	<b>958,308</b>	<b>336,306</b>	<b>923,608</b>	<b>318,312</b>

## Notes to the Financial Statements

### For the Year Ended 30 June 2023

#### 8 Loans and advances

##### (a) Amounts due comprise:

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
Overdrafts and revolving credit	1,820,019	1,914,568	1,820,019	1,914,568
Term loans	278,348,163	281,951,739	278,348,163	281,951,739
	<b>280,168,182</b>	<b>283,866,307</b>	<b>280,168,182</b>	<b>283,866,307</b>
Less:				
Provision for doubtful debts	(113,406)	(160,471)	(113,406)	(160,471)
	<b>280,054,776</b>	<b>283,705,836</b>	<b>280,054,776</b>	<b>283,705,836</b>
Less:				
Unamortised loan fees	(396,122)	(457,676)	(396,122)	(457,676)
<b>Net loans and advances</b>	<b>279,658,654</b>	<b>283,248,160</b>	<b>279,658,654</b>	<b>283,248,160</b>

##### (b) Credit quality - security held against loans

Secured by mortgage over real estate	268,298,645	265,028,977	268,298,645	265,028,977
Partly secured by goods mortgage	9,583,016	16,518,830	9,583,016	16,518,830
Wholly unsecured	2,286,520	2,318,501	2,286,520	2,318,501
	<b>280,168,181</b>	<b>283,866,308</b>	<b>280,168,181</b>	<b>283,866,308</b>

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

##### Security held as mortgage against real estate is on the basis of:

- loan to valuation ratio of less than or equal to 80%	247,326,908	240,844,079	247,326,908	240,844,079
- loan to valuation ratio of more than 80% but mortgage insured	16,549,738	20,019,034	16,549,738	20,019,034
- loan to valuation ratio of more than 80% and not mortgage insured	4,422,000	4,165,864	4,422,000	4,165,864
	<b>268,298,646</b>	<b>265,028,977</b>	<b>268,298,646</b>	<b>265,028,977</b>

Where the loan value is less than 80% there is a 20% margin to cover the costs of any sale, or potential value reduction.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 8 Loans and advances (cont'd)

	Housing \$	Personal \$	Commercial \$	Overdrafts \$	Total \$
<b>2023 Consolidated Group</b>					
Tamworth	70,140,266	2,932,159	1,306,585	1,033,336	75,412,346
Narrabri	56,176,298	2,703,491	1,922,687	315,671	61,118,147
Gunnedah	18,992,341	948,117	802,659	130,752	20,873,869
Other Northern NSW	69,405,953	2,231,360	1,735,321	246,072	73,618,706
Other NSW	38,097,065	295,296	664,459	37,136	39,093,956
Other States	9,350,973	533,874	-	52,905	9,937,752
	<u>262,162,896</u>	<u>9,644,297</u>	<u>6,431,711</u>	<u>1,815,872</u>	<u>280,054,776</u>
<b>2022 Consolidated Group</b>					
Tamworth	71,319,262	3,446,819	1,063,844	1,042,571	76,872,496
Narrabri	56,564,225	2,834,848	2,247,926	366,326	62,013,325
Gunnedah	21,497,511	937,098	654,774	136,036	23,225,419
Other Northern NSW	71,220,261	2,407,071	2,188,499	252,148	76,067,979
Other NSW	33,053,037	473,122	997,675	37,116	34,560,950
Other States	10,153,914	744,452	-	67,301	10,965,667
	<u>263,808,210</u>	<u>10,843,410</u>	<u>7,152,718</u>	<u>1,901,498</u>	<u>283,705,836</u>

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 9 Provision on impaired loans

#### (a) Movement in the provision for impairment

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
Balance at the beginning of the year	160,471	90,061	160,471	90,061
Transfers (to)/from Statement of Profit or Loss	(47,065)	70,410	(47,065)	70,410
	<b>113,406</b>	<b>160,471</b>	<b>113,406</b>	<b>160,471</b>

During the year ended 30 June 2023, NICU's allowance for expected credit losses decreased. So far there has been limited damage to the balance sheet as a result of the current high interest rate and inflation environment, with borrowers meeting their repayment obligations. However, it is anticipated that the risks mentioned above will impact the credit environment into the future.

#### (b) Key assumptions in determining the provision for impairment of receivables

The key model inputs into the measurement of the provision for impairment includes the following variables:

- Probability of default (PD); PD estimates are calculated based on the number of accounts in arrears over 90 days, and other loans and facilities where the likelihood of future repayments is low. The definition of default is consistent with the definition of default used for internal credit risk management and regulatory reporting purposes. Default is generally defined as the point when the borrower is unlikely to pay its credit obligations in full, without recourse by NICU to the realisation of the collateral; or the borrower is 90 days or more past due.
- Loss given default (LGD); LGD is the magnitude of the likely loss if there is a default. LGD is calculated based on historical losses considering relevant factors for individual exposures or portfolios.
- Exposure at default (EAD); the EAD represents the expected exposure in the event of a default.

The PD and LGD are derived from analysis of historical data over a period of no less than 10 years, with the PDs and LGDs chosen representing the average over the period.



## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **9 Provision on impaired loans (cont'd)**

#### **(b) Key assumptions in determining the provision for impairment of receivables (cont'd)**

##### **Grouping of similar assets**

Since the credit facilities are homogenous in terms of borrower type and contractual repayment terms, the lending portfolio is managed via product set or class. For the purposes of calculating expected credit losses, the lending portfolio is segmented as follows:

- home loan portfolios – home loans secured by residential mortgages;
- secured personal loan portfolios;
- unsecured personal loan portfolios;
- commercial portfolios – secured by a combination of residential, commercial or other property; and
- personal overdraft facilities.

##### **Significant increase in credit risk (SICR)**

As an extensive list of factors in defining a SICR is not required to be developed, in assessing SICR, the following principles apply:

- Stage 1 – less than 30 days past due;
- Stage 2 – 30 to less than 90 days past due, subject to financial hardship, or it is considered that there are changes in the underlying exposure's credit risk since initial recognition as a result of adverse changes in general economic and/or market conditions; and
- Stage 3 – 90 or more days past due.

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

##### **Incorporation of forward-looking information**

The approach in determining the ECL includes forward-looking information based on both the internal environment (e.g. a change in counterparties) and external environment (e.g. a change in economic conditions). The inclusion of forward-looking information in calculating ECL adjusts the PD, the determination of SICR as well as the LGD. The predicted relationships between these key indicators and the key model inputs in measuring the ECL have been developed by analysing historical data as part of the development of internal models.

NICU is responsible for the development of scenarios and the weighting applied to those scenarios. For this purpose, three possible economic scenarios have been developed, being a positive, negative and base case scenario. In calculating the ECL, each of the scenarios is probability weighted and then applied to the exposures' PDs and LGDs. The scenarios have been developed using a combination of publicly available data and internal forecasts to form the initial baseline. For the current reporting period, the positive and negative scenarios utilise the level of inflation and interest rates as the key drivers of the macroeconomic outlook.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 9 Provision on impaired loans (cont'd)

#### (b) Key assumptions in determining the provision for impairment of receivables (cont'd)

Forward-looking economic assumptions in the model include high inflation and the resultant high cost of living for some time, and high interest rates, impacting borrowers maturing from low fixed rates (particularly those with a low savings ratio), resulting in a potential increase in the probability of default. These assumptions have been compared against the 'base case' for reasonableness. The base case scenario was modelled based on the facts and circumstances existing at 30 June 23 and forecasts of future economic conditions and supportable information that was available at that date, and includes significant management judgement. Nonetheless, given the lack of loss experienced by NICU and across the wider industry, more emphasis has been applied to the historical data available as opposed to forward looking information. Consideration has also been given to the level of undue cost and effort involved in utilising complex statistical models, which is not considered appropriate for the size and complexity of the portfolio.

NICU considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by NICU for other purposes such as strategic planning and budgeting. Periodically NICU carries out stress testing of more extreme shocks to calibrate its determination of other potential scenarios. However, in view of the continuing uncertainty regarding the implications of geopolitical events, broader inflationary pressures and the path of monetary policy, ECL may ultimately vary from what has been determined, despite the best efforts of NICU.

#### (c) Impaired loans written off

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
Bad debts written off directly	10,500	13,029	10,500	13,029
Bad debts recovered in the period	3,663	9,081	3,663	9,081

#### (d) Analysis of loans that are impaired by class

	2023 Gross Carrying Value \$	2023 ECL Allowance \$	2023 Carrying Value \$	2022 Gross Carrying Value \$	2022 ECL Allowance \$	2022 Carrying value \$
<b>Loans to Members:</b>						
- Mortgages	260,787,286	72,866	260,714,420	263,937,852	127,198	263,810,654
- Personal	9,956,265	35,533	9,920,732	10,856,087	12,504	10,843,583
- Overdrafts	1,745,496	3,937	1,741,559	1,502,502	12,567	1,489,935
	272,489,047	112,336	272,376,711	276,296,441	152,269	276,144,172
Corporate borrowers	7,679,134	1,070	7,678,064	7,569,866	8,202	7,561,664
	280,168,181	113,406	280,054,775	283,866,307	160,471	283,705,836

Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more. It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and condition.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 9 Provision on impaired loans (cont'd)

#### (d) Analysis of loans that are impaired by class (cont'd)

An analysis of NICU's credit risk exposure by class and by exposure of loans to Members and by "stage" without reflecting on the effects of any collateral or other credit enhancements is demonstrated in the tables below.

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
<b>Northern Inland Credit Union</b>				
<b>Year ended 30 June 2023</b>				
<b>Loans to Members</b>				
Mortgages	6,415	66,451	-	72,866
Personal	11,152	23,713	668	35,533
Overdrafts	3,878	59	-	3,937
Corporate borrowers	1,061	9	-	1,070
<b>Carrying amount</b>	<b>22,506</b>	<b>90,232</b>	<b>668</b>	<b>113,406</b>
<b>Year ended 30 June 2022</b>				
<b>Loans to Members</b>				
Mortgages	4,103	123,095	-	127,198
Personal	12,504	-	-	12,504
Overdrafts	2,460	15	10,092	12,567
Corporate borrowers	3,136	5,066	-	8,202
<b>Carrying amount</b>	<b>22,203</b>	<b>128,176</b>	<b>10,092</b>	<b>160,471</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 9 Provision on impaired loans (cont'd)

#### (e) Reconciliation from opening to closing balance

The reconciliation below from the opening to closing balance of the provision for impairment by class of financial asset is shown in the table below:

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Total \$
<b>Northern Inland Credit Union</b>				
<b>Loans to Members</b>				
Balance at 1 July 2022	22,203	128,176	10,092	160,471
<b>Change in loss allowance</b>				
- Transfer to Stage 1	-	(92,667)	-	(92,667)
- Transfer to Stage 2	(964)	-	-	(964)
- Transfer to Stage 3	(668)	-	-	(668)
- Net movement due to change in credit risk	1,935	54,723	668	57,326
- Write-offs	-	-	(10,092)	(10,092)
<b>Balance at 30 June 2023</b>	<b>22,506</b>	<b>90,232</b>	<b>668</b>	<b>113,406</b>

#### (f) Analysis of loans that are impaired or potentially impaired based on age of repayments outstanding

	2023 Carrying Value \$	2023 ECL Allowance \$	2022 Carrying Value \$	2022 ECL Allowance \$
Non impaired up to 30 days	280,136,211	112,670	283,843,569	150,356
90 to 180 days in arrears	668	668	-	-
Overlimit facilities	31,302	68	22,738	10,115
<b>Total</b>	<b>280,168,181</b>	<b>113,406</b>	<b>283,866,307</b>	<b>160,471</b>

The impaired loans are generally not secured against residential property. Some impaired loans are secured by bill of sale over motor vehicles or other assets of varying value. It is not practicable to determine the fair value all collateral as at the balance date due to the variety of assets and condition.

#### (g) Loans with repayments past due but not regarded as impaired

There are currently no past due loans which are not considered impaired as the value of the related security over residential property is in excess of the loan due. It is not possible to determine the fair value of the collateral as at balance date due to the variety of assets and condition. Loans with repayments past due but not impaired are in arrears: 2023: \$0 (2022: \$0).

#### (h) Assets acquired by enforcement of security

There are no assets acquired by NICU. The policy is to arrange sale of the security at the earliest opportunity after measures to assist the Members to repay the debts have been exhausted.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 9 Provision on impaired loans (cont'd)

#### (i) Key assumptions in determining the provision for impairment

NICU is required to determine a likely impairment loss on loans that have not maintained the loan repayments in accordance with their loan contract and have consequently fallen into arrears, or for some other reason are deemed to be at risk of suffering impairment.

In identifying the likely loss due to impairment, each loan that falls into this category is reviewed for the likelihood of full or partial recovery and the extent of possible loss. Depending on the loan's characteristics, the recoverability of the debt and any special arrangements put in place for repayment, a percentage is then applied to the balance outstanding to ascertain that portion of the loan that is deemed to be at risk of non-recovery. This is aggregated across all loans deemed to be at risk of impairment to arrive at a total likely impairment loss for NICU.

### 10 Investments

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
Shares in subsidiaries - Note 27	-	-	1	1
Shares in unlisted companies (a)	1,885,059	1,885,059	1,885,059	1,885,059
Other investment (b)	500,177	-	-	-
Less: provision for impairment	-	-	-	-
Total investments net of provision	2,385,236	1,885,059	1,885,060	1,885,060

#### (a) CUSCAL Limited (CUSCAL)

The shareholding in CUSCAL is measured at fair value. CUSCAL is a company that was created to supply services to member Credit Unions. These shares are held to enable NICU to receive aggregated banking services. The shares are not able to be publicly traded.

The fair value has been determined by NICU based on a review of available CUSCAL information compared to an internal dividend discount model, and is subject to review on an annual basis.

#### (b) IOOF Expand Extra Fund

The investment holding in IOOF Expand Extra Fund is measured at fair value.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

## 11 Property, plant and equipment

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Land and Buildings</b>				
<b>Freehold land</b>				
At cost	1,280,000	1,280,000	1,280,000	1,280,000
<b>Buildings</b>				
At cost	2,850,986	2,701,554	2,850,986	2,701,554
Accumulated depreciation	(724,418)	(578,849)	(724,418)	(578,849)
Total Buildings	2,126,568	2,122,705	2,126,568	2,122,705
<b>Plant and equipment</b>				
At cost	2,086,746	2,077,669	2,038,933	2,029,856
Accumulated depreciation	(1,962,444)	(1,898,428)	(1,921,200)	(1,863,000)
Total Plant and equipment	124,302	179,241	117,733	166,856
<b>Leasehold improvements</b>				
At cost	308,179	308,179	308,179	308,179
Accumulated depreciation	(277,204)	(270,905)	(277,204)	(270,905)
Total Leasehold improvements	30,975	37,274	30,975	37,274
<b>Right of Use Asset</b>				
At cost	595,237	607,655	595,237	607,655
Accumulated depreciation	(493,944)	(425,224)	(493,944)	(425,224)
Total Right of Use Asset	101,293	182,431	101,293	182,431
<b>Total property, plant and equipment</b>	<b>3,663,138</b>	<b>3,801,651</b>	<b>3,656,569</b>	<b>3,789,266</b>

## (a) Land and buildings - Valuation

The valuation of land and buildings at 481 Peel Street, Tamworth NSW 2340 has been based upon an independent valuation performed by MVS Valuers as at 14 March 2018. The increase in valuation is reflected in the Asset Revaluation Reserve. Refer to Note 21.

## (b) Right of Use Asset

The Right-of-Use Asset recognised refers to the leases held over the premises of NICU's Narrabri and Gunnedah branches. Refer to Note 1(v) for accounting policies applied during the year.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

## 11 Property, plant and equipment (cont'd)

## (c) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land \$	Buildings \$	Plant and Equipment \$	Leasehold Improvements \$	Right of Use Asset \$	Total \$
<b>Consolidated Group</b>						
<b>Year ended 30 June 2023</b>						
Balance at the beginning of year	1,280,000	2,122,705	179,241	37,274	182,431	3,801,651
Additions	-	149,432	20,556	-	38,214	208,202
Disposals	-	-	(677)	-	-	(677)
Depreciation expense	-	(145,569)	(74,818)	(6,299)	(119,352)	(346,038)
<b>Balance at the end of the year</b>	<b>1,280,000</b>	<b>2,126,568</b>	<b>124,302</b>	<b>30,975</b>	<b>101,293</b>	<b>3,663,138</b>
<b>Year ended 30 June 2022</b>						
Balance at the beginning of year	1,280,000	2,258,601	274,742	43,573	41,219	3,898,135
Additions	-	-	10,181	-	274,316	284,497
Depreciation expense	-	(135,896)	(105,682)	(6,299)	(133,104)	(380,981)
<b>Balance at the end of the year</b>	<b>1,280,000</b>	<b>2,122,705</b>	<b>179,241</b>	<b>37,274</b>	<b>182,431</b>	<b>3,801,651</b>
<b>Northern Inland Credit Union Ltd</b>						
<b>Year ended 30 June 2023</b>						
Balance at the beginning of year	1,280,000	2,122,705	166,856	37,274	182,431	3,789,266
Additions	-	149,432	20,556	-	38,214	208,202
Disposals	-	-	(677)	-	-	(677)
Depreciation expense	-	(145,569)	(69,002)	(6,299)	(119,352)	(340,222)
<b>Balance at the end of the year</b>	<b>1,280,000</b>	<b>2,126,568</b>	<b>117,733</b>	<b>30,975</b>	<b>101,293</b>	<b>3,656,569</b>
<b>Year ended 30 June 2022</b>						
Balance at the beginning of year	1,280,000	2,258,601	256,841	43,573	41,219	3,880,234
Additions	-	-	9,773	-	274,316	284,089
Depreciation expense	-	(135,896)	(99,758)	(6,299)	(133,104)	(375,057)
<b>Balance at the end of the year</b>	<b>1,280,000</b>	<b>2,122,705</b>	<b>166,856</b>	<b>37,274</b>	<b>182,431</b>	<b>3,789,266</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 12 Investment Property

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
Balance at the beginning of the year	866,698	885,155	-	-
Depreciation	(18,432)	(18,457)	-	-
<b>Balance at end of the year</b>	<b>848,266</b>	<b>866,698</b>	<b>-</b>	<b>-</b>

### 13 Deferred tax asset

**Deferred tax asset comprises:**

- Accrued expenses not deductible	21,121	22,462	21,121	22,462
- Provision for impairment on loans	28,352	40,118	28,352	40,118
- Provisions for staff entitlements	530,498	405,328	513,061	383,397
- Depreciation on fixed assets	20,480	3,104	15,756	1,090
- Deferred fees on loan origination	99,030	114,419	99,030	114,419
- Lease-related balances	7,805	6,613	7,805	6,613
- Revaluation of NEWCO shares	10,000	10,000	10,000	10,000
- Tax losses	38,452	-	26,929	-
	<b>755,738</b>	<b>602,044</b>	<b>722,054</b>	<b>578,099</b>



## Notes to the Financial Statements

For the Year Ended 30 June 2023

## 14 Intangible Assets

		Consolidated Group		Northern Inland Credit Union Limited	
		2023	2022	2023	2022
		\$	\$	\$	\$
Computer software					
At cost		2,246,111	1,592,023	2,244,578	1,590,490
Accumulated amortisation		(1,819,703)	(1,531,818)	(1,818,170)	(1,530,285)
		<b>426,408</b>	60,205	<b>426,408</b>	60,205
Other intangible assets	(a)				
Cost		1,055,274	1,055,274	4,879	4,879
Accumulated amortisation and impairment		(4,879)	(4,879)	(4,879)	(4,879)
<b>Net carrying value</b>		<b>1,050,395</b>	1,050,395	-	-
Intangible assets under development	(b)				
Cost		-	4,961,127	-	4,961,127
<b>Total Intangibles</b>		<b>1,476,803</b>	6,071,727	<b>426,408</b>	5,021,332

## (a) Other intangible assets

Other intangible assets comprise the acquisition costs of investment portfolios held by the consolidated group - \$1,050,395 (2022: \$1,050,395) and trademarks - \$Nil (2022: \$Nil). An annual review of the cost of the investment portfolios is undertaken and it has been determined that there is no impairment of these assets as at the 30 June 2023 (2022: \$Nil).

## (b) Intangible assets under development

Intangible assets under development comprise of expenditure incurred in relation to the development and implementation of a new core banking system. The entity has made judgements in the assessment recognition of development expenditure as an intangible asset in accordance with the recognition criteria as defined in AASB 138 Intangibles Assets. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit.

In December 2022, the Board of Directors resolved to discontinue the project of the core banking system transition (software) due to incompatibility with requirements. This change has resulted in development costs of \$4.97m being expensed in profit or loss and included in 'other operating expenses' in the Statement of Profit or Loss. As at the date of the report, recoverable amounts in respect of the development costs are under ongoing consideration.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

## 14 Intangible Assets (cont'd)

(c) Movement in the assets balances during the year were:

	Software	Other	Intangible assets under development	Total
	\$	\$	\$	\$
<b>Consolidated Group</b>				
<b>Year ended 30 June 2023</b>				
Balance at the beginning of the year	60,205	1,050,395	4,961,127	6,071,727
Additions	654,088	-	9,425	663,513
Amortisation	(287,885)	-	-	(287,885)
Write off	-	-	(4,970,552)	(4,970,552)
<b>Closing value at 30 June 2023</b>	<b>426,408</b>	<b>1,050,395</b>	<b>-</b>	<b>1,476,803</b>
<b>Year ended 30 June 2022</b>				
Balance at the beginning of the year	144,149	1,050,395	4,366,650	5,561,194
Additions	-	-	594,477	594,477
Amortisation	(83,944)	-	-	(83,944)
<b>Closing value at 30 June 2022</b>	<b>60,205</b>	<b>1,050,395</b>	<b>4,961,127</b>	<b>6,071,727</b>
<b>Northern Inland Credit Union Ltd</b>				
<b>Year ended 30 June 2023</b>				
Balance at the beginning of the year	60,205	-	4,961,127	5,021,332
Additions	654,088	-	9,425	663,513
Amortisation	(287,885)	-	-	(287,885)
Write off	-	-	(4,970,552)	(4,970,552)
<b>Closing value at 30 June 2023</b>	<b>426,408</b>	<b>-</b>	<b>-</b>	<b>426,408</b>
<b>Northern Inland Credit Union Ltd</b>				
<b>Year ended 30 June 2022</b>				
Balance at the beginning of the year	144,149	-	4,366,650	4,510,799
Additions	-	-	594,477	594,477
Amortisation	(83,944)	-	-	(83,944)
<b>Closing value at 30 June 2022</b>	<b>60,205</b>	<b>-</b>	<b>4,961,127</b>	<b>5,021,332</b>

## 15 Other Assets

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
Prepayments	247,167	221,504	232,878	205,579
Other assets and clearing accounts	606,391	412,443	492,113	397,905
	<b>853,558</b>	<b>633,947</b>	<b>724,991</b>	<b>603,484</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 16 Deposits

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
CURRENT				
Member deposits - at call	234,047,211	247,976,325	235,073,852	250,682,637
Member deposits - term	132,478,966	127,884,696	132,478,966	127,884,696
Withdrawable shares	81,136	85,324	81,146	85,334
	<b>366,607,313</b>	<b>375,946,345</b>	<b>367,633,964</b>	<b>378,652,667</b>

#### (a) Concentration of member deposits

Geographical concentrations				
Tamworth	174,804,387	180,601,876	175,831,038	183,308,198
Narrabri	79,735,284	78,311,715	79,735,284	78,311,715
Gunnedah	27,385,199	29,576,469	27,385,199	29,576,469
Other Northern NSW	56,469,528	60,729,468	56,469,528	60,729,468
Other NSW	16,644,274	16,434,130	16,644,274	16,434,130
Other States	11,568,641	10,292,687	11,568,641	10,292,687
	<b>366,607,313</b>	<b>375,946,345</b>	<b>367,633,964</b>	<b>378,652,667</b>

### 17 Payables

CURRENT				
Creditors and accruals	490,595	1,130,004	473,579	1,006,580
Interest payable	1,605,210	204,996	1,605,210	204,996
Sundry creditors - clearing accounts	1,343,567	570,873	1,330,835	559,519
Lease liability	124,513	200,882	124,513	200,882
<b>Total</b>	<b>3,563,885</b>	<b>2,106,755</b>	<b>3,534,137</b>	<b>1,971,977</b>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying amounts are considered to be a reasonable approximation of fair value.

#### (a) Lease liability

The Lease liability recognised refers to the leases held over the premises of NICU's Narrabri and Gunnedah branches. Refer to Note 1 (v) for accounting policies applied during the year.

# Notes to the Financial Statements

For the Year Ended 30 June 2023

## 18 Taxation

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
Current income tax liability (asset)	(1,040,509)	(64,636)	(1,039,110)	(47,668)
<b>Current income tax liability/asset comprises:</b>				
Opening balance	(64,636)	22,507	(47,668)	31,362
Amounts received/(paid)	(70,185)	(22,507)	(87,153)	(31,362)
Liability for income tax in current year	(550,031)	267,912	(548,632)	277,296
Instalments paid in current year	(355,657)	(332,548)	(355,657)	(324,964)
Closing balance	(1,040,509)	(64,636)	(1,039,110)	(47,668)
Deferred tax liability	968,095	961,679	964,523	957,698
<b>Deferred tax liability comprises:</b>				
Revaluation of CUSCAL shares	326,260	326,260	326,260	326,260
Revaluation of land and buildings	580,043	580,043	580,043	580,043
Deductible prepayments	61,792	55,376	58,220	51,395
<b>Closing balance</b>	<b>968,095</b>	<b>961,679</b>	<b>964,523</b>	<b>957,698</b>
Total taxation liabilities (asset)	(72,414)	897,043	(74,587)	910,030
<b>19 Provisions</b>				
Long service leave	1,059,254	944,457	1,006,300	896,624
Sick leave	628,721	223,641	628,721	223,641
Annual leave	434,016	453,214	417,224	413,324
Make good	8,000	8,000	8,000	8,000
	2,129,991	1,629,312	2,060,245	1,541,589
<b>20 Borrowings</b>				
Reserve Bank of Australia - Term Funding Facility (TFF)	-	6,168,851	-	6,168,851
<b>Total</b>	<b>-</b>	<b>6,168,851</b>	<b>-</b>	<b>6,168,851</b>

The Reserve Bank of Australia held floating rate notes as security against amounts drawn.

# Notes to the Financial Statements

For the Year Ended 30 June 2023

## 21 Reserves

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
Members' shares reserve	355,186	350,044	355,186	350,044
General reserve	37,732,036	39,722,030	33,204,695	35,223,343
Asset revaluation reserve	1,740,128	1,740,128	1,740,128	1,740,128
Shares revaluation reserve	978,781	978,781	978,781	978,781
	<b>40,806,131</b>	<b>42,790,983</b>	<b>36,278,790</b>	<b>38,292,296</b>
<b>Members' shares reserve</b>				
Opening balance	350,044	344,114	350,044	344,114
Transfers in	5,142	5,930	5,142	5,930
<b>Closing balance</b>	<b>355,186</b>	<b>350,044</b>	<b>355,186</b>	<b>350,044</b>
<b>General reserve for credit losses</b>				
Opening balance	-	1,114,343	-	1,114,343
Transfers out	-	(1,114,343)	-	(1,114,343)
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>General reserve</b>				
Opening balance	39,722,030	37,561,529	35,223,343	33,049,404
Transfers in	(1,989,994)	2,160,501	(2,018,648)	2,173,939
<b>Closing balance</b>	<b>37,732,036</b>	<b>39,722,030</b>	<b>33,204,695</b>	<b>35,223,343</b>
<b>Asset revaluation reserve</b>				
Opening balance	1,740,128	1,716,927	1,740,128	1,716,927
Movement due to change in tax rate	-	23,201	-	23,201
<b>Closing balance</b>	<b>1,740,128</b>	<b>1,740,128</b>	<b>1,740,128</b>	<b>1,740,128</b>
<b>Shares revaluation reserve</b>				
Opening balance	978,781	458,763	978,781	458,763
Transfers in	-	506,967	-	506,967
Movement due to change in tax rate	-	13,051	-	13,051
<b>Closing balance</b>	<b>978,781</b>	<b>978,781</b>	<b>978,781</b>	<b>978,781</b>
<b>Total</b>	<b>40,806,131</b>	<b>42,790,983</b>	<b>36,278,790</b>	<b>38,292,296</b>

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **21 Reserves (cont'd)**

#### **Members' shares reserve**

This reserve represents the amount of redeemable preference shares redeemed by NICU since 1 July 1999. The law requires that the redemption of the shares be made out of profits. Since the value of the shares has been paid to Members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriated to the account.

#### **General reserve for credit losses**

This reserve records amounts previously set aside as a general provision and was maintained to comply with the Prudential Standards set down by APRA.

#### **General reserve**

Retained earnings are cleared out annually to this account and therefore this reserve represents the accumulated retained earnings balance as at the end of the financial year.

#### **Asset revaluation reserve**

This reserve relates to unrealised gains on NICU's land and buildings.

#### **Shares revaluation reserve**

This reserve relates to unrealised gains on NICU's equity investments designated as FVOCI.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 22 Financial Instruments Disclosure

(a) The following information classifies the financial instruments into measurement classes:

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash assets	10,796,946	17,608,621	10,796,946	17,608,621
Receivables	958,308	336,306	923,608	318,312
Liquid investments	60,920,000	59,420,000	59,920,000	59,420,000
Loans to Members	279,658,654	283,248,160	279,658,654	283,248,160
	<b>352,333,908</b>	<b>360,613,087</b>	<b>351,299,208</b>	<b>360,595,093</b>
Equity investments classified as FVOCI	2,385,236	1,885,059	1,885,060	1,885,060
Negotiable Certificates of Deposits	10,861,099	15,427,074	10,861,099	15,427,074
Floating Rate Notes	39,857,160	39,638,002	39,857,160	39,638,002
	<b>53,103,495</b>	<b>56,950,135</b>	<b>52,603,319</b>	<b>56,950,136</b>
<b>Total financial assets</b>	<b>405,437,403</b>	<b>417,563,222</b>	<b>403,902,527</b>	<b>417,545,229</b>
<b>Financial liabilities</b>				
Creditors	3,563,885	2,106,755	3,534,137	1,971,977
Short-term borrowings	-	6,168,851	-	6,168,851
Deposits from Members	366,607,313	375,946,345	367,633,964	378,652,667
	<b>370,171,198</b>	<b>384,221,951</b>	<b>371,168,101</b>	<b>386,793,495</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 22 Financial Instruments Disclosure (cont'd)

#### (b) Assets measured at fair value

	Balance	Level 1	Level 2	Level 3
	\$	\$	\$	\$
<b>Consolidated Group - 2023</b>				
Equity investments classified as FVOCI	2,385,236	500,177	-	1,885,059
Negotiable Certificates of Deposits	10,861,099	10,861,099	-	-
Floating Rate Notes	39,857,160	39,357,160	-	500,000
<b>Total</b>	<b>53,103,495</b>	<b>50,718,436</b>	<b>-</b>	<b>2,385,059</b>
<b>Northern Inland Credit Union Ltd - 2023</b>				
Equity investments classified as FVOCI	1,885,060	-	-	1,885,060
Negotiable Certificates of Deposits	10,861,099	10,861,099	-	-
Floating Rate Notes	39,857,160	39,357,160	-	500,000
<b>Total</b>	<b>52,603,319</b>	<b>50,218,259</b>	<b>-</b>	<b>2,385,060</b>

The fair value hierarchy has the following levels:

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



## Notes to the Financial Statements

For the Year Ended 30 June 2023

## 22 Financial Instruments Disclosure (cont'd)

## (c) Maturity profile of financial instruments

	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
	\$	\$	\$	\$	\$	\$
<b>2023</b>						
<b>Financial assets</b>						
Cash	10,825,848	-	-	-	-	10,825,848
Liquid investments	22,761,389	36,070,422	14,771,447	38,391,652	507,577	112,502,487
Loans to Members	2,311,419	4,644,040	19,743,846	96,189,473	341,013,859	463,902,637
<b>Total financial assets</b>	<b>35,898,656</b>	<b>40,714,462</b>	<b>34,515,293</b>	<b>134,581,125</b>	<b>341,521,436</b>	<b>587,230,972</b>
<b>Financial liabilities</b>						
Creditors	1,958,674	-	-	-	-	1,958,674
<b>Deposits from Members</b>						
- at call	234,128,471	-	-	-	-	234,128,471
- term	22,457,323	50,080,827	60,928,983	616,918	-	134,084,051
<b>On balance sheet</b>	<b>258,544,468</b>	<b>50,080,827</b>	<b>60,928,983</b>	<b>616,918</b>	<b>-</b>	<b>370,171,196</b>
Undrawn commitments - Note 24	2,000,000	-	-	-	-	2,000,000
<b>Total financial liabilities</b>	<b>260,544,468</b>	<b>50,080,827</b>	<b>60,928,983</b>	<b>616,918</b>	<b>-</b>	<b>372,171,196</b>
<b>2022</b>						
<b>Financial assets</b>						
Cash	17,613,247	-	-	-	-	17,613,247
Liquid investments	18,033,775	31,534,290	24,420,124	40,263,418	505,014	114,756,621
Loans to members	2,085,135	4,096,332	17,212,345	82,303,849	283,913,920	389,611,581
<b>Total financial assets</b>	<b>37,732,157</b>	<b>35,630,622</b>	<b>41,632,469</b>	<b>122,567,267</b>	<b>284,418,934</b>	<b>521,981,449</b>
<b>Financial liabilities</b>						
Creditors	1,901,759	-	-	-	-	1,901,759
<b>Deposits from Members</b>						
- at call	248,061,778	-	-	-	-	248,061,778
- term	32,733,633	50,748,452	43,839,311	734,155	-	128,055,551
RBA - Term funding facility (TFF)	-	-	6,202,864	-	-	6,202,864
<b>On balance sheet</b>	<b>282,697,170</b>	<b>50,748,452</b>	<b>50,042,175</b>	<b>734,155</b>	<b>-</b>	<b>384,221,952</b>
Undrawn commitments - Note 24	2,000,000	-	-	-	-	2,000,000
<b>Total financial liabilities</b>	<b>284,697,170</b>	<b>50,748,452</b>	<b>50,042,175</b>	<b>734,155</b>	<b>-</b>	<b>386,221,952</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 22 Financial Instruments Disclosure (cont'd)

#### (c) Maturity profile of financial instruments (cont'd)

The table below represents the above maturity profile summarised at discounted values. The contractual arrangements best represents the estimated minimum amount of repayment on the loans, liquid investments and on the member deposits. While the liquid investments and Member deposits are presented in the table below on a contractual basis, as part of our normal banking operations we would expect a large proportion of these balances to roll over. Loan repayments are generally accelerated by members choosing to repay loans earlier. These advance repayments are at the discretion of the Members and not able to be reliably estimated.

	Within 12 months \$	After 12 months \$	Total \$
<b>2023</b>			
<b>Financial assets</b>			
Cash	10,825,848	-	10,825,848
Liquid investments	73,603,259	38,899,229	112,502,488
Loans to Members	26,699,305	437,203,332	463,902,637
<b>Total financial assets</b>	<b>111,128,412</b>	<b>476,102,561</b>	<b>587,230,973</b>
<b>Financial liabilities</b>			
Creditors	1,958,674	-	1,958,674
Deposits from Members - at call	234,128,471	-	234,128,471
Deposits from Members - term	133,467,132	616,918	134,084,050
<b>Total financial liabilities</b>	<b>369,554,277</b>	<b>616,918</b>	<b>370,171,195</b>
<b>2022</b>			
<b>Financial assets</b>			
Cash	17,613,247	-	17,613,247
Liquid investments	73,988,189	40,768,432	114,756,621
Loans to Members	23,393,812	366,217,769	389,611,581
<b>Total financial assets</b>	<b>114,995,248</b>	<b>406,986,201</b>	<b>521,981,449</b>
<b>Financial liabilities</b>			
Creditors	1,901,759	-	1,901,759
Deposits from Members - at call	248,061,778	-	248,061,778
Deposits from Members - term	127,321,395	734,155	128,055,550
RBA - Term funding facility (TFF)	6,202,864	-	6,202,864
<b>Total financial liabilities</b>	<b>383,487,796</b>	<b>734,155</b>	<b>384,221,951</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 22 Financial Instruments Disclosure (cont'd)

#### (d) Interest rate change profile of financial assets and liabilities

Financial assets and liabilities have conditions which allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings). The table below shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date, or maturity date.

	Weighted average interest	Within 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Non- interest bearing \$'000	Total \$'000
<b>Consolidated Group</b>							
<b>2023</b>							
<b>Financial assets</b>							
Cash	3.19	10,086	-	-	-	711	10,797
Liquid investments	4.45	35,966	62,645	9,000	4,027	-	111,638
Loans to Members	4.29	164,749	8,996	44,445	61,467	2	279,659
Equity investments	N/A	-	-	-	-	2,385	2,385
Receivables	N/A	-	-	-	-	958	958
<b>Total financial assets</b>		<b>210,801</b>	<b>71,641</b>	<b>53,445</b>	<b>65,494</b>	<b>4,056</b>	<b>405,437</b>
<b>Financial liabilities</b>							
Deposits from Members	1.25	151,526	54,858	87,093	73,130	-	366,607
Creditors	N/A	-	-	-	-	3,564	3,564
<b>On balance sheet</b>		<b>151,526</b>	<b>54,858</b>	<b>87,093</b>	<b>73,130</b>	<b>3,564</b>	<b>370,171</b>
Undrawn commitments - Note 23	N/A	20,725	-	-	-	-	20,725
<b>Total financial liabilities</b>		<b>172,251</b>	<b>54,858</b>	<b>87,093</b>	<b>73,130</b>	<b>3,564</b>	<b>390,896</b>
<b>2022</b>							
<b>Financial assets</b>							
Cash	0.03	16,844	-	-	-	765	17,609
Liquid investments	1.41	33,539	55,469	19,451	6,026	-	114,485
Loans to Members	3.26	163,263	7,133	28,340	84,509	3	283,248
Equity investments	N/A	-	-	-	-	1,885	1,885
Receivables	N/A	-	-	-	-	336	336
<b>Total financial assets</b>		<b>213,646</b>	<b>62,602</b>	<b>47,791</b>	<b>90,535</b>	<b>2,989</b>	<b>417,563</b>
<b>Financial liabilities</b>							
Deposits from Members	0.23	166,520	56,539	73,069	79,818	-	375,946
RBA - Term funding facility (TFF)	0.25	-	-	6,169	-	-	6,169
Creditors	N/A	-	-	-	-	2,107	2,107
<b>On balance sheet</b>		<b>166,520</b>	<b>56,539</b>	<b>79,238</b>	<b>79,818</b>	<b>2,107</b>	<b>384,222</b>
Undrawn commitments - Note 23	N/A	20,218	-	-	-	-	20,218
<b>Total financial liabilities</b>		<b>186,738</b>	<b>56,539</b>	<b>79,238</b>	<b>79,818</b>	<b>2,107</b>	<b>404,440</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 22 Financial Instruments Disclosure (cont'd)

#### (e) Fair value of financial assets and liabilities

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability. Significant assumptions used in determining the cash flows are that the values and timings of cash flows will be consistent with the contracted terms.

The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by NICU, and there is no active market to assess the value of the financial assets and liabilities.

The values reported have not been adjusted for the changes in credit ratings of the assets. Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

	Fair Value \$'000	Carrying value \$'000	Variance \$'000
<b>Consolidated group</b>			
<b>2023</b>			
<b>Financial assets</b>			
Cash	10,797	10,797	-
Receivables	958	958	-
Liquid investments	110,942	111,638	(696)
Loans to Members	275,411	279,659	(4,248)
Equity investments	2,385	2,385	-
<b>Total financial assets</b>	<b>400,493</b>	<b>405,437</b>	<b>(4,944)</b>
<b>Financial liabilities</b>			
Deposits from Members	368,118	366,607	1,511
Creditors	3,564	3,564	-
<b>Total financial liabilities</b>	<b>371,682</b>	<b>370,171</b>	<b>1,511</b>
<b>2022</b>			
<b>Financial assets</b>			
Cash	17,609	17,609	-
Receivables	336	336	-
Liquid investments	113,134	114,485	(1,351)
Loans to Members	278,717	283,248	(4,531)
Equity investments	1,885	1,885	-
<b>Total financial assets</b>	<b>411,681</b>	<b>417,563</b>	<b>(5,882)</b>
<b>Financial liabilities</b>			
Deposits from Members	375,962	375,946	16
Creditors	2,107	2,107	-
RBA - Term Funding Facility (TFF)	6,169	6,169	-
<b>Total financial liabilities</b>	<b>384,238</b>	<b>384,222</b>	<b>16</b>

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **22 Financial Instruments Disclosure (cont'd)**

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

The fair value estimates were determined by the following methodologies and assumptions:

#### **Liquid assets and receivables from other financial institutions**

The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 12 months approximate their fair value as they are short term in nature or are receivable on demand.

#### **Loans and advances**

The carrying value of loans and advances is net of unearned income and provisions for impairment.

For variable rate loans, (excluding impaired loans) the amount shown in the balance sheet is considered to be a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the period to maturity of the loans. The discount rates applied were based on the current applicable rate offered for the average remaining term of the portfolio.

The 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.

#### **Deposits from Members**

The fair value of call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the Balance Sheet. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related period maturity.

#### **Creditors**

The carrying value of payables due to other financial institutions approximate to their fair value as they are short term in nature and reprice frequently.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 23 Financial commitments

#### (a) Outstanding loan commitments

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
Loans and credit facilities approved but not funded or drawn at the end of the financial year:				
Loans approved but not funded	2,648,872	718,293	2,648,872	718,293
Loan redraw facilities available	13,557,821	15,194,770	13,557,821	15,194,770
Undrawn overdraft, line of credit and VISA:				
Total value of facilities approved	6,338,374	6,219,089	6,338,374	6,219,089
Less: amount advanced	(1,820,019)	(1,914,568)	(1,820,019)	(1,914,568)
	4,518,355	4,304,521	4,518,355	4,304,521
Total financial commitments	20,725,048	20,217,584	20,725,048	20,217,584

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

#### (b) Future capital commitments

Northern Inland has entered into contracts for the purchase of property, plant and equipment which has not been recognised as a liability and is payable as follows:

Within 1 year

-	-	-	-
---	---	---	---

#### (c) Computer Bureau expense commitments

Non cancelable expense commitments for the supply of computer support staff and services, not recognised as a liability and payable as follows:

Within 1 year

Later than 1 year but not 5 years

103,500	504,000	103,500	504,000
-	100,464	-	100,464
103,500	604,464	103,500	604,464

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 24 Standby borrowing facilities

NICU has a borrowing facility with CUSCAL of:

	Approved facility \$	Current borrowing \$	Net available \$
<b>2023</b>			
Overdraft facility	2,000,000	-	2,000,000
<b>Total standby borrowing facilities</b>	<b>2,000,000</b>	<b>-</b>	<b>2,000,000</b>
<b>2022</b>			
Overdraft facility	2,000,000	-	2,000,000
<b>Total standby borrowing facilities</b>	<b>2,000,000</b>	<b>-</b>	<b>2,000,000</b>

The overdraft is secured by a \$2 million Term Deposit held with CUSCAL.

### 25 Contingencies

#### (a) Contingent Liabilities

NICU had the following contingent liability at the end of the reporting period:

NICU is a party to the Credit Union Financial Support Scheme (CUFSS) and has executed an Industry Support Contract (ISC) with CUFSS. The purpose of the CUFSS scheme is to provide members with emergency liquidity support in accordance with the terms of the ISC, a contract which has been certified by APRA under the Banking Act.

As a member of CUFSS, NICU may be called upon by CUFSS to contribute to emergency liquidity loans for one or more other CUFSS members. Should NICU be required to contribute funding, any such liquidity loans would be structured and priced in accordance with normal commercial terms, as determined by CUFSS. The total amount of funding that NICU could be required to provide to other members cannot exceed, in aggregate, 3% of NICU's assets capped at \$100 million.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 26 Disclosures on Directors and Other Key Management Personnel

Key management persons are those persons having authority and responsibility for planning, directing and controlling the activities of NICU, directly or indirectly, including any director (whether executive or otherwise) of that credit union. Control is the power to govern the financial and operating policies of a credit union so as to obtain benefits from its activities.

Key management persons (KMP) have been taken to comprise the directors and the members of the management team responsible for the day to day financial and operational management of NICU.

#### (a) Remuneration of Directors and Key Management Personnel (KMP)

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

	2023	2023	2022	2022
	Directors	Other KMP	Directors	Other KMP
(a) Short-term employee benefits	224,127	909,186	220,412	800,925
(b) Post-employment benefits - superannuation contributions	26,848	85,534	24,791	82,106
(c) Other long-term benefits - net increases in provisions	-	433,285	-	(53,390)
(d) Other director benefits	-	-	-	-
	<b>250,975</b>	<b>1,428,005</b>	<b>245,203</b>	<b>829,641</b>

In the above table, remuneration shown as short-term benefits means (where applicable) wages, salaries, paid annual leave and paid sick leave, but excludes out of pocket expense reimbursements. All remuneration to directors was approved by the Members at the previous Annual General Meeting of NICU. The increase in Other long-term benefits relates to the accumulation for 3 long-standing staff members. In the review of contractual arrangements for Executive staff, a discrepancy was noted, and has now been corrected.



## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 26 Disclosures on Directors and Other Key Management Personnel (cont'd)

#### (b) Loans to Directors and other Key Management Persons (KMP)

	2023	2022
	\$	\$
Aggregate value of loans at balance date	446,245	1,113,699
Aggregate value of loans disbursed - Term loans	75,000	259,165
Total value of overdraft facilities at balance date	40,000	52,000
Less: amounts drawn down:	(8,183)	(7,914)
<b>Net balance available</b>	<b>31,817</b>	<b>44,086</b>
Aggregate value of overdraft facility limits granted or increased	-	-
Interest earned on loans and overdraft facilities	8,332	18,252

NICU's policy for lending to directors and management is that all loans are approved and deposits accepted on the same terms and conditions which applied to Members for each class of loan or deposit with the exception of loans to KMP who are not directors. There are no loans which are impaired in relation to the loan balances with KMP's.

There are no benefits or concessional terms and conditions applicable to the close family members of the KMP. There are no loans which are impaired in relation to the loan balances with close family relatives of Directors and KMP.

#### (c) Other transactions between related parties including deposits from KMP are:

	2023	2022
	\$	\$
Total value term and savings deposits from KMP	6,483,133	7,597,257
Total Interest paid on deposits to KMP	69,539	32,952

The policy of NICU for receiving deposits from related parties is that all transactions are approved and accepted on the same terms and conditions which applied to Members for each type of deposit, with the exception of interest on Term Deposits. Memberships in the name of KMP and/or their spouses but excluding Directors memberships, superannuation funds and company memberships are given 0.25% per annum above the applicable standard rate offered on Term Deposits invested with NICU.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **27 Interests in Subsidiaries**

The Parent Entity is Northern Inland Credit Union Ltd. Particulars in relation to controlled entities:

	<b>Principal place of business / Country of Incorporation</b>	<b>Percentage Owned (%) 2023</b>	<b>Percentage Owned (%)* 2022</b>
<b>Subsidiaries:</b>			
Northern Inland Investment Group Pty Ltd	Australia	<b>100</b>	100
Northern Inland Investment Services Pty Ltd	Australia	<b>100</b>	100

Northern Inland Investment Group Pty Ltd is the sole unit holder in the Northern Inland Investment Trust for which Northern Inland Credit Union Ltd is the trustee.

The Northern Inland Investment Trust has a 100% (2022 - 100%) ownership interest in the Northern Inland Investment Services Pty Ltd.

On 15 October 2021, Northern Inland Credit Union Ltd entered into an agreement to purchase the remaining shares (41%) of Northern Inland Investment Services Pty Ltd from Bridges Financial Services Group Pty Ltd for a consideration of \$631,621. The purchase has been paid in instalments and finalised on 30 November 2022.

### **28 Outsourcing arrangements**

NICU has arrangements with other organisations to facilitate the supply of services to Members:

a) Credit Union Services Corporation (Australia) Limited (CUSCAL): CUSCAL is an Approved Deposit Taking Institution registered under the Corporations Act 2001 and the Banking Act. NICU has equity in the company. This organisation:

i. Provides the licence rights to Visa Card in Australia and supplies services in the form of settlement with other institutions for ATM and Visa card transactions, cheque and direct entry transactions, as well as the production of VISA cards for use by Members.

ii. Operates the computer network, including switching, used to link Visa cards operated through approved ATM providers to NICU's computer systems.

iii. Provides treasury and money market facilities to NICU. NICU invests a part of its liquid assets with CUSCAL to comply with the Liquidity Support Scheme requirements. NICU has also established its borrowing facilities with CUSCAL.

b) Experteq: this company operates the computer facility on behalf of NICU in conjunction with other credit unions. NICU has a management contract with the Bureau to supply computer support staff and services to meet the day-to-day needs of NICU and compliance with relevant Prudential Standards.

c) Ultradata Australia Pty Limited: this company provides and maintains the application software utilised by NICU.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **29 Superannuation liabilities**

NICU contributes to various superannuation plans for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of employees. The plans are administered by independent corporate trustees.

NICU has no interest in the superannuation plans (other than as a contributor) and is not liable for the performance of the plans, or the obligations of the plans.

### **30 Segmental reporting**

The consolidated group operates predominantly in the retail financial services industry within Australia. The operations comprise the acceptance of deposits from and the making of loans to Members.

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 31 Cash flow information

#### (a) Reconciliation of net profit/(loss) after tax to cashflows from revenue activities

	Consolidated Group		Northern Inland Credit Union Limited	
	2023	2022	2023	2022
	\$	\$	\$	\$
Operating profit after income tax	(2,015,957)	1,029,810	(2,013,501)	1,065,524
Non-cash flows:				
- amortised fees on loans	(61,554)	(10,306)	(61,554)	(10,306)
- amortisation of intangible assets	6,299	6,299	6,299	6,299
- depreciation expense	646,058	477,084	621,811	452,701
- loss / gain on disposal of fixed assets	4,971,229	(20)	4,971,229	(20)
- provision for loan impairment	(36,565)	83,439	(36,565)	83,439
- employee entitlements	500,678	7,889	518,654	(21,357)
- fair value loss	64,238	57,334	64,238	57,334
- leasing costs	(114,583)	(113,983)	(114,583)	(113,983)
Changes in assets and liabilities				
- provision for income tax	-	(87,143)	-	(79,030)
- creditors and accruals	133,282	22,447	138,577	(106,672)
- interest payable	1,400,214	(70,492)	1,400,214	(70,492)
- interest receivable	(619,477)	(169,681)	(602,293)	(169,681)
- prepayments	(25,664)	5,125	(27,299)	10,177
- deferred tax assets	-	195,177	-	192,803
- deferred tax liabilities	6,416	-	6,825	-
- future income tax benefits	(1,129,567)	(22,303)	(1,135,397)	(20,060)
- revaluation reserves	-	(260,904)	-	(149,830)
Net cashflow from revenue activities	<u>3,725,047</u>	<u>1,149,772</u>	<u>3,736,655</u>	<u>1,126,846</u>

#### (b) Reconciliation of cash

Cash includes cash on hand, and deposits at call with other financial institutions and comprises:

Cash on hand	710,764	764,679	710,764	764,679
Deposits at call	10,086,182	16,843,942	10,086,182	16,843,942
	<u>10,796,946</u>	<u>17,608,621</u>	<u>10,796,946</u>	<u>17,608,621</u>

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2023**

### **32 Events Occurring After the Reporting Date**

The financial report was authorised for issue on 3 October 2023 by the board of directors.

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### **33 Company Details**

The registered office of the credit union is:

Northern Inland Credit Union Limited

481 Peel Street

Tamworth NSW 2340

#### **General information**

Branches:

- 481 Peel Street Tamworth

- 73 Maitland Street Narrabri

- 252 Conadilly Street Gunnedah

## Notes to the Financial Statements

For the Year Ended 30 June 2023

### 34 Heads of Department Information

Derek McIntyre, Chief Executive Officer: employee since 1996. The CEO is responsible for the direction of business, its development and growth, and coordination and management of the Heads of Department. Derek's background has been in the areas of marketing, operations, IT and product development, having held the roles of Marketing Manager, Senior Manager Operations, Executive Manager Operations, and General Manager Retail Service. Derek is a Nominated Responsible Officer for Northern Inland's Australian Financial Services Licence and Australian Credit Licence.

Academic record:

2020: Currently studying Graduate Certificate in Digital Transformation, RMIT

2009: Graduate Certificate Applied Finance, Kaplan

2008: Diploma, Australian Institute of Company Directors

2007: Master of Science, Mercy College, New York

2002: Master of eBusiness, University of Southern Queensland

1999: Graduate Certificate Internet Marketing, Charles Sturt University

1997: Bachelor of Commerce, University of New England

Kathy Beavan, Deputy CEO: employee since 1998. The Deputy CEO is responsible for the direction of business and overall development and growth in nominated specific areas, managing capital, operating income and expenditure budgets and forecasts. Kathy's experience in finance and accounting has encompassed the roles of Manager Finance & Administration, Executive Manager Finance, and Chief Financial Officer. Kathy is a Nominated Responsible Officer for Northern Inland's Australian Financial Services Licence.

Academic record:

2022: Graduate Certificate in Business Analytics, RMIT

2019: Graduate Diploma of Science (Applied Statistics), Swinburne University of Technology

2013: Master of Applied Finance, Charles Sturt University

2011: Company Directors Course, Australian Institute of Company Directors, Sydney

2008: CPA accreditation

2004: Graduate Diploma of Personal Financial Planning, University of Southern Queensland

2003: Tier 2 Certification, Institute of Financial Services Inc.

2002: Bachelor of Business (Accounting), Charles Sturt University.

1996: Certificate IV in Finance and Banking, IFS Inc

1995: Advanced Certificate in Finance and Banking, IFS Inc

Anna Clark, Company Secretary: employee since 2002. Anna's background has included the positions of Solicitor & Compliance Manager, Executive Manager Compliance, HR & Training and Head of Compliance and Risk. Responsible for compliance and regulatory areas, she acts in the roles of Privacy Officer, Complaints Officer and Company Secretary. Anna is a Nominated Responsible Officer for Northern Inland's Australian Financial Services Licence.

Academic record:

2015: Diploma of Management, Institute of Financial Services Inc

2011: Certificate 4 Frontline Management, Institute of Financial Services Inc

Company Directors Course, Australian Institute of Company Directors, Sydney

2010: Certificate 4 Financial Services, Institute of Financial Services Inc

2002: Tier 2 Certification, Institute of Financial Services Inc.

1997: Admission to Practice as Legal Practitioner, Supreme Court, New South Wales

1996: Accreditation with College of Law, St Leonards NSW

1995: Bachelor of Law with Bachelor of Arts (Anthropology), Macquarie University

Directors' Declaration

The directors of the Company declare that:

- 1. the financial statements and notes for the year ended 30 June 2023 are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position and performance of the Company and consolidated group;
- 2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Chair of Board .....  
Robert James Studte

Dated

## Northern Inland Credit Union Limited

# Independent Audit Report to the members of Northern Inland Credit Union Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Northern Inland Credit Union Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2023, 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 Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

#### Independence

We are independent of the consolidated entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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.

#### Responsibilities of Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* 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 Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

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



## **Northern Inland Credit Union Limited**

# **Independent Audit Report to the members of Northern Inland Credit Union Limited**

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our responsibility is to express an opinion on the financial report based on our audit. 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 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 the financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 entity's internal control.

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, internal omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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 entity'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 consolidated entity to cease to continue as a going concern.

We 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 obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 our audit.

PKF

Chartered Accountants

PAUL PEARMAN

Partner

Sydney, NSW

Dated: