SOUTHERN CROSS CREDIT UNION

Annual Report 2024

Supporting our customers through their financial life stages

Contents

Our commitment to building strong personal relationships with our customers, while embracing digital innovation, has been a cornerstone of our success.

We are more equipped than ever to serve you better

Over the past year, we have made significant strides in aligning our strategies with our vision of providing responsive and relevant banking services. Our focus on enhancing our financial performance, addressing regulatory changes, refining our systems, and improving our processes has directly benefited our valued customers.

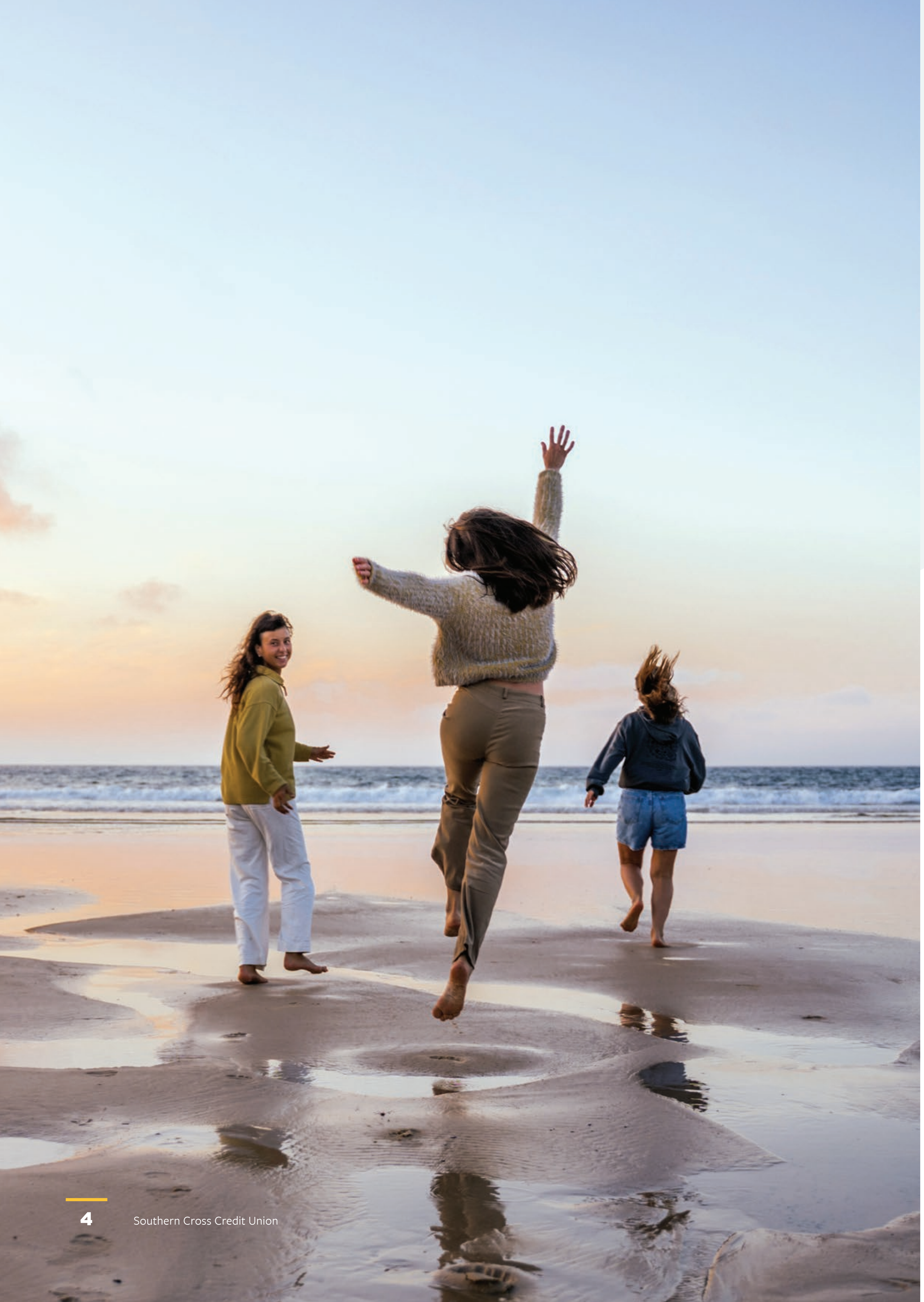
Equally important, by investing in our teams professional development, training, and mental and physical health benefits, we have witnessed a positive impact on the quality of service delivered to customers.

We are incredibly proud to announce that our efforts have resulted in a remarkable 92% employee engagement score, recognition as an Employer of Choice, and an astonishing 92% overall customer satisfaction rating.

Our commitment to building strong personal relationships with our customers, while embracing digital innovation, has been a cornerstone of our success. We extend our sincere gratitude to all our customers who took the time to share their valuable feedback. Your input is instrumental in helping us continuously improve and meet your evolving needs.

Despite a planned period of controlled growth and infrastructure investments, our financial performance has remained robust. Our key financial ratios and objectives have exceeded expectations, demonstrating our ability to balance economic competitiveness with financial sustainability.

As we look ahead, we are committed to delivering a seamless digital banking experience while preserving the core values that have defined our institution. Our advantage as a customer-owned Credit Union, coupled with our dedicated team, positions us to navigate the challenges and seize the opportunities that lie ahead.



Our Results Highlights

Asset Growth
2.1%

Loan Growth
3.4%

Deposit Growth
5.0%

Net Profit After Tax
$1.091m

Customer Satisfaction
92%

Employee Engagement
92%

Our strategic approach

Our strategic approach remains grounded by our vision and purpose to provide responsive and relevant banking to support our customers through their financial life stages.

By enhancing our existing traditional channels and reimagining new and existing digital journeys, we aim to provide deeper and hyper-personalised experiences, whilst leveraging advanced technologies to meet our customer's ever evolving expectations.

One thing we know for certain is that evolution in the banking sector will continue, driven by rapid technological advancements, shifting market dynamics, and an ever-changing economic and regulatory environment.

We continue to keep pace with it all, looking at specific areas to reshape our business. Our focus is on delivering an improved customer experience by enhancing our operational efficiency, which includes our approach to distribution, governance, infrastructure and financial sustainability.

To address the constant changes in the economic and regulatory landscape, we are confident in our resolution to grow at a controlled pace, making sure our key financial ratios remain healthy and sustainable for the long term. We expect 2025 to be another challenging year with inflationary pressure driving consumer behaviour, and we have designed our strategy to accommodate for these fluctuations with a slower but steady prolonged growth.

By becoming more digitally enabled and taking the time to reconcile the new solutions into our daily operations, we welcome automation and open space for improved customer service, better human resource management, data-driven decision making, and a more robust environment for data security.

Ultimately, we aim to embrace innovation, fostering seamless integration and collaboration across ecosystems, and financial sustainability without losing sight of what made us the success we are today.

Awards and recognition

2024 Northern Rivers Regional Business Awards

- **Winner Employer of Choice**
- Finalist in Excellence in Large Business
- Finalist in Excellence in Innovation
- Finalist in Excellence in Business & Professional Services

2024 Tweed Regional Business Awards

- Finalist in Excellence in Large Business
- Finalist in Excellence in Business & Professional Services

2024 Ballina Business Excellence Awards

- **Winner Employer of Choice**
- Finalist in Excellence in Large Business
- Finalist in Excellence in Innovation

SCCU CEO, Stuart Edwards

A great achievement highlighting the importance of a strong collaborative culture and positive work environment, one that fosters well-being and personal growth, keeping people at the centre of everything we do.

Banking services that evolve with you

Led by our customer-centric strategy, we are genuinely committed to actively listening and evolving with our customers. This commitment is reflected in the continued improvement of our products, services and support. Thank you for providing your feedback to help us strengthen and improve on the services your Credit Union provides.

NetBanking and e-Statements

Our customers can now enjoy the updated version of NetBanking, our online banking platform. Apart from the new look, the platform includes tips for security, quick links to FAQs and other products, and it's a lot easier to navigate giving you a better digital banking experience.

New customers are now automatically registered for NetBanking and for receiving electronic statements. This initiative was implemented as part of our sustainability efforts to reduce paper consumption and the impact on our environment. Existing customers can switch to electronic statements at any time.

Fast Payments with Osko® and PayID®

We have incorporated Fast Payments with Osko and PayID into our payment processing capabilities. The new feature allows for customers to make and receive payments, in most instances, in less than a minute, 24/7 for amounts up to $5,000.

Customers can also register for PayID using a registered mobile number, email address, ABN or Organisation Identifier. A great alternative to using a BSB/Account number, making transactions even easier and more secure.

This initiative reflects our commitment to listening to our customers and modernising our payment systems, ultimately maintaining competitiveness in an evolving financial landscape.

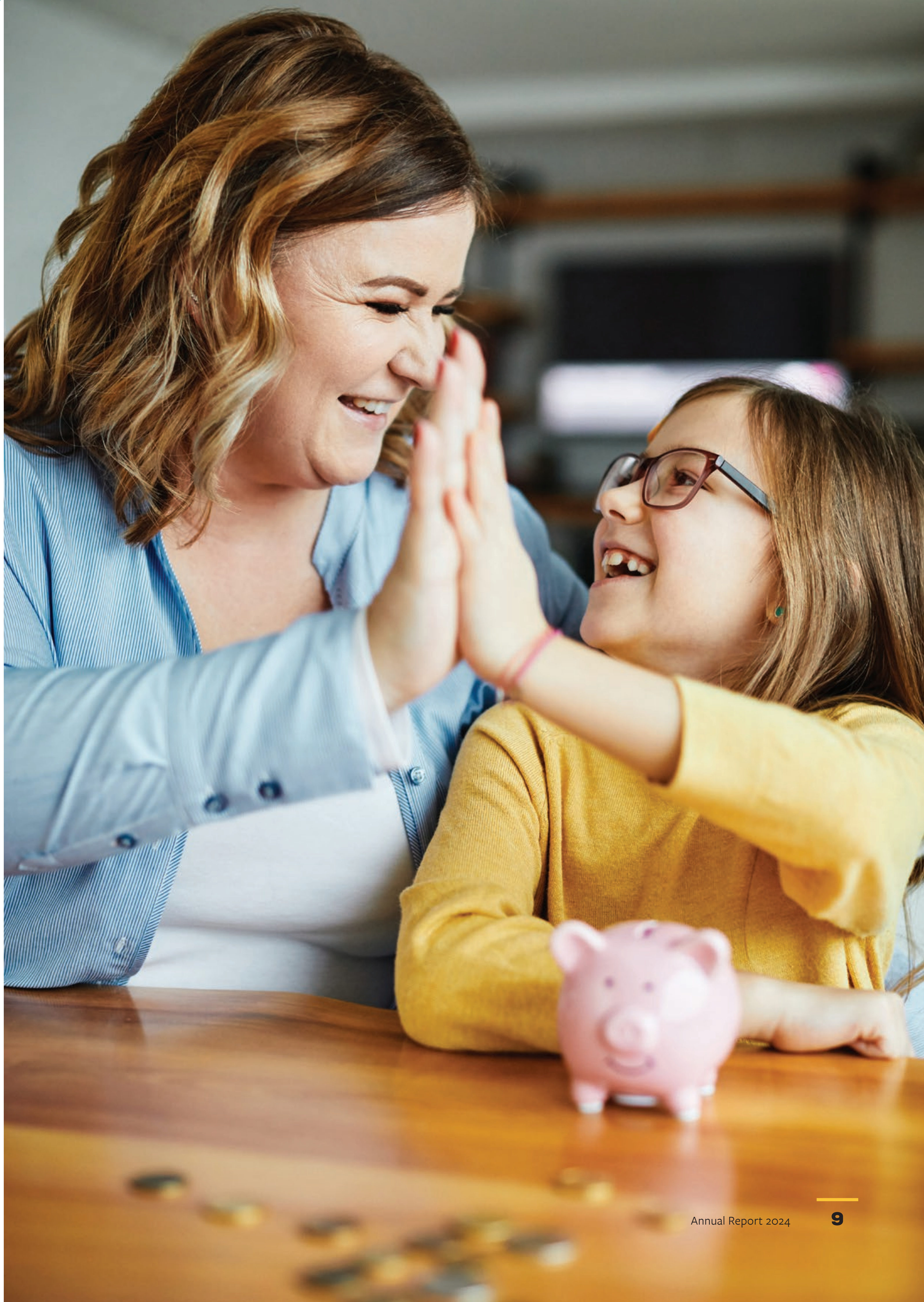
PayTo® for better payment management

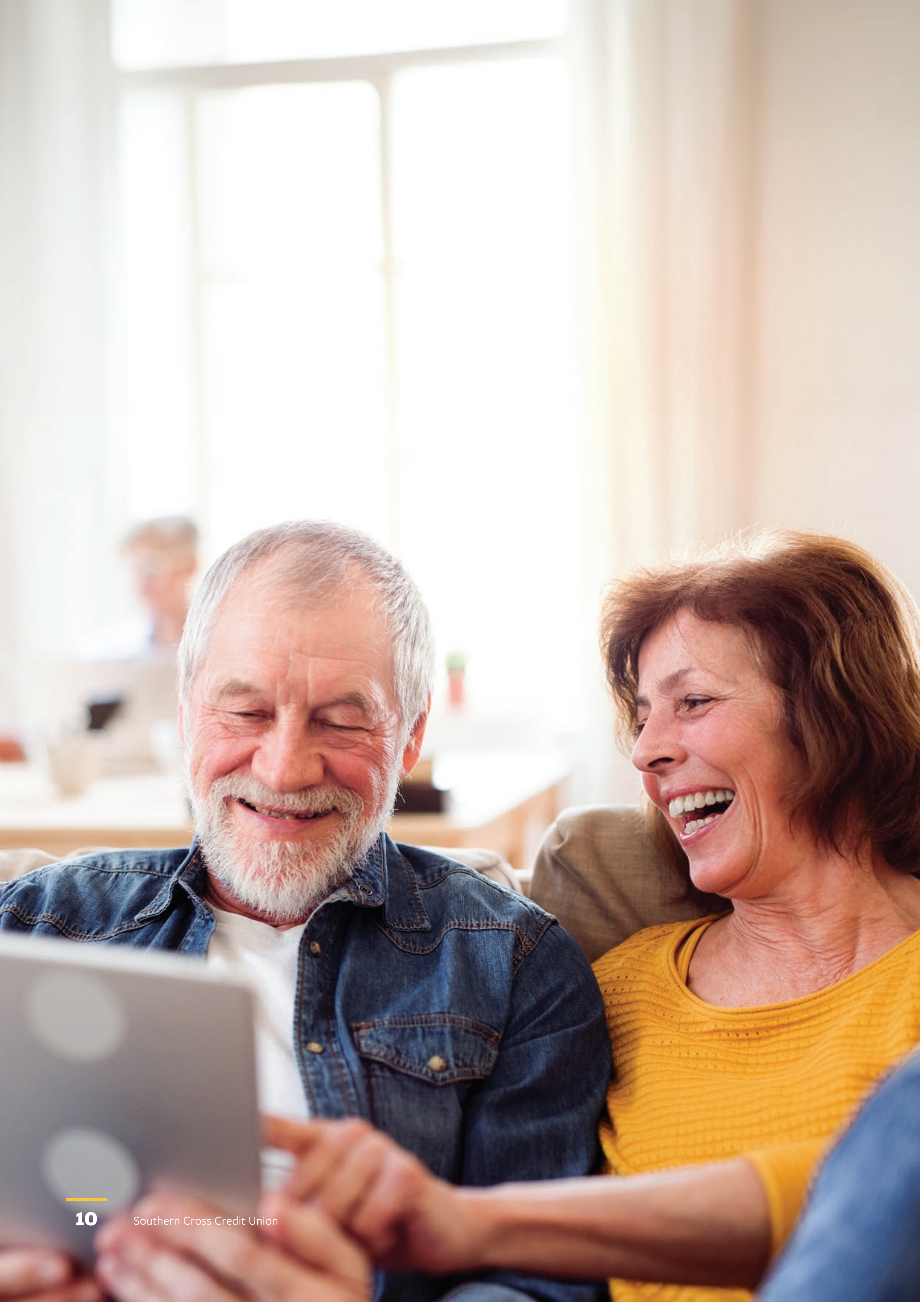
As part of our resolution to enhance our payment processing capabilities, over the coming year we will introduce PayTo as an additional integration to our Fast Payments solutions.

PayTo is a real-time payment initiation and management platform that simplifies the way payments are made, allowing for instant transfers, bill payments, and account-to-account transactions, including recurring payments, with unprecedented ease and security. It will give our customers more visibility and control over their payments and enable merchants and businesses to initiate real-time payments from their customers' bank accounts.

Digital loan application system

We have introduced an online digital lending platform that modernises and automates the complete lending process, from customer origination to loan decisioning and settlement. The system is a comprehensive and digital-first platform built to make the entire lending experience simple. By integrating advanced automation, intuitive user interfaces, and robust data analytics, the system ensures a seamless experience for both customers and our staff. This is both a transformational product and lending experience for our customers, offering faster, more efficient, and personalised loan services.





Apple Push Provisioning

This functionality allows customers to easily and securely add their bank-issued cards to the Apple Wallet directly from SCCU's app. This integration simplifies the process of enabling contactless payments, ensuring that customers can quickly start using their cards with Apple Pay without the need for physical card details.

Adopting Apple Push Provisioning not only improves customer convenience but also strengthens security by utilising Apple's advanced encryption and authentication technologies. This capability reduces the friction associated with traditional card provisioning methods, minimises the risk of card fraud, and increases customer engagement by integrating our services more closely with the everyday digital habits of customers.

New 100% recyclable debit cards

We introduced our new Visa debit cards made from recycled materials. An initiative designed to avoid plastic waste, reduce carbon emissions, and help our customers embark on our sustainability journey with us.

The new cards are made from waste derived from PVC toys, medical and electric plastic, making it also 100% recyclable after usage. We predict this change will see over 130kgs of plastic waste recycled into our debit cards over the next 4 years.

Product improvements

We are always looking for ways to improve our services to better meet our customer's needs. We have removed or improved various fee and interest rate structures associated with some of our products to reduce costs in banking with us.

Convera

With American Express decommissioning their services, we have taken the opportunity to engage with a new International Payment services provider, Convera, to expand our capabilities, offering more convenience to our customers, including an online payment system via NetBanking.

Website redesign

Apart from improving our products, we are also exploring ways to improve how we present them. For the year ahead, we are working on a major website redesign with the focus on optimised user navigation and high-quality content to improve the overall experience.

We aim to provide more clarity on product benefits and requirements, as well as addressing the most frequent questions, giving our customers all the information they need for decision-making only one click away.

Financial literacy

As part of our drive to offer services that are easy to engage and easier to understand, we have been producing more educational content around financial literacy to empower our customers in making informed decisions.

In addition to our Little Star Saver fact sheet helping parents implement the 3-Jar Method, we have introduced the 'What's the Buzz' series across our social channels to explain financial buzz words, shared a 'SMART Goals' template to help customers budget and save, and have launched a 'First Home Buyer Firsts' blog series to demystify the home buying process.

To support our customers even further in their decision-making process, we have also upgraded our online calculators with modernised and dedicated options for many of their financial planning scenarios such as Savings Growth, Income Tax and Home Loan Repayment calculators.

Keeping people at the core for a brighter future

As banking services become more self-service, keeping people and conversation at the core of everything we do is what differentiates us.

Our people carry our values of care, trust and responsibility to foster close relationships with our customers. In a mutually beneficial relationship, our customer's feedback ignites our passion for change and helps promote the growth and relevance of our business.

Customer satisfaction remains a top priority, and we are proud to report a significant improvement in our metrics with a notable increase in overall Customer Satisfaction to an averaged total of 92%.

Our Customer Satisfaction Survey in particular recognising that 84% of the respondents are satisfied with our services. When asked how likely customers would recommend us to family or friends in a scale of 0-10, 60% of our customers identified themselves as our brand promoters scoring us 9 or 10 with 'Easy to bank with', 'Value for money' and 'Customer service' being the main reasons behind their responses. This reflects our commitment to providing quality service and ensuring that our customers' needs are consistently met.

By focusing on employee well-being, professional development, and enhancing our customer service training, we continue to empower our team to deliver the best possible experience. The more engaged our team is, the higher the level of customer service they provide.

This year we introduced a new Human Resources software system to enhance communication and optimise performance management processes, including features for regular feedback, goal setting, training and development, peer recognition, and our Engage Conversation and Coaching Program. The system is designed to deliver simplicity, efficiency, and accessibility, ensuring a seamless experience for our team.

In Learning and Development, we successfully completed our Emergent & Central Leadership Programs, empowering our leaders to apply the holistic skills they have acquired in practical and effective ways.

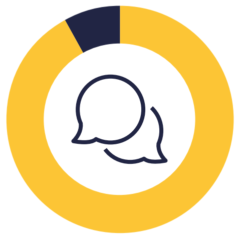
To attract and retain top talent in a competitive employment market, we made significant enhancements to our Employee Value Proposition, which resulted in an impressive employee engagement score of 92%, in addition to being recognised as the 2024 winner of the Employer of Choice category in both Ballina and the Northern Rivers Business Awards.

We reinforced our support for flexible working arrangements by implementing a dedicated Work from Home Policy and providing flexible working options for eligible roles. This policy offers our team greater flexibility and enhances work-life balance. An area that has had a noticeable positive affect on our performance.

We remain committed to continually improving our initiatives, supporting our employees, and maintaining high customer satisfaction.

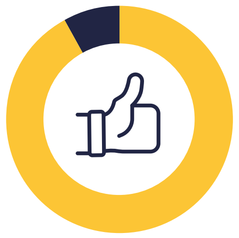
Employee Engagement

92%



Customer Satisfaction

92%



Our social responsibility approach

We are dedicated to playing our part in promoting sustainability across environmental, social and economic pillars.

We continue to integrate our social responsibility practices throughout our business and operations, working towards a common goal of reducing our negative impact on the places we are grateful to call home.

Our commitment to sustainability is embedded in many aspects of our business and we are constantly looking for ways to reduce our carbon footprint and minimise our environmental impact. From our digital enablement moving away from waste producing practices to the introduction of fully recyclable Visa debit cards, the use of eco-friendly cleaning and promotional material from local environmentally conscious businesses, to reinforcing sustainability-driven behaviours on our day-to-day activities.

By fostering long-term relationships with our Community Partners, we look for the same commitment and extend our vision and practices to broaden our reach and impact. These partnerships underscore our collective efforts to promote healthier community engagement and to raise awareness on pressing environmental challenges, particularly the impact of litter on our ecosystems and the necessity of rehabilitating our sick and injured wildlife.

Byron Bay Wildlife Sanctuary & Hospital

An organisation who are passionate about Australian wildlife conservation and protection through veterinary care, rehabilitation and education. They are home to many wild animals, from kangaroos and koalas to snakes and crocodiles, and have treated over 7000 injured wild animals since opening in October 2020.

Positive Change for Marine Life (PCFML)

PCFML mission is to drive long-term change for marine life. A global organisation born in Australia, focused on river and ocean conservation, and community education. Their goal is to rewild key local floodplains through multiple projects such as their River Warriors, currently benefiting the Brunswick River. An organisation we are proud to partner with.

Australian Seabird and Turtle Rescue

As an initial community grant holder to becoming a community partner, Australian Seabird and Turtle Rescue is a licensed organisation working on the rescue and rehabilitation of seabirds, shorebirds, sea turtles and sea snakes. Their specialised approach allows them to treat and save around 500 animals per year, while raising awareness on the dangers of wrongly disposed fishing line and tackle.

Cudgen Headland Surf Life Saving Club (CHSLSC)

We continue our support of the CHSLSC on their journey to cultivate and develop an active and healthier community. Their goal is to promote opportunities to deepen local engagement by covering many areas from surf lifesaver training to sports, education and community events bringing like-minded people together.

Hockey Tweed & Casuarina

Our newest partner, Hockey Tweed and Casuarina, have a similar approach to CHSLSC. They are focused on promoting important values to young children and their families through sports and community engagement. By hosting classes, games and themed events, they aim to promote a healthier environment for children to flourish.

For the coming year, we will continue to support our community partners in the work they do across our region to support social, educational, and environmental sustainability. We remain genuinely committed in making a positive impact and continue to explore opportunities to expand our actions beyond our business capabilities towards our partners, customers and broader community.

An always evolving operating environment

From optimised frameworks and new technology implementation to employee professional development, our operating environment is in constant evolution to meet regulatory requirements, respond to consumer demands, and prepare us for a better future.

To keep pace with the market while meeting our customers' expectations, we have invested in multiple areas of our operations taking proactive action to stay at the forefront of cyber and fraud security, regulatory changes, and digital enablement. All aimed at becoming more efficient in our operations, increasing productivity and returns as the business grows.

Having a secure foundation gives us confidence to implement multiple solutions such as the recently implemented Fast Payments incorporating Osko and PayID giving our customers the ability to make and receive real-time payments, the NetBanking revamp for better internet banking experience, and the Apple Push Provisioning for easy card management to name a few.

As part of removing friction for a more efficient operating environment, we have launched a digital lending platform that automates the complete lending process from acquiring customers to loan decisioning, settlement, and pipeline management. The solution can be used by our in-house lending teams, our third-party partners, and by customers if they wish to complete their applications online, resulting in faster turnaround times, more efficient process, and greater visibility on applications all within the one platform.

It is imperative that we continue to expand and invest significantly in our digital program to support the ever-changing needs of our current and future customers while not losing sight on the key components that have driven our results to this day. Our ability to rapidly act upon our customers' feedback and industry changes is what allow us to remain relevant and competitive in the market.

We are confident in our infrastructure and are exploring opportunities to further strengthen our cyber security, systems and technologies to continue to make banking easy while protecting what is important. With the increasing number of scams and cyber attacks, we remain diligent in keeping our customers data safe.

As we navigate digital and regulatory changes, we plan to invest more on software upgrades, fraud monitoring, more responsive security procedures, as well as empowerment of our teams and customers with regular training and educational content.

In parallel, we aim to remain financially successful, and we will continue to prioritise prudent cost management practices to ensure our long-term financial sustainability, the continued growth and value we provide to our existing and new customer base.

Strategic Operational Pillars:

Distribution

Create true omni channel experience, providing an end-to-end personal experience ensuring a high level of customer satisfaction, engagement, conversion, and retention across all channels.

Governance and compliance

Instil an appropriate level of risk culture across the business to drive sustainable growth in a well-controlled environment.

Infrastructure

Implement system upgrades and new technologies to improve operational efficiencies, while strengthening our frameworks to become more sophisticated especially against scams and fraud attempts.

Financial sustainability

Maintain profitable and sustainable growth ensuring that our capital is managed appropriately whilst maintaining our cost-to-income, margin, and other key financial ratios.

People and culture

Develop a highly-skilled and engaged team, supported by strong leaders within a value-aligned framework.

Governance aligned to industry changes

Our organisational governance pillars ensure we have an appropriate focus on the key risks and adequate controls in place to maintain a balanced risk appetite that supports our growth initiatives and aligns to regulatory expectations.

As we continue our journey to become more digitally enabled, our biggest advance will be the use of data-driven insights to better engage with our customers and to support our decision making in a raft of areas including operational risk, cyber risk, and risk culture.

To reinforce this strategy, we continue to engage with various external partners to review and audit our business policies and operational processes, driving us to a higher standard. These experts provide us with accuracy and guidance for effective prudential regulation review, implementation and management.

Further to aligning with these requirements of sound governance, we have undertaken a number of specialised reviews over the past year to provide an additional layer of independent oversight to complement our risk strategies. The outcomes, having identified no material concerns, giving us the confidence that our frameworks and controls remain effective to protect our business and customers from potential compromise, attacks and losses.

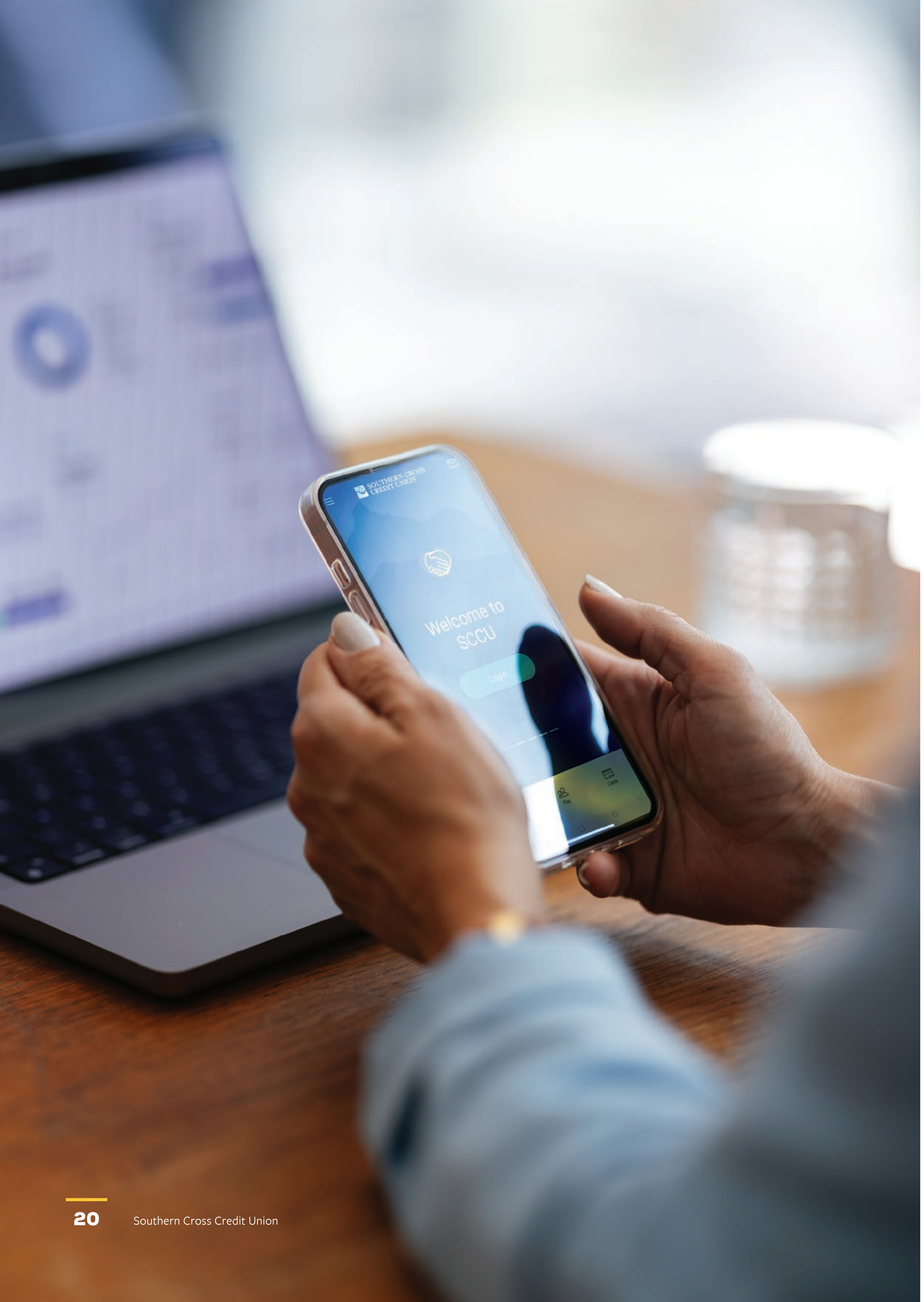
We have changed our internal auditor moving from KPMG to BDO Pty Ltd. The new relationship also delivers a co-sourced model with the inclusion of an internal resource. As part of this change, we have engaged Grant Thornton as our external audit partner replacing BDO Pty Ltd, ensuring the ongoing independence and rotation of our risk and audit frameworks.

In addition, we are exploring opportunities to reinforce our defences against external risk factors to protect both the Credit Union and our customers. As cyber-crime becomes more prominent and customer behaviour shifts to a more digital and instant approach, we see an increased vulnerability. This requires us to incorporate deeper diligence in the fraud and scam environment while meeting our obligations of any impending legislation.

The year ahead will see a deliberate investment in the uplift of our operational resilience. This will ensure we are well prepared for the commencement of the new Prudential Standard CPS230, aimed at ensuring that, as an APRA-regulated entity, we are resilient to operational risks and disruptions.

As we have done over the past few years, firstly with our risk management frameworks followed by our security and cyber frameworks, we will develop overarching systems and controls to assist us in meeting compliance, and being well positioned to meet any business disruptions that may occur through our own systems or those where we have a reliance on third parties.

As a result of all of these initiatives and actions, we maintain confidence in our sound risk management practices and the continued strength of our business, which should give our customers peace of mind as to the ongoing effective performance and safety of the Credit Union.



Cyber-resilience and enhanced infrastructure

As financial transactions are becoming heavily digitalised and customers operate more autonomously, the risk of cyber vulnerability increases exponentially and data security becomes imperative.

To continue to protect what is important for our customers and business, we have worked tirelessly over the past year focused on strengthening our defences and adopting proactive measures to secure the banking ecosystem against emerging cyber threats and ensuring data privacy remains at the forefront of our strategic direction.

We continue the refinement of our Information Technology (IT) protocols and controls in alignment with the Prudential Standard 234 Information Security requirements to provide for more efficiency while minimising the likelihood and impact of any information security incidents.

In addition, we continue to develop and practice ‘War Game’ and Incident Management scenarios to promote awareness within the business, along with Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) testing. We have completed improvements such as the full migration to Defender 365 Desktop, enhanced security for Defender 365 and Phishing, and a new web application firewall implementation, reinforcing our steadfast adherence to industry benchmarks.

The biggest advantages of becoming more digitally enabled are providing our customers with the tools and resources they need to meet their banking needs and having the competitive advantage of data-driven insights to promote a more personalised and analytical approach.

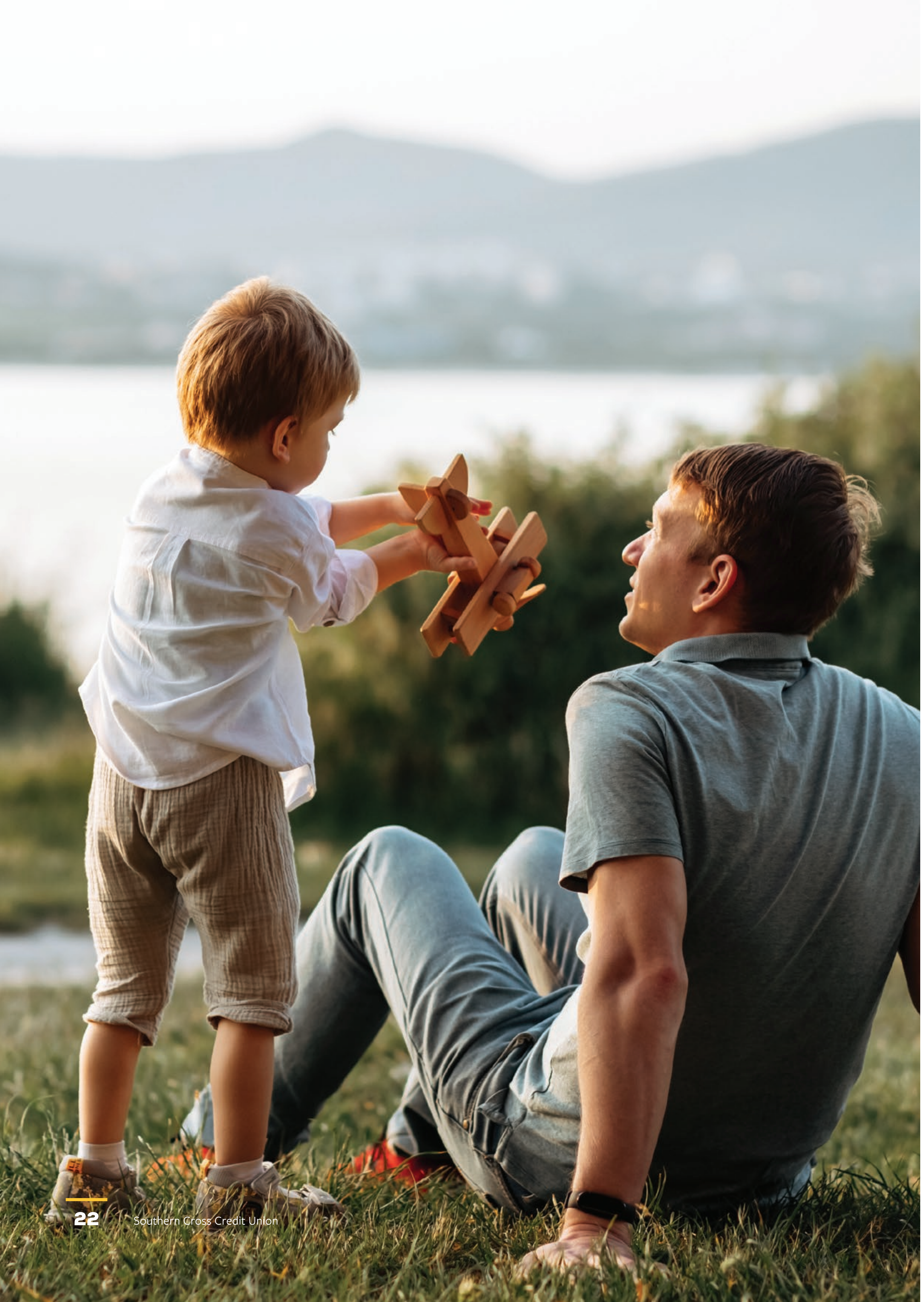
This intelligence is fundamental to support our decision making when it comes to operational risk, portfolio management, cyber security, and risk culture. All aimed to address today’s risks as well as new challenges beyond the horizon while keeping our customers’ needs at the core, and why investing in new technologies and data security remains paramount.

Our focus for the year ahead is on expanding our digital capabilities to all our products and channels. Apart from the recently launched end-to-end digital loan application process for both home loans and personal loans, we aim to implement the same solution for our other banking products, providing more convenience to our customers while remaining relevant in the market.

Additionally, we have initiated our due diligence process to transition our current core banking system into an upgraded system, built on modern architecture and security principles exploring alternative cloud-based solutions.

Technology will continue to play a big role in the banking and finance. Whether it is budgeting tools, real-time, or the incorporation of AI tools into the lending processes, the goal is to provide customers with an even more holistic view of their finances while keeping their data safe.

These ongoing investments in security and new technologies are crucial to paving the future of our Credit Union while offering a high level of security, and they are part of a broader strategic plan that will see our business and customers benefiting from the years to come.



Predictability to support our financial sustainability

As predicted in last years' annual report, our profitability, measured by our Return on Assets, declined in 2023-2024 while our other key financial measures exceeded prudential minimums, ensuring your Credit Union remains financially stable.

The expected decline in profitability is attributable to multiple factors such as loan growth stabilisation after previous years of strong growth, repricing of risk in the fixed rate lending book, higher interest in deposits and the slight increase in loan arrears.

The reduction in net interest margin was forecasted and is a legacy of the low-interest rate environment during Covid, when many customers took the opportunity to fix their home and investment loans at very low interest rates. Subsequently, the Reserve Bank of Australia (RBA) increased the cash rate to 4.35% causing the Credit Unions funding costs to rise more dramatically than revenue from the loans under management.

These factors combined with an increased investment in digital capabilities, cyber security and employee expenses resulted in a predictable, and yet considerable, reduction in our net interest income and overall profit.

Despite the decrease in profitability, our Credit Union remains financially sustainable with the total of customer funds, including retained earnings, increasing by 2.6% to $70.025 million and, the total assets increasing by 2.1% to $939.933 million.

Customer deposits also increased by 5% to $858.676 million, ensuring our ability to repay external borrowings to the RBA Term Funding Facility (TFF), utilised during Covid while maintaining liquidity.

Our capital adequacy ratio of 16.7% remains healthy and higher than the minimum ratio required by our regulator, and our active customer numbers grew by 6% to more than 24,000 customers.

As we move towards a more dynamic financial future, we continue to fundamentally re-examine our business model to find new value. In doing so, it's crucial we continue to enhance and streamline our operations and employ key specialist roles to support strategic initiatives particularly in digital systems. We are adopting modern digital technologies and capabilities to match customer preferences allowing for more convenience, attractive pricing and highly personalised offerings to customers, earning their loyalty and creating new revenue streams.

We are in a period of lower-than-normal margins as long-term fixed rate loans are funded by short term retail and wholesale funds. For the year ahead, our focus is on capital management, controlled growth of our loan and investment portfolios whilst maintaining our cost-to-income, margin, and other key financial ratios above the minimum prudential limits to remain a financially sustainable Credit Union.

In closing

The past 12 months ongoing evolution of our Credit Union holds promising prospects, ensuring our continued relevance to our customers.

We close the year with the certainty we have accomplished a lot with multiple customer-focused projects coming to fruition, new technologies being implemented, and a more robust infrastructure to support you and your data security.

The results we have been able to achieve across customer satisfaction, employee engagement and key financial ratios reinforce our long-term business vision and confirm we are on the right track to remain competitive as the industry and customer preferences evolve.

With astute planning and our customer-centric approach, we can continue to strengthen our predominantly consumer banking offering, even in the face of any challenge. By implementing a well-informed strategic plan, we can address the trends that are shaping the banking industry in 2025 and position us for success in the years to come.

We are confident in our direction and will continue to strive for improved performance across all areas of our business, considering internal and external factors, and acting swiftly when needed. We also have clarity on our purpose and on what truly matters, and that is you.

Ultimately, the success of our Credit Union relies on our people: our Team, our Board, and our Customers.

To our highly engaged staff, thank you for constantly going above and beyond. We see your devotion in each conversation you have with customers, your responsibility and care across our projects, and your ability to continue to evolve to better support our business direction. Your tireless efforts and actions truly underpin all that we are and contribute to our shared success.

To our Board, we appreciate your high level of involvement in the business, helping us learn from the past, act in the present, and shape the future of our Credit Union. Your diligence, commitment and guidance throughout the year is highly commended and we look forward to continuing to work together for the year to come.

To our customers, thank you for your steadfast support and valuable feedback. Ultimately, you are the reason of our existence, and we are committed in honouring our purpose to support you through each of your financial life stages. We look forward to having more meaningful conversations and strengthening our relationship now and well into the future. We thank you for placing your trust in us as your banking institution.

Your Directors

The names of Directors in office at any time during the year and at the date of this report and their qualifications, experience and special responsibilities are as follows:

Alvaro Lozano Rodriguez

Qualifications

- Graduate Certificate of Project Management
- Masters of Engineering - Electronics Engineering
- Bachelor of Science - Physics

Experience

Board Member since 28 February 2017

Special Responsibilities

- Chairperson
- Member - Audit Committee
- Member - Risk Committee

Belinda Henry

Qualifications

- Bachelor of Laws
- Practical Legal Training Course
- Legal Practice Management Course
- Graduate - Australian Institute of Company Directors

Experience

Board Member since 30 June 2011

Special Responsibilities

- Chair - Risk Committee
- Member - Audit Committee

Stuart Edwards

Qualifications

- Diploma in Financial Services
- Commissioner of Declarations

Experience

Board Member since 26 April 2016

Special Responsibilities

- Executive Director
- Chief Executive Officer

Suzie Slingsby

Qualifications

- Graduate - Australian Institute of Company Directors
- PS146 Qualified

Experience

Board Member since 25 September 2018

Special Responsibilities

- Member - Risk Committee
- Member - Audit Committee

Patrick McIntosh, AM

Qualifications

- Bachelor of Business (Accounting / Human Resources)
- Graduate Diploma of Management
- Master of Business Administration
- Member - Australian Institute of Company Directors
- Diploma of Financial Planning
- Certified Financial Planner

Experience

Board Member since 29 June 2021

Special Responsibilities

- Chair - Audit Committee
- Member - Risk Committee

Jeremy Rutledge

Qualifications

- Graduate Diploma of Finance & Investment
- Bachelor of Business (Property)
- Certified Practising Valuer
- Certified Practising Valuer (Business)
- Associate of the Australian Property Institute
- Member of Australian Institute of Quantity Surveyors
- Associate of Australian Business Brokers
- Class 1 Real Estate Sales & Leasing
- Class 1 Real Estate Business Broking
- Registered Tax Agent Tax Practitioners Board (Quantity Surveying)
- Member - Australian Institute of Company Directors

Experience

- Board Member since 30 November 2021

Special Responsibilities

- Member - Audit Committee
- Member - Risk Committee

All Directors have held their office from 1 July 2023 to the date of this report unless otherwise stated. Each Director holds one ordinary member share in the Credit Union.

Directors' Meetings

The number of meetings of Directors (including committee meetings) held, where each Director was available during the year, and the number of meetings attended by each Director were as follows:

	Director Meetings	
No. of meetings	**Held**	**Attended**
Alvaro Lozano Rodriguez	12	12
Belinda Henry	12	12
Suzie Slingsby	12	12
Stuart Edwards	12	12
Patrick McIntosh	12	12
Jeremy Rutledge	12	12

	Audit Committee Meetings		Risk Committee Meetings	
No. of meetings	**Held**	**Attended**	**Held**	**Attended**
Alvaro Lozano Rodriguez	3	3	4	4
Belinda Henry	3	3	4	4
Suzie Slingsby	3	3	4	4
Stuart Edwards	3	3	4	4
Patrick McIntosh	3	3	4	4
Jeremy Rutledge	3	3	4	4

The name of the Company Secretary in office at the end of the year is:

Name	Qualifications	Experience
Brett Myles	Bachelor of Commerce, JCU Chartered Accountant, Institute of Chartered Accountants of Australia & New Zealand and Member of the Australian Institute of Company Directors.	34 years' experience encompassing roles in a Big 4 accounting firm, Senior Executive Roles at Financial Institutions and Management Consulting Firms.

Directors' Benefits

No Director of the Credit Union has received or has become entitled to receive a benefit because of a contract made by the Credit Union with the Director or with a firm of which the Director is a member or with an entity in which the Director has a substantial financial interest.

Indemnification of Directors and Officers

The Credit Union has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of Directors, Secretaries, Executive Officers and employees of the Credit Union and of related bodies corporate as defined in the insurance policy.

The insurance policy grants indemnity against liabilities permitted to be indemnified by the Corporations Act 2001. The insurance policy prohibits disclosure of the nature of the liabilities insured and the premium specified.

No insurance cover has been provided for the benefit of the Auditor. No indemnities have been given to the Officers or Auditors.

Financial Performance Disclosures

Principal Activities

The Credit Union operates as a community based Credit Union providing financial services to members in the form of deposit taking, the provision of financial accommodation and other member services as prescribed by the constitution. There were no significant changes in the nature of those activities during the financial year.

Operating Results

A net profit after income tax result of $1,091,000 (2023 $3,129,000).

Review of Operations

The result affected by:

- a decrease in Net-Interest Income of $1,764,000, loan interest revenue increasing $10,898,000 with deposit interest expenses increasing $12,662,000. During the year the loan portfolio showed growth at 3.4%;
- an increase in Employee benefit expenses of $543,000 as the Credit Union continues to expand its operations and employ key specialist roles.

Dividends

In accordance with the Constitution of the Credit Union, dividends are not paid to members.

Significant Changes in State of Affairs

Apart from the review of operations as detailed above, there were no significant changes in the state of the affairs of the Credit Union during the year.

Events Subsequent to the End of the Reporting Period

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

Environmental regulations

The Credit Union's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

The Board is not aware of any breach of environmental requirements as they apply to the Credit Union. The Credit Union has a Corporate Social Responsibility and Commitment to our team, customers, sustainability and governance.

Likely Developments and Results

Further information about likely developments in the Operations of the Credit Union and the expected results of those operations in future financial years have not been included in the report.

Corporate Governance Disclosures

Board

The Credit Union's Board has responsibility for the overall management and strategic direction of the Credit Union. All non-executive Board members are independent of management. Directors are elected by members on a 3-year rotation.

Each Director must be eligible to act under the Constitution as a member of the Credit Union and Corporations Act 2001 criteria. The Directors also need to satisfy the Fit and Proper criteria required by APRA.

The Board has established policies to govern conduct of the Board meetings, Directors conflicts of interest and training so as to maintain Director awareness of emerging issues and to satisfy all governance requirements.

Board Remuneration

The Board receives remuneration from the Credit Union agreed to each year at the AGM and out of pocket expenses. There are no other benefits received by the Directors from the Credit Union.

Board Committees

An Audit Committee exists to assist the Board by providing an objective non-executive review of the effectiveness of the SCCU's financial reporting and audit function.

A Risk Committee exists to assist the Board by providing an objective non-executive review of the effectiveness of the SCCU's risk management framework.

The Directors form the majority of these committees with Executive Management participation.

The Audit Committee oversees the financial reporting and audit process. Its responsibilities include:

- Financial Reporting
- External Audit
- Internal Audit and Internal Control

The Risk Committee oversees the risk management and compliance framework and associated process. Its responsibilities include:

- Risk Management
- Risk Measurement and Risk Tolerance levels
- Risk Appetite
- Regulatory, Compliance and Ethical Matters
- Insurance Program

Policies

The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union.

Key risk management policies include:

- Risk Management Framework
- Capital Adequacy Management
- Liquidity Management
- Credit Risk Management
- Data Risk Management
- Cyber Risk Management
- Information Security Policy
- Operational Risk Management
- Outsourcing Risk Management
- Bank Executive Accountability Regime Policy.

Chief Risk Officer

The Credit Union has a Chief Risk Officer (CRO) who is the Executive accountable for enabling the efficient and effective governance of significant risks, and related opportunities, to a business and its various segments.

The CRO reports to the CEO / Executive Director and has unfettered access to the Board Risk and Audit Committees for enabling the business to balance risk and reward.

The CRO is responsible for coordinating the organisation's Enterprise Risk Management (ERM) approach.

External Audit

The annual audit of the Credit Union's financial report and compliance with prudential standards is performed by Grant Thornton Audit Pty Ltd.

Internal Audit

An internal audit function exists using the services of an external firm, BDO, to deal with the areas of internal control, compliance and regulatory compliance only.

The internal audit function reports directly to the Board Audit Committee, making recommendations to the committee for improvements to the Credit Unions operations and internal controls.

This role is also supplemented by other external compliance reviews performed, including security audits on the data processing systems/centres for adequacy of the back-up, disaster recovery and internet security systems.

Regulation

The Credit Union is regulated by:

- Australian Prudential Regulation Authority (APRA) for the prudential risk management of the Credit Union; and
- Australian Securities and Investment Commission (ASIC) for adherence to the Corporations Act 2001, Australian Accounting Standards disclosures in the financial report and Financial Services Reform (FSR) requirements.

The Auditor's report to both authorities on an annual basis regarding compliance with respective requirements. The external auditors also report to ASIC on FSR compliance and APRA on prudential policy compliance.

Workplace Health & Safety

The nature of the finance industry is such that the risks of injury to staff and the public are less apparent than in other high-risk industries. Nevertheless, our two most valuable assets are our staff and our members and steps need to be taken to maintain their security and safety when circumstances warrant.

WH&S policies that comply with the Work Health and Safety Act legislation have been established for the protection of both members and staff and are reviewed six monthly for relevance and effectiveness.

The Credit Union has established a WH&S Committee of Employees that meets regularly to consider any concerns for security or safety raised by employees or the public. All matters of concern are reported to the Risk Management Committee for actioning by Management.

Proceedings

No person has applied for leave of the Court to bring proceedings on behalf of the Credit Union or interfere in any proceedings to which the Credit Union is a party for the purpose of taking responsibility on behalf of the Credit Union for all or part of those proceedings. The Credit Union was not a party to any such proceedings during the year.

Rounding of amounts

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

Auditor's Independence Declaration

The Auditor's independence declaration for the year ending 30 June 2024 forms part of this report and a copy of this declaration is attached.

This report is signed for and on behalf of the directors in accordance with a resolution of the Board of Directors.

Alvaro Lozano Rodriguez
Chairperson

Dated this 24th day of September 2024

Patrick McIntosh
Audit Committee Chair

Dated this 24th day of September 2024

Declarations & Financial Report

30 JUNE 2024

DIRECTORS' DECLARATION

In the opinion of the Directors of Southern Cross Credit Union Limited (the Credit Union):

(a) The attached financial statements and notes of the Credit Union are in accordance with the *Corporations Act 2001*, including:

- i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), International Financial Reporting Standards as stated in Note 1.1(a) *Basis of preparation* to the financial statements and the *Corporations Regulations 2001*;and
- ii) giving a true and fair view of the financial position of Southern Cross Credit Union Limited as at30 June 2024 and of its performance for the year ended on that date; and

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

(c) The information disclosed in the attached consolidated entity disclosure statement is true and correct.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and onbehalf of the Directors by:

Alvaro Lozano Rodriguez	**Patrick McIntosh**
Chairperson	**Audit Committee Chair**

Dated this 24th day of September 2024

GrantThornton

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building
NSW 1230

T +61 2 8297 2400

Auditor's Independence Declaration

To the Directors of Southern Cross Credit Union Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Southern Cross Credit Union Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Claire Scott

Claire Scott
Partner – Audit & Assurance

Sydney, 24 September 2024

Statement of profit or loss and other comprehensive income for the year ended 30 June 2024

	Note	2024 $'000	2023 $'000
Interest income	2.1	42,980	32,082
Interest expense	2.2	(26,828)	(14,166)
Net interest income		**16,152**	**17,916**
Fee and commission income		2,285	2,378
Fee and commission expense		(3,758)	(3,632)
Net fee and commission income	**2.3**	**(1,473)**	**(1,254)**
Other income	2.3	261	433
Net operating income		**14,940**	**17,095**
Expenses			
Employee benefits expense	2.4(a)	(8,458)	(7,915)
Occupancy expense	2.4(d)	(303)	(332)
Depreciation and amortisation expense	2.4(c)	(1,234)	(1,321)
Credit impairment losses	2.4 (b)	(10)	(106)
Other expenses	2.4(e)	(3,498)	(3,287)
Total expenses		**(13,503)**	**(12,961)**
Profit/(loss) before income tax		**1,437**	**4,134**
Income tax (expense)/benefit	2.5(a)	(346)	(1,005)
Profit/(loss) for the year		**1,091**	**3,129**
Other comprehensive income for the year, net of income tax - *items that will not be reclassified to profit or loss* Net fair value gain/(loss) in investments in equity instruments		**678**	**(190)**
Total comprehensive income for the year		**1,769**	**2,939**

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

Statement of financial position as at 30 June 2024

	Note	2024 $'000	2023 $'000
Assets			
Cash and cash equivalents	4.1	13,994	15,125
Due from other financial institutions	4.3	113,054	115,458
Other receivables	7.4	918	214
Loans and advances	3.1	802,975	776,892
Investment securities	4.2	1,762	858
Other assets	4.7	3,290	8,462
Current tax receivable		1,072	115
Plant and equipment	7.1	922	1,247
Right-of-use assets	7.2	855	1,137
Intangible assets	7.3	1,090	753
Total assets		**939,932**	**920,261**
Liabilities			
Deposits	4.4	858,676	817,469
Payables and other liabilities	7.5	9,443	7,721
Lease liabilities	7.2	920	1,227
Borrowings	4.5	-	24,849
Current tax liability		-	-
Deferred tax liability	2.5	159	127
Provisions	7.6	709	612
Total liabilities		**869,907**	**852,005**
Net assets		**70,025**	**68,256**
Equity			
Redeemable preference shares	5.1	467	461
Reserves	5.2	1,152	474
Retained earnings		68,406	67,321
Total equity		**70,025**	**68,256**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of changes in equity for the year ended 30 June 2024

	Fair Value Reserve $'000	Capital Profits Reserve $'000	Redeemed Preference Shares $'000	Retained earnings* $'000	Total Members' Equity $'000
Balance at 1 July 2022	**435**	**229**	**449**	**64,204**	**65,317**
Profit for the year	-	-	-	3,129	3,129
Other comprehensive income	(190)	-	-	-	(190)
Total comprehensive income for the year	**(190)**	**-**	**-**	**3,129**	**2,939**
Transfers	-	-	-	-	-
Redemption of member shares	-	-	12	(12)	-
Balance at 30 June 2023	**245**	**229**	**461**	**67,321**	**68,256**
Balance at 1 July 2023	245	229	461	67,321	68,256
Profit for the year	-	-	-	1,091	1,091
Other comprehensive income	678	-	-	-	678
Total comprehensive income for the year	**678**	**-**	**-**	**1,091**	**1,769**
Transfers	-	-	-	-	-
Redemption of member shares	-	-	6	(6)	-
Balance at 30 June 2024	**923**	**229**	**467**	**68,406**	**70,025**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of cash flows for the year ended 30 June 2024

	Note	2024 $'000	2023 $'000
Cash flows from operating activities			
Interest received		42,980	31,414
Dividends received		68	59
Fees and commissions received		2,590	2,725
Interest paid		(26,221)	(9,974)
Payments to suppliers and employees		(10,828)	(21,341)
Net movement in loans and advances		(26,174)	(92,093)
Net movement in due from other financial institutions		2,286	(9,696)
Net movement in deposits		41,611	95,843
Income taxes paid/(refunded)		(1,271)	(1,656)
Net cash provided by/(used in) operating activities	**4.1(c)**	**25,041**	**(4,719)**
Cash flows from investing activities			
Payments for plant and equipment		(82)	(70)
Payments for intangibles		(578)	(189)
Net cash used in investing activities		**(660)**	**(259)**
Cash flows from financing activities			
Borrowings		(24,849)	-
Principal portion of lease liabilities paid		(663)	(653)
Net cash used in financing activities	**4.1(d)**	**(25,512)**	**(653)**
Net (decrease)/increase in cash and cash equivalents held		**(1,131)**	**(5,631)**
Cash and cash equivalents at the beginning of the financial year		**15,125**	**20,756**
Cash and cash equivalents at the end of the financial year	**4.1(b)**	**13,994**	**15,125**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Note 1: Basis of preparation

1.1 Corporate information

The financial statements of Southern Cross Credit Union Limited (referred to as "the Company" or "the ADI" or "Parent Entity" or "the Credit Union") and its subsidiaries (referred to as "the Group" or "SCCU") for the year ended 30 June 2024 were authorised for issue in accordance with a resolution of directors on 24 September 2024. Refer Note 7.10 for basis of consolidation.

The registered office and principal place of business of the Credit Union is Level 2, 38-42 Pearl Street, Kingscliff, NSW 2487.

1.2 Basis of preparation

Basis of preparation

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

The financial statements cover Southern Cross Credit Union Limited as a consolidated entity. For the purposes of preparing the financial statements, Southern Cross Credit Union Limited is a for-profit entity.

The financial statements have been prepared on an accruals basis and are based on historical costs except for financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Credit Union under ASIC Corporations Instrument 2016/191. The Credit Union is an entity to which the ASIC Corporations Instrument applies.

(a) Statement of compliance

The financial statements of Southern Cross Credit Union Limited comply with all International Financial Reporting Standards (IFRS) in their entirety.

(b) Presentation of financial statements

The Credit Union presents its statement of financial position in order of liquidity based on the Credit Union's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

(c) REPO Securitisation Trust Consolidation

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

a) The Trust meets the definition of a controlled entity; and,

b) As prescribed under the accounting standards, since the credit union has not transferred all risks and rewards to the Trust, the assigned loans are retained on the books of the Credit Union and are not de-recognised.

As such the Parent Entity and consolidated balances are identical and have not been presented separately.

1.3 Summary of material accounting policy information

(a) Impairment of assets (excluding financial assets)

At each reporting date, the Credit Union reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in profit or loss (except for items carried at revalued amount).

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Credit Union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(b) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

1.4 Significant accounting judgments, estimates and assumptions

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of the Credit Union's accounting policies and the reported amounts of assets and liabilities, revenues, expenses, and the accompanying disclosures. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

	Reference
Accounting treatment for loans assigned to a special purpose vehicle used for securitisation purposes	Note 4.6

Estimates and assumptions

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 30 June 2024 is included in the following notes.

	Reference
Expected credit losses and impairment of loans and advances	Note 3.2
Determination of fair value of financial instruments with significant unobservable inputs	Note 7.9

Note 2: Financial performance

2.1 Interest income

	2024 $'000	2023 $'000
Financial Assets at amortised cost		
Cash and cash equivalents	354	178
Due from other financial institutions	5,931	3,998
Loans and advances	36,695	27,906
Total interest income - assets at amortised cost	**42,980**	**32,082**

2.2 Interest expense

	2024 $'000	2023 $'000
Financial liabilities at amortised cost		
Borrowings	(19)	(47)
Deposits	(26,809)	(14,119)
Total interest expense - liabilities at amortised cost	**(26,828)**	**(14,166)**
Net interest income	**16,152**	**17,916**

Recognition and measurement

Interest income and interest expense

Interest revenue and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Credit Union estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating interest revenue and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest revenue is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest revenue reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest revenue does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 3.2 and Note 5.3(b)(i).

Presentation

Interest revenue and expense presented in the statement of profit or loss and other comprehensive income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

2.3 Other income

	2024 $'000	2023 $'000
Fees and commissions revenue	2,285	2,378
Fee and commission expense	(3,758)	(3,632)
Net fee and commission income	**(1,473)**	**(1,254)**
Dividends - Investment securities measured at FVOCI	68	59
Bad debts recovered	5	13
Other	188	361
Total other income	**261**	**433**

Recognition and measurement

The Credit Union earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Credit Union expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Credit Union provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

Fees and commissions income and expense

Fee and commission fees that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Loan fees that are recognised using the effective interest method are included with loan and advances balances in the statement of financial position. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

When a third party is involved in providing goods or services to the Credit Union's customer (i.e. insurance commissions), the Credit Union assesses whether the nature of the arrangement with its customer is as a principal or an agent of the third party. When the Credit Union is not acting in a principal capacity, the income earned by the Credit Union is net of the amounts paid to the third party provider. The net consideration represents the Credit Union's income for facilitating the transaction.

The Credit Union sources loans via brokers and pays a mixture of upfront and trail commission. Upfront commission is paid to the broker upon funding of the loan, the Credit Union amortises and releases to commission expense over 7 years for home loans and 5 years for personal loans. Should the loan discharge the upfront is fully recognised after taking into account any clawback agreements. Trail commission is paid monthly while the loan continues to remain in force.

Dividend income

Dividend income is recognised on an accruals basis when the Credit Union's right to receive the dividend is established. Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in other comprehensive income.

2.4 Expenses

	2024 $'000	2023 $'000
(a) Employee benefits expense		
■ Salaries, wages and other personnel costs	7,116	6,556
■ Employee related on-costs expense	551	674
■ Superannuation expense (defined contribution)	791	685
	8,458	**7,915**
(b) Credit impairment losses		
■ Impairment of loans and advances (reduction)	(24)	65
■ Bad debts written off	34	41
	10	**106**
(c) Depreciation and amortisation expense		
■ Plant and equipment	421	543
■ Intangible assets	241	204
■ Right-of-use assets – properties	572	574
■ Loss on disposal	-	-
	1,234	**1,321**
(d) Occupancy expense		
■ Other	303	332
	303	**332**
(e) Other expenses		
■ General administration	1,255	1,229
■ Rental expense on operating leases	66	12
■ Finance cost on lease liabilities	66	69
■ Information technology expenses	1,657	1,528
■ Marketing and promotion expenses	240	202
■ Telephone and communication expenses	135	172
■ Other expenses	79	75
	3,498	**3,287**
Total expenses	**13,503**	**12,961**

2.5 Taxation

	2024 $'000	2023 $'000
(a) Components of income tax expense in profit or loss		
Current tax		
Current tax expense	508	1,072
Total current tax expense	**508**	**1,072**
Deferred tax		
Origination and reversal of temporary differences	(162)	(67)
Total deferred tax expense	**(162)**	**(67)**
Total income tax expense in profit or loss	**346**	**1,005**
(b) Reconciliation of income tax expense to the profit before tax multiplied by applicable tax rate		
Profit before income tax	**1,437**	**4,134**
Prima facie tax at the Australian tax rate of 25.0%	359	1,034
Less tax effect of:		
Tax offset for franked dividends	(29)	(25)
Other non-assessable items	16	(4)
Income tax expense	**346**	**1,005**
(c) Franking account		
Balance of the franking account at year end adjusted for franking credits arising from payment of the provision for income tax, payment of dividends payable or receipts of dividends receivable at reporting date based on a tax rate of 25.0%	**25,529**	**24,960**

	2024 $'000	2023 $'000
(d) Deferred taxes		
Deferred tax assets comprise temporary differences attributable to:		
Employee benefits leave provision	295	278
Other provisions	164	65
Transfer to deferred tax liabilities	(461)	(464)
Tax base of assets	146	67
Total deferred tax assets	**144**	**(54)**
(e) Deferred tax liabilities		
Deferred tax liabilities comprise temporary differences attributable to:		
Financial assets	(303)	(73)
Total deferred tax liabilities	**(303)**	**(73)**
(f) Offset		
Total deferred tax assets	144	(54)
Total deferred tax liabilities	(303)	(73)
Total net deferred tax liability	**(159)**	**(127)**
(g) Deferred tax balances gross movements		
Opening balance	(127)	(258)
Under / (over) provision for income tax in prior year	32	-
(Charged) / credited to equity	(226)	64
(Charged) / credited to profit or loss	162	67
Closing balance	**(159)**	**(127)**

Recognition and measurement

Income tax expense

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and deferred tax liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and tax liabilities are offset where the Credit Union has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax

Deferred tax assets and deferred tax liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities in the financial statements and their respective tax bases. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The deferred tax liabilities in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deductible temporary differences brought to account as deferred tax assets is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Credit Union will derive sufficient future assessable income to enable the deferred tax asset to be realised and comply with the conditions of deductibility imposed by the law. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Note 3: Loans and advances

3.1 Loans and advances

	2024 $'000	2023 $'000
Term loans	795,358	769,753
Overdrafts	5,181	4,660
Gross loans and advances at amortised cost	**800,539**	**774,413**
Add: Unamortised loan fees	2,661	2,728
Less: Provision for expected credit loss	(225)	(249)
Net loans and advances at amortised cost	**802,975**	**776,892**

Recognition and measurement

Loans and advances to members

Loans and advances are financial assets for which the contractual cash flows are solely repayments of principal and interest and that are held in a business model with the objective of collecting contractual cash flows.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the origination of the loan or advance, which are primarily brokerage and origination fees. These costs are amortised over the estimated life of the loan. Subsequently, loans and advances are measured at amortised cost using the effective interest rate method, net of any provision for impairment.

Loans and advances by credit quality

Refer to Note 5.3 (b) (i) for details.

3.2 Impairment of loans and advances

The provision for expected credit loss of loans and advances reflects expected credit losses (ECLs) measured using the three-stage approach as detailed below. The tables below show the movements in the impairment provisions by ECL stage.

2024	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Credit-impaired $'000	Total provision $'000
Balance at 1 July 2023	**157**	**61**	**31**	**249**
Changes due to loans and advances recognised in the opening balance that have:				
- Transferred to 12-month ECL	-	-	-	-
- Transferred to lifetime ECL not credit-impaired	39	(39)	-	-
- Transferred to lifetime ECL credit-impaired	-	(43)	43	-
Net re-measurement of loss allowance	(32)	42	(34)	(24)
Balance at 30 June 2024	**164**	**21**	**40**	**225**

2023	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Credit-impaired $'000	Total provision $'000
Balance at 1 July 2022	**150**	**13**	**21**	**184**
Changes due to loans and advances recognised in the opening balance that have:				
- Transferred to 12-month ECL	-	-	-	-
- Transferred to lifetime ECL not credit-impaired	(47)	47	-	-
- Transferred to lifetime ECL credit-impaired	-	(51)	51	-
Net re-measurement of loss allowance	54	52	(41)	65
Balance at 30 June 2023	**157**	**61**	**31**	**249**

As shown in the above table, the overall provision for credit impairment for loans and advances decreased from $249k at 30 June 2023 to $225k at 30 June 2024 due to:

- the high volume of new mortgages loans originated during the period, aligned with the Credit Union's organic growth objective, increased the gross carrying amount of the mortgage book by 3.4% along with a more challenging macroeconomic environment when calculating ECL's have resulted in an increase in the provision.
- Personal loans of $43k transferred to Stage 3 Credit Impairment from Stage 2 Lifetime ECL during the financial year.
- The write-off of personal loans with a total gross carrying amount of $7k resulted in the reduction of the Stage 3 loss allowance by the same amount.

Write-offs still under enforcement activity

The contractual amount outstanding on loans and advances that have been written off by the Credit Union as at 30 June 2024 and that were still subject to enforcement activity was nil (2023: nil).

Recognition and measurement

Expected credit losses

The Credit Union applies a three-stage approach to measuring allowance for expected credit loss (ECL) for loans and advances to members measured at amortised cost.

Exposures are assessed on a collective basis (defined below) in each stage unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. Where such evidence exists, the exposure is assessed on an individual basis.

At each reporting date, the Credit Union assesses the credit risk of exposures in comparison to the risk at initial recognition, to determine the stage that applies to the associated ECL measurement. If the credit risk of an exposure has increased significantly since initial recognition, the asset will migrate to Stage 2. If no significant increase in credit risk is observed, the asset will remain in Stage 1. Should an asset become impaired it will be transferred to Stage 3. The Credit Union considers reasonable and supportable information that is relevant and available without undue cost or effort, for this purpose. This includes quantitative and qualitative information and also forward looking analysis.

Based on the above process, the Credit Union groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

Stage	Measurement basis
Stage 1: 12-months ECL	Where there has been no significant increase in credit risk (SICR) since initial recognition or the asset is not credit impaired upon origination, a portion of the lifetime ECLs associated with the probability of default events occurring within the next 12 months is recognised. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2: Lifetime ECL – not credit impaired	Where there has been a SICR since initial recognition but the asset is not credit impaired (includes exposures that are greater than 30 days + past due), the lifetime ECL is recognised. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3: Lifetime ECL – credit impaired	When a loan to a member is assessed as credit impaired (includes exposures that are greater than 90 days past due), the lifetime ECL is recognised. Interest revenue is calculated on a net basis (gross carrying amount less associated ECL provision)

Lifetime ECLs are generally determined based on the contractual maturity or behavioural life of the financial asset. When measuring ECLs, the Credit Union takes into account the probability weighted outcome of cash shortfalls over the expected life of the asset discounted at its current effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Credit Union and all the cash flows that the Credit Union is expected to receive.

Inputs, assumptions and techniques used for estimating impairment

In assessing the impairment of financial assets under the ECL model, the Credit Union defines default in accordance with its Credit Policy and Procedures, which includes defaulted assets and impaired assets as described below. Default occurs when a loan obligation is 90 days or more past due, or when it is considered unlikely that the credit obligation to the Credit Union will be paid in full without recourse to actions, such as realisation of security.

Impaired exposures under the expected credit loss model consist of:

- Retail loans (excluding unsecured portfolio managed facilities) which are contractually 90 days or more past due with insufficient security to cover principal and arrears of interest revenue.
- Unsecured portfolio managed facilities which are 180 days past due (if not written off).
- Off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.

Forward-looking information

Forward-looking information is used in the measurement of ECLs through probability weighted scenarios and includes macroeconomic variables that influence credit losses such as RBA cash rates, gross domestic product (GDP) data, unemployment rates and climate risk.

Assessment of significant increase in credit risk

The Credit Union will assess whether there has been a significant increase in credit risk (SICR) for financial assets by comparing the risk of a default occurring over the expected life of a financial asset at the reporting date to the corresponding risk of default at origination. In assessing whether there has been a SICR, the Credit Union considers reasonable and supportable information that is relevant and available without undue cost or effort. The credit risk assessment is carried out on an individual and collective basis. The Credit Union considers contractual payments that are 30 days past due, financial hardship or default events (e.g. 90 days past due) as primary indicators of SICR. The determination of SICR also takes into consideration various qualitative and quantitative factors, including past due arrears information, hardship and watch-list status.

Calculation of expected credit losses

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Credit Union in accordance with the contract and the cash flows that the Credit Union expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Credit Union if the commitment is drawn down and the cash flows that the Credit Union expects to receive.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Credit Union 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 by the Credit Union on terms that the Credit Union would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; 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 loan that is overdue for 90 days or more is considered impaired.

Write off

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

Significant accounting judgements and estimates

In determining ECL, management judgement is applied, using objective, reasonable and supportable information about current and forecast economic conditions. Macro-economic variables used in these scenarios, include (but are not limited to) the cash rate, unemployment rates, GDP growth rates and residential and commercial property price indices. Year on year movement of variables is used to model scenarios and determine the impact on credit impaired financial assets.

When determining whether the risk of default has increased significantly since initial recognition, both quantitative and qualitative information is considered, including expert credit assessment, forward looking information and analysis based on the Credit Union's historical loss experience.

Note 4: Liquidity

4.1 Cash and cash equivalents

(a) Cash and cash equivalents

	2024 $'000	2023 $'000
Cash on hand	603	639
Deposits with ADIs	13,391	14,486
Total cash and cash equivalents	**13,994**	**15,125**

Recognition and measurement

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held in banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risks of changes in their value, and are used by the Credit Union in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

(b) Notes to the statements of cash flows

Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and 'at call' deposits, net of overdrafts with other financial institutions.

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2024 $'000	2023 $'000
Cash and cash equivalents	13,994	15,125
	13,994	**15,125**

Cash held that is not available for use as at 30 June 2024 is nil (2023: nil)

Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

- Deposits and withdrawals;
- Sales and purchases of dealing securities;
- Provision of loans and advances and the repayment of such loans and advances.

	2024 $'000	2023 $'000
Reconciliation of cash flow from operations with profit after income tax		
Profit/(loss) after income tax	1,091	3,129
Credit impairment losses	10	106
Amortisation of intangible assets	241	204
Depreciation of plant and equipment and ROU assets	993	1,117
(Gain)/loss on sale of property, plant and equipment	(15)	37
Changes in operating assets and liabilities		
(Increase)/decrease in other receivables	(4)	(28)
(Increase)/decrease in other assets	5,172	(6,506)
(Increase)/decrease in interest receivable	117	(668)
(Increase)/decrease in due from other financial institutions	2,287	(9,697)
(Increase)/decrease in loans and advances	(26,093)	(92,343)
(Increase)/decrease in interest payable	607	4,191
Increase/(decrease) in net deferred tax liability	32	(130)
Increase/(decrease) in income tax payable	(958)	(521)
Increase/(decrease) in deposits	41,611	95,843
Increase/(decrease) in payables and other liabilities	(157)	350
Increase/(decrease) in provisions	107	197
Net cash provided by/(used in) operating activities	**25,041**	**(4,719)**

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities

2024	1 July 2023 $'000	Cash flows $'000	Non-cash changes Other $'000	30 June 2024 $'000
Lease liabilities	1,227	(663)	356	920
Borrowings	24,849	(24,849)	-	-
Total liabilities from financing activities	**26,076**	**(25,512)**	**356**	**920**

2023	1 July 2022 $'000	Cash flows $'000	Non-cash changes Other $'000	30 June 2023 $'000
Lease liabilities	1,516	(653)	364	1,227
Borrowings	24,849	-	-	24,849
Total liabilities from financing activities	**26,365**	**(653)**	**364**	**26,076**

4.2 Investment securities

	2024 $'000	2023 $'000
Financial assets measured at FVOCI		
Shares in unlisted entities - Cuscal Limited (CUSCAL)	1,762	858
Total financial assets measured at FVOCI	**1,762**	**858**
Amount of investment securities (expected to be recovered more than 12 months after the reporting date)	1,762	858

Recognition and measurement

Equity investments

Equity investments are instruments that meet the definition of equity from the issuer's perspective; that is the instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Credit Union has elected, at initial recognition, to irrevocably designate all equity investments at fair value through other comprehensive income (FVOCI). The Credit Union's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns and the Credit Union intends to hold for the foreseeable future.

Gains or losses arising from changes in the fair value of financial instruments designated at fair value through other comprehensive income are recognised in a separate component of equity and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Credit Union's rights to receive payment is established.

The basis of measurement is the most recent market transaction, 2023 based on net tangible asset value per share.

4.3 Due from other financial institutions

	2024 $'000	2023 $'000
Financial assets at amortised cost		
Deposits with ADIs	113,054	115,458
Total due from other financial institutions	**113,054**	**115,458**
Amount due from other financial institutions expected to be recovered more than 12 months after the reporting date	12,341	33,452

Recognition and measurement

Due from other financial institutions includes deposits held with financial institutions and other investments with original maturities of more than three months. Due from other financial institutions are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

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

Impairment

The Credit Union recognises a loss allowance for expected credit losses (ECL allowance) on financial assets measured at amortised cost. The measurement of the loss allowance depends upon the Credit Union's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain. Due from other financial institutions that are determined to have low credit risk at the reporting date or which credit risk has not increased significantly since their initial recognition are measured as 12 month ECL.

4.4 Deposits

	2024 $'000	2023 $'000
Call deposits (including withdrawable shares)	418,443	373,997
Term deposits	440,233	443,472
Total deposits	**858,676**	**817,469**
Amount of deposits expected to be settled more than 12 months after the reporting date	973	1,547

Recognition and measurement

Deposits

Deposits are initially measured at fair value less directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method. Interest on deposits is recognised on an accrual basis. Interest accrued at the end of the reporting date is shown as a part of deposits.

4.5 Borrowings

	2024 $'000	2023 $'000
RBA Term Funding Facility due September 2023	-	14,924
RBA Term Funding Facility due May 2024	-	9,925
Total borrowings	**-**	**24,849**
Amount of borrowings expected to be settled more than 12 months after the reporting date	-	-

The Term Funding Facility (TFF) was established in March 2020 by the Reserve Bank of Australia (RBA) as part of a comprehensive policy package to support the Australian economy in the face of economic and financial disruptions resulting from the COVID 19 pandemic. The TFF provided a source of low cost funding for the banking system, with funding available for three year terms at an initial fixed interest rate of 0.25 percent, with further borrowing at 0.10 percent. The TFF borrowings are secured by the MTG SCCU Trust Repo Series 1.

The Credit Union repaid the RBA Term Funding Facility during the year.

Recognition and measurement

Borrowings

Borrowing is initially measured at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowing using the effective interest method.

4.6 Securitisation

On the 26th of August 2020, the Credit Union has transferred the rights and benefits of a parcel of mortgage secured loans to the securitisation entity, MTG Trust. The MTG Trust has been established to support the ongoing liquidity management of the Credit Union. The Credit Union has purchased the Residential Mortgage Backed Securities (RMBS) issued by MTG Trust. The senior RMBS held by SCCU is eligible to be utilised as collateral in repurchase agreements with the Reserve Bank of Australia (RBA). These arrangements enable the Credit Union to raise funds from the RBA utilising its loans as the underlying security. The loans included in this facility have not been de-recognised as the Credit Union retains the benefits of MTG Trust until such time as a drawing is required.

Notwithstanding the transfer, the Credit Union has retained substantially all the risks and rewards of ownership of the relevant loan and advances as it has retained credit risk and interest rate risk. Due to the retention of substantially all the risks and rewards of ownership the Credit Union continues to recognise the transferred assets within loans and advances and the transfer is accounted for as a secured financing transaction.

The Credit Union collects the cash receipts relating to the mortgage secured loans and passes these receipts on to the MTG Trust. The Credit Union cannot use the transferred assets for further collateral as they have been transferred to the MTG Trust and pledged as security for securities issued by MTG SCCU Trust Repo series 1.

The following table sets out the carrying amounts of transferred financial assets and the associated liabilities at the reporting date:

	2024 $'000	2023 $'000
Carrying amount of transferred assets	**65,758**	**60,682**
Carrying amount of associated liabilities	**65,758**	**60,682**
For those liabilities that have recourse only to the transferred assets:		
Carrying amount of transferred assets	65,758	60,682
Carrying amount of associated liabilities	65,758	60,682
Net position	-	-

Recognition and measurement

Securitisation

The Credit Union enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains substantially all of the risks and rewards of ownership of the transferred assets. If substantially all of the risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of substantially all risks and rewards include, for example, certain loan securitisation and repurchase transactions.

In transactions in which the Credit Union neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Credit Union continues to recognise the asset to the extent of its continuing involvement.

In transactions in which the Credit Union either transfers substantially all the risks and rewards of ownership of the transferred assets or neither transfers nor retains substantially all the risk and rewards and does not retain control of the transferred assets the Credit Union derecognises the transferred assets. The Credit Union also recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

4.7 Other assets

	2024 $'000	2023 $'000
Trust reserve accounts	2,922	8,063
Prepayments	368	399
	3,290	**8,462**

Recognition and measurement

Refer to note 4.6 for details on the Securitisation Reserve and Trust Liquidity Reserve.

Note 5: Risk and capital management

5.1 Redeemed preference shares

	2024 $'000	2023 $'000
Movements in redeemed preference shares		
Balance at the beginning of year	461	449
Transfers from retained profits for the redemption of shares	6	12
Balance at end of year	**467**	**461**

Recognition and measurement

Member shares

Under the Corporations Act 2001, member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits. The value of the shares that have been paid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated

5.2 Reserves

Capital profits reserve

The capital profits reserve records non-taxable profits on sale of investments.

Fair value reserve

The fair value reserve relates to the fair value adjustment of the Cuscal shareholding for 2024 this was based on the most recent market transaction. For 2023 based on net tangible assets per share.

5.3 Risk management policy and objectives

Overview of Risk Management Framework

The Board of Directors (the Board) has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union.

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

- Interest rate risk management;
- Liquidity risk management;
- Credit risk management; and
- Operations risk management including data risk management.

Authority flows from the Board to the risk committee and from there to the audit committee which are integral to the management of risk.

The main elements of risk governance are as follows:

(i) Board

This is the primary governing body and approves the level of risk to which the Credit Union is exposed and the framework for reporting and mitigating those risks.

(ii) 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 the Risk Committee for their consideration.

(iii) Internal Audit

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

(iv) Risk Committee

This is a key body in the control of risk. It has representatives from the Board as well as the Credit Union's Chief Risk Officers. The Risk Committee does not form a view on the acceptability of risks but instead reviews risks and controls that are used to mitigate those risks. This includes the identification, assessment and reporting of risks. Regular monitoring is carried out by the Risk Committee through monthly review of operational reports. Control assignments are reviewed by the Risk Committee monthly to confirm whether risks are within the parameters outlined by the Board.

The Risk Committee carries out a regular review of all operational areas to ensure that operational 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. The Risk Committee monitors compliance with the framework laid out in the policy on a quarterly basis and reports in turn to the Board, where actual exposures to risks are measured against prescribed limits.

(v) Risk Manager: This person has responsibility for both liaising with the operational function to ensure timely production of information for the Risk Committees and ensuring that instructions passed down from the Board via the Risk Committees are implemented.

(vi) Asset and Liability Committee (ALCO) - Market Risk

This committee meets weekly and has responsibility for managing interest rate risk exposures, and ensuring that the treasury and finance functions adhere to exposure limits as outlined in the policies for interest rate GAP. The weekly scrutiny of market risk reports is intended to prevent any exposure breaches prior to the monthly review by the Risk Committee.

(vii) Asset and Liability Committee (ALCO) – Credit Risk

This committee of senior management meets weekly and has responsibility for managing and reporting credit risk exposure. It scrutinises operational reports and monitors exposures against limits determined by the Board. The ALCO also determines the credit risk of loans in the Credit Union's book, ensures provisioning is accurate and determines controls that need to be put in place regarding the authorisation of new loans.

The committee has responsibility for implementing policies to ensure that all large credit exposures are properly pre-approved, measured and controlled. Details concerning a prospective borrower are subject to a criteria-based decision-making process. Criteria used for this assessment include: credit references, loan-to-value ratio on security and borrower's capacity to repay which vary according to the value of the loan or facility.

All large credit exposure facilities above policy limits are approved by the committee or the Board. All exposures are checked daily against approved limits, independently of each business unit, and are reported to the committee.

All loans are managed weekly through the monitoring of the scheduled repayments and the status of these loans is reported to the Credit Risk Committee weekly and the Risk Committee monthly.

Arrears are strictly controlled. The size of the loan book is such that it is possible to monitor each individual exposure to evaluate whether specific provisions are necessary and adequate. A dedicated credit control team, which reports to the committee, implements the Credit Union's credit risk policy.

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

(a) Market Risk – Interest rate risk

Market risk is the potential adverse change in the Credit Union's income or the value of its net assets arising from the movement in interest rates or other market prices.

The Credit Union is not exposed to currency risk and other price risk. The Credit Union does not trade in the financial instruments it holds on its books.

The Credit Union is exposed to interest rate risk arising from changes in market interest rates due to the mismatches between the repricing dates of assets and liabilities. The Board monitors these risks through monthly reporting and a review of the risk management profile is conducted by internal audit.

The Credit Union manages its interest rate risk using the following methods:

Value at Risk (VaR)

The policy of the Credit Union is to maintain a balanced 'on book' hedging strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. This is measured and monitored using the Value at Risk methodology (VaR). The Credit Union's policy limit in respect of VaR is to keep this measurement below 3% of capital. The VaR is measured monthly to identify any large exposures to interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets and term deposits liabilities to rectify the imbalance to within acceptable levels.

Based on the Value at Risk (VaR) calculations as at 30 June 2024, the VaR is $156,856 or 0.24% of capital (30 June 2023: $1,539,791 or 2.42% of capital).

The Credit Union's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

(a) Market Risk – Interest rate risk

2024	Floating interest rate $'000	Fixed interest rate maturing: Within 1 year $'000	1-5 years $'000	Over 5 years $'000	Non-interest sensitive $'000	Total Carrying Amount $'000	Effective interest rate %
Financial assets							
Cash and cash equivalents	13,391	-	-	-	603	13,994	3.20%
Other receivables	-	-	-	-	918	918	n/a
Due from other financial institutions	33,469	79,585	-	-	-	113,054	4.96%
Loans and advances	532,589	182,790	79,171	8,425	-	802,975	5.48%
Investment securities	-	-	-	-	1,762	1,762	n/a
	579,449	**262,375**	**79,171**	**8,425**	**3,283**	**932,703**	
Financial liabilities							
Borrowing	-	-	-	-	-	-	-
Deposits	418,443	439,222	1,011	-	-	858,676	3.75%
Lease liabilities	-	452	468	-	-	920	5.40%
Payables and other liabilities	-	-	-	-	9,443	9,443	n/a
	418,443	**439,674**	**1,479**	**-**	**9,443**	**869,039**	

2023	Floating interest rate $'000	Fixed interest rate maturing: Within 1 year $'000	1-5 years $'000	Over 5 years $'000	Non-interest sensitive $'000	Total Carrying Amount $'000	Effective interest rate %
Financial assets							
Cash and cash equivalents	14,486	-	-	-	639	15,125	0.99%
Other receivables	-	-	-	-	214	214	n/a
Due from other financial institutions	37,492	77,966	-	-	-	115,458	4.40%
Loans and advances	375,660	158,896	233,819	8,517	-	776,892	4.67%
Investment securities	-	-	-	-	858	858	n/a
	427,638	**236,862**	**233,819**	**8,517**	**1,711**	**908,547**	
Financial liabilities							
Borrowing	-	24,849	-	-	-	24,849	0.19%
Deposits	373,997	441,925	1,547	-	-	817,469	3.07%
Lease liabilities	-	526	701	-	-	1,227	5.40%
Payables and other liabilities	-	-	-	-	7,721	7,721	n/a
	373,997	**467,300**	**2,248**	**-**	**7,721**	**851,266**	

(b) Credit Risk

Credit risk is the risk of financial loss as a result of a default by counterparties to satisfy contractual obligations. The Credit Union's credit risk largely arises from its lending activities which includes residential mortgages and off-balance sheet financial instruments such as loan commitments and from the financial instruments held for liquidity purposes.

Maximum credit exposure

Credit exposures are capped to the carrying value reported on the statement of financial position for the related assets. The table below (refer to Credit quality – investment with counterparties) presents the Credit Union's maximum credit exposure to the respective asset classes at the reporting dates. The amounts are presented gross of provisions for impairment and before taking account of any collateral held or other credit enhancement.

(i) Credit Risk – Loans and advances

The credit risk associated with loans and advances to members has been minimised through the implementation of credit assessment policies and procedures before these loans and advances are approved. The Credit Union's Board of Directors has delegated responsibility for the management of credit risk to the Risk Committee. The Board has developed policies and procedures designed to ensure strong lending practices which comply with credit legislation. Policies and procedures reduce the risk of credit loss by providing clarity and guidance relating to:

- Credit assessment and approval of loans and facilities;
- Compliance with regulatory and statutory requirements;
- Security requirements in respect to the acceptable types of security and maximum loan to security value ratios;
- Limiting concentrations of exposures to individual borrowers, industry groups and geographic locations;
- Establishing and maintaining lending approval delegations for new and renewing credit facilities;
- Reassessment of and review of credit exposures and facilities;
- Establishment of appropriate provisions to recognise the impairment of loans and advances; and
- Debt recovery procedures.

The risk of losses from loans to members is primarily reduced by the nature and quality of the security taken. The Board Policy is to maintain at least 65% of the loans in well secured residential mortgages which carry an 80% Loan to Valuation ratio or less.

The Credit Union manages its exposure to credit risk by adhering to its lending policies which require assessment of the quality of security offered and the capacity of the member to repay the loan in accordance with the terms and conditions of the loan.

Loans and advances – Collateral held

The Credit Union holds collateral in the form of mortgage interests over property, other registered securities over assets, mortgage insurance and guarantees. To mitigate credit risk, the Credit Union can take possession of the security held against the loans and advances as a result of default. The fair value of the collateral is measured at the time of providing the loan or advance and is required to be no less than 100% of the loan or advance.

The following table sets out the principal types of the collateral held against loans and advances:

	2024 $'000	2023 $'000
Secured by mortgage over real estate	777,092	751,088
Secured by bill of sale over motor vehicle	20,773	18,315
Secured by other assets	348	3,154
Secured by funds lodged with the credit union	42	42
Unsecured	2,284	1,814
Total gross loans and advances at amortised cost	**800,539**	**774,413**

Collateral held - Loans and advances

The fair value of the collateral is generally not updated except when a loan or advance is individually assessed as impaired. The value of the collateral for residential mortgage loans is based on the collateral value at origination. For credit-impaired loans the value of collateral is based on the most recent appraisals.

As at 30 June 2024, the fair value of collateral held against those loans and advances that have been individually assessed as Stage 3 credit impaired is $2,041,000 (2023: $2,991,000). It has not been practicable to determine the fair value of the collateral held as security against Stage 1 and Stage 2 loans.

Credit Quality – Loans and advances

The table below shows the distribution of loans and advances by credit quality and the exposure to credit risk based on the Credit Union's credit rating system and the year-end stage classification. The amounts are presented gross of impairment allowances.

2024	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Residential - Owner Occupied	580,717	2,696	777	584,190
Residential - Investor	160,415	-	-	160,415
Commercial	28,844	-	231	29,075
Personal Secured	21,511	104	64	21,679
Personal Unsecured	-	-	-	-
Other/Overdrafts	5,170	4	6	5,180
Total gross loans and advances at amortised cost	**796,657**	**2,804**	**1,078**	**800,539**

2023	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Residential - Owner Occupied	550,409	2,598	1,776	554,783
Residential - Investor	151,590	-	-	151,590
Commercial	44,037	224	-	44,261
Personal Secured	18,947	147	26	19,120
Personal Unsecured	-	-	-	-
Other/Overdrafts	4,651	3	5	4,659
Total gross loans and advances at amortised cost	**769,634**	**2,972**	**1,807**	**774,413**

Concentration Risk

Concentration risk is a measurement of the Credit Union's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the Credit Union's regulatory capital (10 per cent) 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 with annual reviews being prepared for all exposures over 5 per cent of the capital base. The Credit Union's policy on exposures of this size is to insist on an initial Loan to Valuation Ratio (LVR) of no more than 80 percent and ongoing hindsight compliance reviews of this policy are conducted.

The following groups represent concentrations of loans and advances in excess of 10% of capital.

	2024		2023	
	$'000	%	$'000	%
Geographic Locations				
New South Wales	401,590	50.0%	402,227	51.8%
Queensland	320,977	40.0%	300,098	38.6%
Customer or Industry				
Southern Cross Credit Union Ltd Employees	17,926	2.2%	15,391	2.0%

Credit Risk – investment with counterparties

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

The Liquidity Management policy is that investments are only made to Authorised Deposit Taking Institutions (ADIs). The Board has established policies that a maximum of 40% of its capital can be invested in any one ADI at a time.

The risk of losses from the liquid investments undertaken is reduced by the limits to concentration on one entity. Also the relative size of the credit union compared to the industry is relatively low such that the risk of loss is reduced.

Under the Credit Union liquidity support scheme at least 3.2% of the total assets must be invested in an approved ADI to allow the scheme to have adequate resources to meet its obligations.

External credit assessment for institutional investments

The Credit Union uses the ratings of reputable rating agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APRA Prudential Practice Guide APG 112. The credit quality assessment scale within this standard has been complied with.

The following tables summarise the counterparty concentration risk exposure by credit rating grades:

	2024 $'000	2023 $'000
Actual Rating (S&P Rating)		
ADIs - A and above	103,801	100,213
ADIs - Below A	3,011	9,049
ADIs - Unrated	6,242	6,196
	113,054	**115,458**

(c) Liquidity Risk

Liquidity risk is the risk that the credit union may encounter difficulties raising funds to meet commitments associated with financial instruments e.g. borrowing repayments or member withdrawal demands. It is the policy of the Board of Directors that treasury maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The Credit Union manages liquidity risk by:

- Continuously monitoring actual and daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate cash reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the prudential liquidity ratio daily.

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within two business days under APRA Prudential standards. The Credit Union Policy is to apply 12% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. This ratio is checked daily. Should the liquidity ratio fall below this level, management and the Board are to address the matter and ensure that the liquid funds are obtained from new deposits or borrowing facilities available.

The table below shows the periods in which the financial liabilities mature. Contractual cash flows shown in the table are at undiscounted values (including future interest expected to be paid). Accordingly, these values may not agree to carrying amount.

2024	Carrying amount $'000	Total cash flows $'000	Less than 12 months $'000	Over 12 months $'000
Deposits	858,676	867,088	866,046	1,042
Payables and other liabilities	9,443	9,443	9,443	-
Lease liabilities	920	978	492	486
Borrowings	-	-	-	-
Unrecognised loan commitments	-	34,097	34,097	-
	869,039	**911,606**	**910,078**	**1,528**

2023	Carrying amount $'000	Total cash flows $'000	Less than 12 months $'000	Over 12 months $'000
Deposits	817,469	824,012	822,406	1,606
Payables and other liabilities	7,721	7,721	7,721	-
Lease liabilities	1,227	1,322	580	742
Borrowings	24,849	24,990	24,990	-
Unrecognised loan commitments	-	35,083	35,083	-
	851,266	**893,128**	**890,780**	**2,348**

The ratio of liquid funds over the past year is set out below:

	2024	2023
Liquid funds to total adjusted liabilities:		
- As at 30 June	13.94%	13.68%
- Average for the year	14.74%	14.75%
- Minimum during the year	12.60%	13.28%
Liquid funds to total member deposits:		
- As at 30 June	14.80%	15.97%

The Credit Union maintained liquidity levels in excess of APRA prudential requirements at all times during the year.

5.4 Capital management

The Australian Prudential Regulatory Authority (APRA) sets and monitors capital requirements for the Credit Union under Australian Prudential Standard 110 Capital Adequacy (APS 110). Under APS 110, the Credit Union must maintain minimum levels of Tier 1 capital and may also hold Tier 2 capital up to certain prescribed limits. Tier 1 capital comprises the highest quality components of capital that fully satisfy the following essential characteristics:

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

The Credit Union's Tier 1 capital includes redeemable preference share capital, retained earnings, and capital reserve adjusted by regulatory adjustments.

Tier 2 capital comprises capital instruments that, to varying degrees, fall short of the quality of Tier 1 capital but exhibit some of the features of equity and contribute to the overall strength of the Credit Union as a going concern.

Capital is made up as follows:

	2024 $'000	2023 $'000
Tier 1 capital		
Redeemable preference shares	467	461
Capital reserve	229	229
Retained earnings	65,554	65,710
Net Tier 1 capital	**66,250**	**66,400**
Net Tier 2 capital	**-**	**-**
Total capital	**66,250**	**66,400**

The Credit Union is required to maintain a minimum capital level of 10.5% as compared to the risk weighted assets at any given time in accordance with APRA Prudential Standards. The Credit Union has complied with all externally imposed capital requirements throughout the period. The level of the capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets.

The capital ratios as at the end of each reporting period, for the past 5 years follow:

2024	2023	2022	2021	2020
16.7%	16.2%	16.1%	17.5%	18.3%

The Credit Union's objective is to maintain sufficient capital resources to support business activities and operating requirements and to ensure continuous compliance with externally imposed capital ratios.
To manage the Credit Union's capital, the management reviews the ratio monthly and monitors major movements in asset levels. Policies have been implemented which require reporting to the Board and the regulator if the capital ratio falls below 14.5%. Further, a 3- year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Note 6: Unrecognised items

6.1 Outstanding loan commitments

	2024 $'000	2023 $'000
Loans and credit facilities approved but not funded or drawn at the end of the financial year:		
Loans approved but not funded	27,537	27,363
Undrawn overdraft and line of credit	3,847	3,270
	31,384	**30,633**

6.2 Events subsequent to the end of the reporting period

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

Note 7: Other information

7.1 Property, plant and equipment

(a) Carrying amounts

	2024 $'000	2023 $'000
Plant and equipment- at cost	2,184	2,139
Accumulated depreciation	(1,789)	(1,560)
Total plant and equipment	**395**	**579**
Leasehold improvements - at cost	1,674	1,674
Accumulated amortisation	(1,316)	(1,149)
Total leasehold improvements	**358**	**525**
Work in progress	**169**	**143**
Total property, plant and equipment	**922**	**1,247**

(b) Movements in carrying amounts

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

	Plant and Equipment $'000	Leasehold Improvements $'000	Work in progress $'000	Total $'000
Balance at 1 July 2022	**864**	**759**	**134**	**1,757**
Additions	24	-	9	33
Disposals	-	-	-	-
Depreciation expense	(309)	(234)	-	(543)
Transfer to P&E and leasehold improvements	-	-	-	-
Balance at 30 June 2023	**579**	**525**	**143**	**1,247**
Additions	70	-	26	96
Disposals	-	-	-	-
Depreciation expense	(254)	(167)	-	(421)
Transfer to P&E and leasehold improvements	-	-	-	-
Balance at 30 June 2024	**395**	**358**	**169**	**922**

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2023: Nil).

Recognition and measurement

Plant and equipment

Each class of property, plant and equipment is carried at cost less depreciation, where applicable, any accumulated impairment losses. Assets under $300 are not capitalised.

The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows, which will be received from the assets employment and subsequent disposal. The decrement in the carrying amount is recognised as an expense in the profit or loss in the reporting period in which the recoverable amount write-down occurs.

Depreciation

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

Property, plant and equipment is depreciated on a straight-line basis.

A summary of the rates used is:

- Plant and equipment 10-33%
- Leasehold improvements 10-33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

7.2 Leases

The Credit Union leases a number of properties for offices and branches. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security.

(a) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2024 $'000	2023 $'000
Opening balance at 1 July	1,137	1,417
Additions	290	294
Loss on disposal	-	-
Amortisation expense	(572)	(574)
Closing balance at 30 June	**855**	**1,137**

(b) Lease liabilities

Set out below are the carrying amounts of lease liabilities (included under payables and other liabilities and the movements during the year:

	2024 $'000	2023 $'000
Opening balance at 1 July	1,227	1,517
Additions	290	294
Accretion of interest	66	69
Lease payments	(663)	(653)
Closing balance at 30 June	**920**	**1,227**

The maturity analysis of lease liabilities are disclosed in Note 5.3 (c).

(c) Amounts recognised in profit or loss

	2024 $'000	2023 $'000
Depreciation charge of right-of-use assets	572	574
Loss on disposal	-	-
Interest expense (included in finance cost)	66	69
	638	**643**

The Credit Union had total cash outflows for leases of $663,000 in 2024 (2023: $653,000). The Credit Union also had non-cash additions to right-of-use assets and lease liabilities of $290,000 in 2024 (2023: $294,000).

Recognition and measurement

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Credit Union's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Credit Union if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Credit Union is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations)

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Credit Union revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

For contracts that both convey a right to the Credit Union to use an identified asset and require services to be provided to the Credit Union by the lessor, the Credit Union has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

7.3 Intangible assets

(a) Computer software

	2024 $'000	2023 $'000
Cost	2,270	1,691
Accumulated amortisation	(1,180)	(938)
	1,090	**753**

(b) Movements in carrying amounts

	2024 $'000	2023 $'000
Balance at beginning of the financial year	753	768
Additions	578	189
Amortisation Expense	(241)	(204)
Carrying amount at the end of the year	**1,090**	**753**

Recognition and measurement

Intangible assets

Computer software

Items of computer software which are not integral to the computer hardware owned by the Credit Union are classified as an intangible asset. Computer software acquired by the Credit Union is measured at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits of the computer software. All other expenditure is expensed as incurred.

Amortisation is calculated using the straight-line method to write down the cost of the computer software to the residual value over the estimated useful life of the computer software. The estimated useful life ranges from 3 to 6 years resulting in a straight line depreciation base of 33.3% to 16.6%. The computer software's residual value and useful life are reviewed, and adjusted if appropriate, at each year end date.

7.4 Other receivables

	2024 $'000	2023 $'000
Accrued income	41	37
Sundry debtors	877	177
Total other receivables	**918**	**214**

7.5 Payables and other liabilities

	2024 $'000	2023 $'000
Accrued interest payable	5,487	4,880
Accrued expenses	825	742
Annual leave	556	547
Deferred Income	248	329
Member clearing	2,327	1,223
	9,443	**7,721**
Amount of other payables expected to be settled more than 12 months after the reporting date	-	-

7.6 Provisions

	2024 $'000	2023 $'000
Long service leave	622	565
Make good	87	47
	709	**612**
Amount of provisions expected to be settled more than 12 months after the reporting date	**533**	**465**

Recognition and measurement

Employee benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to the end of the reporting period.

Short-term employee benefits

Liabilities for wages and salaries, profit-sharing and bonuses and the value of fringe benefits received (including non-monetary benefits), and accumulating sick leave which are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. Short- term employee benefits are included in note 7.5, annual leave and accrued expenses.

Long-term employee benefits

Liabilities for long service leave and annual leave which are not expected to be settled within twelve months of the end of the reporting period are recognised as provisions for employee benefits and are measured at the present value of the expected future payments to be made in respect of services provided to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salary and wage increases, experience of employee departures and periods of service. Expected future payments are discounted using corporate bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions are made by the Credit Union to employee superannuation funds and are recognised in profit or loss when incurred.

7.7 Related Parties

(a) Key Management Personnel (KMP)

KMP are those persons having the authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any Director (whether executive or otherwise) of the Credit Union. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits for the Credit Union.

KMP has been taken to comprise the Directors and members of the Executive Management team responsible for the day to day financial and operational management of the Credit Union. The Executive Management Team for 2024 comprises the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer Chief Operating Officer and Chief People Officer.

The total compensation paid to KMP during the year, comprising amounts paid or payable or provided for, was as follows:

	2024 $	2023 $
Short-term employee benefits	1,934,694	1,741,129
Post-employment benefits	202,653	170,905
Other long-term benefits	22,451	57,779
Total compensation	**2,159,798**	**1,969,813**

In the table directly above for remuneration shown as short-term benefits means (where applicable) salary and wages, director fees, superannuation, paid annual leave and paid sick leave, profit sharing and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

All remuneration to non-executive Directors was approved by the members at the previous Annual General Meeting of the Credit Union. Post-employment benefits include vesting payments upon termination as disclosed in note 7.6.

(b) Loans to KMP and close family members

	2024 $	2023 $
(i) The aggregate value of loans as at reporting date amounted to:	11,104,309	9,928,877
(ii) The total value of revolving credit facilities available, as at reporting date	-	-
Less amounts drawn down and included in (i)	-	-
Net balance available	-	-
(iii) During the year the aggregate value of loans disbursed amounted to:		
- secured loans	2,313,466	-
- unsecure loans / overdrafts	-	-
(iv) Interest and other revenue earned on loans and revolving credit facilities amounted to:	418,321	321,323

The above table includes amounts for the Credit Union's Directors and other KMP in office or employed by the Credit Union at reporting date and their related parties.

The Credit Union's policy for lending to related parties is that all loans are approved on the same terms and conditions which applied to members for each class of loan. This policy has been adhered to for the full financial year. All loans were at lending terms and conditions applicable to members. KMP may receive concessional rates of interest on their loans and facilities that are available to all the Credit Union's employees. No amounts were written down or recorded as impaired during the year (2023: nil).

There are no benefits or concessional terms and conditions applicable to the family members of the Credit Union's Directors and other KMP (2023: nil). No loan balances with family or relatives of the Credit Union's Directors and other KMP were written down or recorded as impaired during the year (2023: nil).

(c) Deposits from KMP and close family members

	2024 $	2023 $
Total value of term and savings deposits	2,425,317	1,648,880
Interest paid on deposits	26,010	9,653

The Credit Union's policy for receiving deposits from KMP and close family members is that all deposits are accepted on the same terms and conditions which applied to members for each type of deposit. This policy has been adhered to for the full financial year.

KMP and close family members have received interest on deposits with the Credit Union during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to members of the Credit Union.

(d) Other transactions with related parties

The Credit Union's related parties consist of KMP and the close family members of KMP and entities that are controlled or significantly influenced by those KMP, individually or collectively with their close family members.

Other transactions between related parties include loans and deposits from the 'close family members' of KMP and the exchange of assets or services from time to time on a commercial, arm's- length basis.

There are no benefits paid or payable to the 'close family members' of KMP. There are no service contracts to which KMP or their 'close family members' are an interested party other than the following transactions entered into in the ordinary course of business:

Asset Advisory Pty Ltd – an entity associated with Mr Jeremy Rutledge, provided leasing advice and valuation services throughout the year to assist the Credit Union negotiate renewed leasing terms for its branch premises and to ensure adequate mortgage security was taken for loans provided to customers. These services amounted to $2,640 throughout the year.

7.8 Remuneration of auditors

Amounts received or due and receivable for:

	2024 $	2023 $
Audit services (2024 Grant Thornton / 2023 BDO)		
- Audit of financial statements	103,500	90,000
- Audit and review of APRA compliance and regulatory returns	48,172	37,200
Total audit services	**151,672**	**127,200**
Non-audit services (2024 and 2023 BDO)		
- Taxation services	-	5,500
- Other services	-	-
Total non-audit services	**-**	**5,500**
Total auditor's remuneration	**151,672**	**132,700**

7.9 Fair value measurement of financial instruments

(a) Fair value hierarchy

The Credit Union measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using:
  - quoted market prices in active markets for similar instruments
  - quoted prices for identical or similar instruments in markets that are considered less than active; or
  - other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

(b) Fair value estimates

The following methods and assumptions are used to determine the fair values of financial assets and financial liabilities.

Cash and cash equivalents and other receivables

The carrying values approximate their fair value as they are short term in nature or are receivable on demand.

Due from other financial institutions classified as financial assets at amortised cost

The fair value of these assets was determined using discounted cash flow models based on the maturity of the deposits. The discount rates applied were based on the benchmark rates on offer for the remaining term of each deposit at reporting date.

Investment securities classified as financial assets at fair value through other comprehensive income (FVOCI)

The Credit Union's unquoted equity instruments represent the investment in Cuscal Ltd shares which is stated at fair value and is classified as Level 3 in the fair value hierarchy. These shares represent an investment that the Credit Union intends to hold long term for strategic purposes and are not actively traded. These shares were measured at fair value on initial recognition and subsequently where their value cannot be measured reliably, the assets are measured at the carrying amount determined at the last date on which the fair value could be determined reliably.

Loans and advances

For variable rate loans the carrying value is a reasonable estimate of the fair value. The fair value for fixed rate loans was calculated by utilising discounted cash flow models based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio as at 30 June.

Borrowings and other payables

The carrying value of other payables approximates their fair value as they are short term in nature.

The Term Funding Facility is a fixed rate borrowing and the fair value was calculated by utilising discounted cash flow models based on the maturity of the borrowing.

(c) Fair value hierarchy

Deposits

The fair value of at call and variable rate deposits, and fixed rate deposits repriced within twelve months, approximates the carrying value. Discounted cash flow models based upon deposit types and related maturities were used to calculate the fair value of other term deposits. The discount rates applied were based on the current benchmark rate offered for the actual remaining term of the portfolio as at reporting date.

	2024		2023	
	Total fair values $'000	Carrying amount $'000	Total fair values $'000	Carrying amount $'000
Financial assets measured at fair value:				
Investment securities	1,762	1,762	858	858
Financial assets for which fair values are disclosed:				
Cash and cash equivalents	13,994	13,994	15,125	15,125
Due from other financial institutions	113,054	113,054	115,458	115,458
Other receivables	918	918	214	214
Loans and advances	797,851	803,200	763,507	777,141
Financial liabilities for which fair values are disclosed:				
Deposits	859,005	858,676	817,587	817,469
Payables and other liabilities	9,443	9,443	7,721	7,721
Lease liabilities	920	920	1,227	1,227
Borrowing	-	-	24,849	24,849

Loans and advances plus deposits fair values are both measured using level 2, Investment securities use level 3.

The Credit Union's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

(d) Level 3 reconciliation

Level 3 fair value measurement – investment securities

In the current financial year, the fair value of the equity investment in Cuscal is based on the most recent market transaction from December 2021 and have assigned a value of $1.95 per share. At 30 June 2023, the Credit Union estimated the fair value of the equity investment in Cuscal on the basis of the net tangible asset value per share and assigned a value of $0.95 per share. This asset is categorised at Level 3 in the fair value hierarchy given the lack of visibility of these valuation variables.

The following table shows reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy:

	2024 $'000	2023 $'000
Balance at beginning of financial year	858	1,111
Additions	-	-
Disposals	-	-
Pre-tax gains/(losses) recognised in other comprehensive income	904	(253)
Balance at end of financial year	**1,762**	**858**

The Credit Union's exposure to fair value measurements based in full or in part on unobservable inputs is restricted to investment in CUSCAL measured at FVOCI.

7.10 Economic dependency

The Credit Union has an economic dependency on the following suppliers of service:

(a) Indue Ltd.

This entity supplies the Credit Union with facilities for the use and settlement for VISA Cards, personal cheques and facilitates the earning of commission income on certain VISA transactions. The Credit Union has invested a share of its operating liquidity with this entity.

(b) Ultradata Australia Pty. Ltd.

Ultradata Australia Pty. Ltd. provides and maintains the application software utilised by the Credit Union.

(c) Fiserv Limited

This company operates the switching computer used to link VISA to the Credit Union's computer systems.

7.11 New and amended accounting standards and interpretations adopted during the year

The Credit Union applied, for the first time, certain new and amended accounting standards and interpretations which are effective for annual periods beginning on or after 1 July 2023. There are no new and amended accounting standards and interpretations became effective as of 1 July 2023 that has material impact to the Credit Union.

7.12 New and amended accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2024 reporting period and have not been early adopted by the Credit Union. None of these are expected to have a material effect on the financial statements of the Credit Union.

Consolidated Entity Disclosure Statement

(a) Basis of preparation

This Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the requirements of Section 295 (3A) of the Corporations Act 2001. It includes certain information for each entity that was part of the consolidated entity at the end of the financial year. The ownership interest is only disclosed for those entities which are a body corporate, representing the direct and indirect percentage share capital owned by the Parent Entity.

(b) Tax residency

Section 295 (3A) of the Corporations Act 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgement as there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency. It should be noted that the definitions of 'Australian resident' and 'foreign resident' in the Income Tax Assessment Act 1997 are mutually exclusive. This means that if an entity is an 'Australian resident' it cannot be a 'foreign resident' for the purposes of disclosure in the CEDS.

Australian resident; the consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.

(c) Partnership and Trusts

Australian tax law does not contain specific residency tests for partnerships and trusts. Generally, these entities are taxed on a flow-through basis, so there is no need for a general residence test. Some provisions treat trusts as residents for certain purposes, but this does not mean the trust itself is an entity that is subject to tax.

Name of entity	Type of entity	% of share capital	Country of Incorporation	Tax residency
Southern Cross Credit Union Limited	Body Corporate	-	Australia	Australia
MTG SCCU Trust Repo Series No.1	Trust	N/A	Australia	Australia

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Independent Auditor's Report

To the Members of Southern Cross Credit Union Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Southern Cross Credit Union Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year ended on that date; and

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

Basis for opinion

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

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

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

The Directors of the Group are responsible for the preparation of:

a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 (other than the consolidated entity disclosure statement); and

b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the Directors determine is necessary to enable the preparation of:

i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Claire Scott

Claire Scott
Partner – Audit & Assurance

Sydney, 24 September 2024

Grant Thornton Audit Pty Ltd

Southern Cross Credit Union Ltd

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SOUTHERN CROSS
CREDIT UNION