FIRE SERVICE CREDIT UNION LTD
ANNUAL FINANCIAL REPORT
For year ended 30 June 2023

Registered Head Office:	22 Chancery Lane, Adelaide SA 5000
Phone:	08 8227 2222
Fax:	08 8227 2422
Website:	www.fscu.com.au
Office Hours:	Monday – Friday 8:30am – 4:45pm
	Except Tuesdays 9:30am – 4:45pm
BSB	805-013
ABN:	17 087 651 152
AFSL:	237515
Australian Credit Licence:	237515

Affiliations

Cuscal Ltd
Customer Owned Banking Association
Data Action Pty Ltd
Calm Wealth Management Pty Ltd
Allianz Australia Insurance Ltd
Convera Australia Pty Ltd
Mastercard Prepaid Management Services
Shared Lending Pty Ltd

Auditors

Crowe
491 Smollett St, Albury NSW

Solicitors

Piper Alderman
70 Franklin Street, Adelaide SA 5000

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Fire Service Credit Union Ltd
Chair's Report
For the year ended 30 June 2023

Dear Members,

I am pleased to present the Chair's Report for the Fire Service Credit Union for the financial year 2023. It has been a year of challenges and achievements, and I am proud to share the progress we have made in fulfilling our mission of serving the financial needs of our esteemed firefighter community.

Financial Performance: Despite the economic uncertainties that marked this year, I am delighted to report that our Credit Union's financial performance remained strong with an after tax profit for the 2023 FY of $448K. Our total assets were slightly down however our loan portfolio increased by $9.5m or 22% and our deposits by $2.7m or 19.6 %. These figures not only reflect our commitment to prudently manage our resources but also highlights the trust our members have placed in us.

Member Growth and Engagement: Our membership base has continued to expand, with a modest growth over the past year. This growth is a testament to the exceptional service provided by our staff and the dedication of our members. We have strived to enhance member engagement through personalised financial solutions, educational resources, and convenient digital services.

Digital Transformation: Recognising the importance of staying current in an ever-evolving digital landscape, we have invested significantly in upgrading our digital infrastructure. The launch of our revamped mobile app has empowered our members with user-friendly tools to manage their accounts, apply for loans, and access information seamlessly, and there is more to come.

Member Outreach: Our commitment to outreach remained strong. We continued to support local fire stations through station visits and educating on the benefits of sound banking options.

Sustainability Initiatives: Understanding the importance of sustainability, we continue to explore several eco-friendly initiatives. We transitioned to electronic statements, reducing paper waste and aligning our services with environmentally conscious practices, including the purchase of a hybrid vehicle.

Member Assistance: The challenges posed by unexpected events tested the resilience of our organisation. In response to the economic challenges, we swiftly introduced special loan programs and payment relief options to help affected members navigate these turbulent times. Our ability to adapt and support our members during financial difficulties underscores our commitment to their financial well-being.

Governance: I would like to thank each of the Directors for their significant contributions during the past year. The collective efforts of the Audit Committee, and the Risk Committee, combine to provide sound support to the Board and ensure that FSCU maintains a strong and prudent governance framework. As a result, our governance activities have continued to include a focus on areas of non-financial risk, including culture, cyber-crime and board and management sustainability.

Acknowledgements: Finally, I commend the Credit Union executive in Trish, Judith and Karen on their leadership throughout the year, they lead a dedicated, friendly and competent team which not only gives our members the best possible customer experience but supports and assists myself and the other directors in fulfilling our duties effectively.

Looking Ahead: As we move into the coming year, we remain committed to delivering more innovative financial solutions, fostering member engagement, and maintaining our strong financial position. We will continue to invest in technologies that enhance member experience, expand our educational offerings, and uphold our core values of integrity and community support.

In conclusion, the Fire Service Credit Union has emerged from the challenges of this year stronger and more resilient. Together, we have shown that our cooperative spirit can weather any storm. I am confident that, with our shared determination, we will continue to thrive in the years to come.

Thank you for your unwavering support.

Sincerely,

Paul Fletcher,
Chair, Fire Service Credit Union

The directors present their report together with the financial report of Fire Service Credit Union Ltd ("the Credit Union") for the financial year ended 30 June 2023 and the auditor's report thereon.

1. Directors

The directors of the Credit Union at any time during or since the end of the financial year are:

Paul M Fletcher – Chair Deputy Chief Officer - SAMFS Dip Engineering GIFireE MLshipMgmt	Appointed to the Board March 2011 Member of Remuneration Committee Member of Audit Committee Appointed as Deputy Chair January 2015 Appointed as Acting Chair March 2015 Appointed as Chair October 2015
Jeffrey D Swann – Deputy Chair Commander – SAMFS Certificate 4 in Business Management Diploma of Management	Appointed to the Board March 2011 Member of Audit Committee Chair of Remuneration Committee Appointed Deputy Chair October 2015
Noel L Johnson – Director SA Fin (Life Member) FIPA (Life Member) Manager of Fire Service Fund	Appointed to the Board in March 2005 Member of Audit Committee Member of Risk Committee
Eugene D Holzbauer - Director Fellow of the National Tax and Accountants' Association Bachelor of Arts Accountancy Diploma in Financial Services (SMSF Advice Only) Registered Tax Agent Registered SMSF Auditor	Appointed to the Board in March 2007 Chair of Audit Committee
Alexander Karapetian - Director Capital Planning Manager, Adelaide Airport Limited Bachelor of Finance Graduate Certificate in Finance	Appointed to the Board December 2013 Member of Remuneration Committee Member of Risk Committee
Elizabeth Lew - Director Chief Financial Officer, Art Gallery of South Australia Masters of Business Administration Graduate Diploma in Legal Practice Bachelor of Laws Bachelor of Commerce CPA	Appointed to the Board November 2015 Chair of Risk Committee
Gregory B Northcott - Director Retired Senior Firefighter – SAMFS	Appointed to the Board November 2015 Member of Remuneration Committee
Adam J Waller - Director Station Officer - SAMFS Graduate, Australian Institute of Company Directors Master of Applied Project Mgmt(ConMgmt)	Appointed to the Board February 2023 Member of Risk Committee
Tricia E Ireland - Company Secretary Chief Executive Officer Diploma of Banking Services Management	Appointed as CEO January 2010

2. Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Credit Union during the financial year were as follows:

Director	Board Meetings		Audit Committee Meetings		Risk Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B
Paul Fletcher	12	12	1	2	-	-	1	1
Jeffrey Swann	9	12	-	2	-	-	1	1
Noel Johnson	11	12	2	2	4	4	-	-
Eugene Holzbauer	10	12	2	2	-	-	-	-
Alexander Karapetian	10	12	-	-	3	4	1	-
Elizabeth Lew	8	12	-	-	3	4	-	-
Gregory Northcott	11	12	-	-	-	-	1	1
Adam Waller	5	5	-	-	3	1	-	-

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

3. Corporate Governance Statement

Board of Directors

During the year there was a maximum of 8 directors. The Board has operated within the rules of the Credit Union constitution with 8 directors elected by members. The primary role of the Board of Directors is to protect the interest of the members. It is responsible for the overall conduct of the business by performing its duties in accordance with the approved Board Terms of Reference.

In accordance with these Terms of Reference the Board governance includes:

Strategic planning

The strategic planning direction of the Credit Union is analysed each year and the business plan is prepared and reviewed at Board Planning Days.

Risk management

In conjunction with management, risk management systems are reviewed on a regular basis. Key areas considered include:

- Review and monitor interest rates;
- Ratify loans within a delegated authority;
- Formulate and review risk management policies annually;
- Review remuneration and performance of senior management;
- Monitor the performance of the Credit Union;
- Report against strategic goals; and
- Review and enhance Board reporting.

Approving budgets and capital expenses

Budgets are prepared annually by management and approved by the Board. Performance compared to key indicators is reported by management to the Board on a monthly basis.

Ethical conduct

Ethical conduct is of paramount importance for the Board as this forms the basis of a strong bond with our members and maintains the integrity of the Credit Union.

3. Corporate Governance Statement (continued)

Audit Committee

The Audit Committee comprises 4 non-executive directors with an independent Chair. The responsibilities of the Audit Committee are to:

- Monitor reporting to the Australian Prudential Regulation Authority (APRA);
- Review risk management systems;
- Oversee the independence of the external auditors;
- Review the findings of the external auditors; and
- Review the annual financial report and recommend Board approval.

Remuneration Committee

The Remuneration Committee comprises 4 non-executive directors. The responsibilities of the Remuneration Committee are to:

- Ensure the Credit Union's remuneration policy is sufficiently robust, effective and capable of contributing to the Credit Union's objectives;
- Making determinations in relation to the application of the remuneration policy;
- Reviewing and making recommendations to the Board on performance assessment processes;
- Making recommendations to the Board on the remuneration of Senior Management; and
- Evaluating the remuneration of material service providers.

Risk Committee

The Risk Committee comprises 4 non-executive directors. The responsibilities of the Risk Committee are to assist the Board in providing objective non-executive oversight of the implementation and operation of the Credit Union's risk management, taking into account the Credit Union's Risk Appetite Statement, the overall business strategy and management expertise. This includes the establishment, implementation, review and monitoring of risk systems and policies for the following:

- Market and Investment Rate Risk;
- Liquidity and Funding Risk;
- Credit Risk;
- Insurance Risk;
- Risks arising from the Credit Union's strategic objectives and business plans;
- Fraud Risk;
- Data Risk (security and data integrity);
- Reputational Risk;
- Operational Risk; and
- Other risks that in isolation or in combination with different risks may have a material impact on the Credit Union.

3. Corporate Governance Statement (continued)

Ethical Standards

All directors, management and staff are expected to act with the utmost integrity, striving to enhance the credibility and performance of the Credit Union. In this regard the Credit Union directors must abide by a conflicts of interest policy. Where an actual or potential conflict arises, the director must remove themselves from any discussion or decision making with respect to matters where there is such a conflict or potential conflict.

Communication with Members

Members are encouraged to participate in the Annual General Meetings to ensure a high level of accountability.

Annual reports are available from the Credit Union Office and the Credit Union's website (www.fscu.com.au).

A newsletter also provides members with updates to events and services encouraging them to provide feedback to enhance the excellent relationship that the Credit Union currently enjoys.

4. Operating and financial review

The profit after tax of the Credit Union for the year ended 30 June 2023 was $448K (30 June 2022: $304K). The Credit Union continues to meet all statutory and regulatory obligations including APRA's liquidity and capital requirements.

5. Significant changes in the state of affairs

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

6. Principal activities

The principal activities of the Credit Union during the course of the financial year were the provision of retail financial services to our members and acting as an insurance agent.

There were no significant changes in the nature of the activities of the Credit Union during the year.

7. Dividends

The Credit Union has not paid or declared a dividend out of Share Capital during the year ended 30 June 2023 (2022: nil).

8. Environmental regulations

The Credit Union's operation is not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Credit Union has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they may apply to the Credit Union during the year covered by this report.

9. Likely developments

The Credit Union will continue to provide services to members and does not anticipate any significant developments in the foreseeable future.

10. Directors' interests

During the financial year, no directors of the Credit Union have received or become entitled to receive any benefit other than a benefit included in the aggregated amount of remuneration received or due by directors shown in the financial statements by reason of contract made by the Credit Union or with any director or with a firm of which a director is a member, or with any entity of which a director has a substantial interest.

Each Director holds one share in the Credit Union in their capacity as a member.

11. Indemnification and insurance of officers

The Credit Union holds a Directors' and Officers' insurance policy on behalf of directors for the year ended 30 June 2023, which was paid by the Credit Union.

The policy indemnifies directors against damages, legal costs and expenses arising from any claim made against them jointly or separately in relation to their duties as directors of the Credit Union.

The insurance policy does not cover the external auditor.

12. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 9 and forms part of the Directors' report for financial year ended 30 June 2023.

13. Rounding off

The amounts contained in this report and in the financial statements have been rounded off to the nearest thousand dollars (unless otherwise stated) in accordance with Instrument 2016/191 issued by Australian Securities and Investment Commission dated 24 March 2016, as the Credit Union has total assets greater than $10,000,000.

This report is made in accordance with a resolution of the directors:

Mr Paul Fletcher Deputy Chief Officer SAMFS, MLshipMgmt, G.I.Fire E.

Chair

Dated at Adelaide this 21st day of September 2023

Crowe Audit Australia
ABN 13 969 921 386

491 Smollett Street
Albury NSW 2640 Australia

PO Box 500
Albury NSW 2640 Australia

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

Auditor Independence Declaration Under S307C of the *Corporations Act 2001* to the Directors of Fire Service Credit Union Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2023 there have been no contraventions of:

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

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

Crowe

CROWE AUDIT AUSTRALIA

BRADLEY D BOHUN
Partner

22nd September 2023
Albury

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Interest Revenue	4	3,245	1,724
Interest Expense	4	(832)	(151)
Net interest income		**2,413**	**1,573**
Other revenue	5	298	490
Personnel expenses	6	(757)	(673)
Other expenses	7	(1,361)	(1,081)
Profit before income tax		**593**	**309**
Income tax expense	8	(145)	(5)
Profit for the year		**448**	**304**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain/(loss) on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		-	(101)
Total comprehensive income for the year		**448**	**203**
Total comprehensive income attributable to:			
Members of the Credit Union		448	203
Total comprehensive income for the year		**448**	**203**

The notes on pages 14 to 46 are an integral part of these financial statements.

Statement of financial position

As at 30 June 2023

	Note	2023 $'000	2022 $'000
Assets			
Cash and cash equivalents	10	6,490	7,659
FRN/NCD Premium		167	293
Prepayments		83	60
Clearing accounts		167	121
Investment receivables	11	175	60
Loans and advances	12	52,873	43,354
Investments	13	27,139	37,392
Deferred tax assets	16	50	36
Plant and equipment	14	154	72
Intangible assets	15	50	100
Total assets		**87,348**	**89,147**
Liabilities			
Members' deposits	17	80,774	83,460
Interest payable		199	21
Lease liability	9	50	-
Trade and other payables	18	140	35
Employee benefits	19	240	204
Income tax payable		71	-
Total liabilities		**81,474**	**83,720**
Net assets		**5,874**	**5,427**
Equity			
Redeemed preference shares reserve	20	31	31
General credit loss reserve	20	-	68
Retained earnings		5,843	5,328
Total members' funds		**5,874**	**5,427**

The notes on pages 14 to 46 are an integral part of these financial statements

Statement of changes in equity

For the year ended 30 June 2023

	Redeemed preference shares reserve $'000	Financial Asset Revaluation reserve $'000	General credit loss reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 30 June 2021	**30**	**113**	**70**	**5,011**	**5,221**
Balance at 1 July 2021	**30**	**113**	**70**	**5,011**	**5,221**
Profit for the year	-	-	-	304	304
Other comprehensive income for the year	-	(101)	-	-	(101)
Total comprehensive income for the year	**30**	**12**	**70**	**5,315**	**5,427**
Transfer to/(from) retained earnings	1	(12)	(2)	13	-
Balance at 30 June 2022	**31**	**-**	**68**	**5,328**	**5,427**
Balance at 1 July 2022	**31**	**-**	**68**	**5,328**	**5,427**
Profit for the year	-	-	-	448	448
Total comprehensive income for the year	**31**	**-**	**68**	**5,776**	**5,874**
Transfer to/(from) retained earnings	-	-	(68)	67	-
Balance at 30 June 2023	**31**	**-**	**-**	**5,843**	**5,874**

The notes on pages 14 to 46 are an integral part of these financial statements

Statement of cash flows

For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Interest received		3,130	1,690
Net (increase)/decrease in loans and advances		(9,525)	(104)
Net increase/(decrease) in deposit accounts		(2,686)	9,097
Dividends received from investments		-	218
Interest paid to members		(654)	(171)
Receipts from other services		275	272
Income taxes (paid)/refunded		(160)	(5)
Cash paid to suppliers and employees		(1,653)	(1,926)
Net cash from / (used in) operating activities	10	(11,273)	9,071
Cash flows from investing activities			
Acquisition of plant and equipment and intangibles	14 & 15	(125)	(6)
Proceeds from disposal of Cuscal shares		-	104
Net movement in investments		10,253	(6,314)
Net cash flows from / (used in) investing activities		10,128	(6,216)
Cash flows from financing activities			
Payment of lease liability		(24)	(23)
Net cash flows from / (used in) financing activities		(24)	(23)
Net increase cash and cash equivalents		(1,169)	2,832
Cash and cash equivalents at beginning of year		7,659	4,827
Cash and cash equivalents at end of year	10	6,490	7,659

The notes on pages 14 to 46 are an integral part of these financial statements

Notes to the financial statements
For the year ended 30 June 2023

1. Reporting entity

Fire Service Credit Union Ltd (the 'Credit Union') is an entity domiciled in Australia. The address of the Credit Union's registered office is 22 Chancery Lane, Adelaide, 5000.

The Credit Union is a for-profit entity and is primarily involved in the provision of retail financial services to our members and acting as an insurance agent.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Credit Union complies with the International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

The financial report was authorised for issue by the directors on 21st September 2023.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency and rounding

These financial statements are presented in Australian dollars, which is the Credit Union's functional currency.

The Credit Union is of a kind referred to in ASIC Instrument 2016/191 dated 24 March 2016 and in accordance with that instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In particular, significant areas of estimation uncertainty and critical areas where judgement has been applied are as follows:

- loans and advances are carried net of impairment provisions, which are based on the estimated recoverable amount, refer to Note 3(a).

(e) Basis of preparation

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised in the statement of financial position when the Credit Union becomes a party to the contractual provisions of the instrument, which is generally on trade date. Loans and advances are recognised when cash is advanced (or settled) to borrowers. Financial instruments are initially measured at fair value plus transaction costs.

Classification and subsequent measurement

Financial assets are disclosed in the statement of financial position at a carrying amount which reflects the Credit Union's business model for managing assets.

The Credit Union's asset management model is that of holding financial assets with the objective of collecting contractual cash flows and where the contractual terms give rise to cash flows that are solely payments of principal and interest.

These financial instruments are, subsequent to initial measurement, measured at 'amortised cost' using the effective interest rate method or 'cost'.

Measurement

Financial instruments measured at amortised cost

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method and less any reduction for impairment.

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in income and expenditure.

Financial Liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in income and expenditure through the amortisation process and when the financial liability is derecognised.

Derecognition of financial instruments

The Credit Union derecognises a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Credit Union is recognised as a separate asset or liability.
The Credit Union removes a financial liability from the balance sheet when the obligation specified in the contract is discharged, cancelled or expires.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and deposits held with banks and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

INVESTMENT RECEIVABLES

Investment receivables are investments and are initially measured at fair value plus transaction costs and subsequently measured at amortised cost, as they are held in a business model with the objective of collecting contractual cash flows. The contractual terms of these investments give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

RECEIVABLES AND OTHER ASSETS

Receivables and other assets are initially measured at fair value plus transaction costs and are subsequently measured at amortised cost.

SHARES IN UNLISTED ENTITIES

The Credit Union has elected to measure the investments in equity instruments at fair value through other comprehensive income. All fair value changes are recognised in the investment revaluation reserve and are never reclassified to profit or loss, even on disposal. Dividends on the investment are recognised in profit or loss. The investment in equity instruments do not have a quoted market price in an active market and the Credit Union establishes fair value by using historical arm's length transactions. Investment securities are recognised/derecognised by the Credit Union on the date it commits to purchase/sell the investments.

LOANS AND ADVANCES

Loans and advances feature contract terms which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the origination of the loan or advance. 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 credit impairment.

MEMBERS' DEPOSITS

Members' deposits are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost.

TRADE AND OTHER PAYABLES

Interest and other payables are initially recognised at cost and subsequently measured at amortised cost.

PROVISION FOR EXPECTED CREDIT LOSSES

AASB 9 requires the Credit Union to recognise 'expected credit losses' on financial instruments. Expected credit losses represent a probability-weighted estimate of the present value of credit losses as a result of default. The Credit Union assesses default to have occurred where a contractual payment is more than 90 days past due.

Financial assets to which the expected credit losses model are applied have been categorised as follows:

Stage	Measurement basis
Stage 1	Assets whose credit risk has not increased significantly since initial recognition.
Stage 2	Assets whose credit risk has increased significantly since initial recognition, other than those assessed as credit-impaired.
Stage 3	Assets which are credit-impaired

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

Expected credit losses on Stage 1 assets represent the portion of lifetime expected credit losses that result from default events that are possible within 12 months after the reporting date.

Expected credit losses on Stage 2 and Stage 3 assets represent lifetime expected credit losses resulting from all possible default events over the expected life of the financial asset.

Financial assets are assessed for significant increases in credit risk on an individual basis based on a variety of factors, including past events, current conditions and forward-looking information at both an individual counterparty level and a collective and macroeconomic level.

Financial assets which become past due by 30 days or more are presumed to have suffered a significant increase in credit risk in the absence of reasonable and supportable information which may rebut this presumption. The Credit Union assesses an amount as past due where a contractual payment has not been met.

Where a financial asset has been externally rated as 'investment grade' the Credit Union has assumed that the asset has not suffered a significant increase in credit risk since initial recognition. This assumption has been applied to the Credit Union's portfolio of receivables where relevant.
Expected credit losses on Stage 1 and Stage 2 financial assets are measured on a collective basis. Financial instruments are grouped by instrument type and on the basis of shared credit risk characteristics.

Measurement of expected credit losses – AASB 9

Expected credit loss calculations are based on historical loss rates, adjusted for current conditions and forward-looking information at both an individual counterparty level and a macroeconomic level.
Expected credit losses are the present value of the difference between all contractual cash flows due to the Credit Union and all the cash flows that the Credit Union expects to receive.

Mortgages over freehold property and other security are held in relation to a portion of the Credit Union's loans receivable. The existence of these security instruments is highly relevant to the estimation of expected credit losses.

Credit-impaired financial assets

A financial asset or a group of financial assets is deemed to be impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

In the case of financial assets carried at amortised cost, loss events may include: significant financial difficulty of the borrower; breach of contract, such as default or past due event; granting of concessions to a borrower due to the borrower's financial difficulty which the Credit Union would not otherwise consider; indications that it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Financial assets are assessed for indicators of impairment at the end of each reporting period. The amount of the impairment loss is measured as the difference between the asset's gross carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Any adjustment is recognised as an impairment gain or loss.

The amount of any loss is recognised as part of the provision for expected credit losses.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

Write-off of financial instruments

Financial assets are written off where there is no reasonable expectation of recovering the entirety or a portion of the gross carrying amount of a financial asset. The Credit Union generally determines that there is no reasonable expectation of recovery where the counterparty no longer has sufficient assets or cash flows to repay any further amounts, and collateral and guarantees held by the Credit Union to secure the exposure have been exhausted.

Recovery of amounts previously written off (for example, due to continuing enforcement activity) reduce any loan impairment expense recognised for the reporting period.

Renegotiated or modified loans

Where the terms of a loan have been renegotiated or modified and the loan is not derecognised, the Credit Union adjusts the gross carrying amount of the financial asset to reflect the present value of the renegotiated cash flows. Where this occurs, the Credit Union assesses whether there has been a significant increase in credit risk by comparing the risk of default at the reporting date based on the modified contractual terms against the risk of default at the time of initial recognition of the original loan.

Where renegotiation or modification results in an assessment that the risk of default of a financial asset at the reporting date is no longer significantly higher than at the time of initial recognition, expected credit losses are remeasured to an amount equal to 12-month expected credit losses. A decrease in credit risk will ordinarily be assessed to have occurred after a prolonged history of payment performance against the modified contractual terms and consideration of a variety of indicators of financial performance of the borrower.

Collateral and other credit enhancements

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Credit Union. The Credit Union has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Credit Union's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The maximum credit exposure does not take into account the value of any collateral or other security held in the event other entities/parties fail to perform their obligations under the financial instruments in question. The value of collateral held against individual exposures is generally only assessed at the time of borrowing or when a specific review of that exposure is undertaken in accordance with policy.

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

(b) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit and loss.

3. Significant accounting policies (continued)

(b) Plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Credit Union and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated depreciation rate for the current and comparative years are as follows:

	2023	2022
• fixtures and fittings	10%	15%
• office machines and furniture	10%	10%
• motor vehicles	25%	25%

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

(c) Intangible assets

Software, website and VISA license costs are recognised at cost less amortisation and impairment losses (refer to note 3(e)).

Amortisation is calculated to allocate the cost of intangible assets less their estimated residual value using the straight line method over their effective useful lives and is generally recognised in profit or loss.

The estimated amortisation rate for the current and comparative years are as follows:

	2023	2022
• Software	33%	20%
• Website	33%	30%
• VISA License	20%	20%

(d) Leases

At inception of a contract, the Credit Union assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Credit Union uses the definition of a lease in AASB 16.

The Credit Union recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The lease liability is initially measured using the lease payments that are not paid at the commencement date.

3. Significant accounting policies (continued)

(e) Impairment of non-financial assets

The carrying amount of the Credit Union's assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in the Profit or Loss, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the Other Comprehensive Income.

(f) Employee benefits

(i) Long service leave

The Credit Union's net obligation in respect of long service leave is the amount of future benefits that employees have earned in return for their service in the current and prior years. The obligation is calculated using expected future increases in wage and salary rates including the related on-costs. The benefit is discounted to determine its present value.

The discount rate is the yield at the reporting date on Australian high quality corporate bonds that have maturity dates approximating the terms of the Credit Union's obligations.

(ii) Wages, salaries, and annual leave

Liabilities for employee benefits for wages, salaries and annual leave represent the present obligation resulting from employees' service provided to reporting date. For annual leave expected to be settled within 12 months, the provision is calculated at undiscounted amounts based on remuneration wage and salary rates that the Credit Union expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. For annual leave not expected to be settled within 12 months, the provision is calculated based on expected future wage increases including related on costs at expected settlement dates based on historical usage dates and is discounted to its present value.

(iii) Superannuation

The Credit Union contributes to defined contribution superannuation funds. The Credit Union has no legal or constructive obligation to fund any shortfall in the fund's assets to meet payments due to employees. Employer contributions are based on various percentages of employees' gross salaries. Obligations for contributions are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income when they are due.

(g) Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Credit Union and that revenue can be reliably measured. The principal sources of revenue are interest income, fees and commissions.

(i) Interest revenue

Interest income from loans and advances is recognised as it accrues using the effective interest rate method. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts through the expected life of the loan or advance or, when appropriate, a shorter period, to the gross carrying amount of the loan or advance.

(ii) Dividend income

Dividend income is recognised when the right to receive the dividend has been established, which in the case of unlisted securities is when the dividend is declared.

3. Significant accounting policies (continued)

(iii) Commissions

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

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

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

(iv) Loan, access and other fee income

For the fees to which AASB 15 applies, the Credit Union has assessed that the performance obligations are satisfied either over time or at a point in time. This income will continue to be recognised either at the point it is received or over the periods in which the services are provided.

Loan fee income is an integral part of the EIR of the loan and as such is recognised over the expected life of the loan. Performance obligations related to access fee income are completed at a point in time when a transaction takes place.

Access fee income is recognised when the performance obligation has been completed.

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

(h) Income tax

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 directly in equity or in other comprehensive income.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probably that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant accounting policies (continued)

(i) Goods and services tax

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

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

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

As a financial institution, the Credit Union is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition, certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

(j) New Standards and interpretations not yet adopted.

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

	2023 $'000	2022 $'000

4. Interest revenue & expense

	2023 $'000	2022 $'000
Interest revenue		
Interest on loans	2,153	1,494
Interest on investments	1,092	230
	3,245	1,724
Interest expense		
Member deposits	830	15
Lease liabilities	2	1
	832	151

5. Other revenue

	2023 $'000	2022 $'000
Dividends	1	218
Member fee revenue	82	69
Commissions	198	178
Sale of Motor Vehicle	10	-
Bad debt recovery	-	22
Grant income	7	3
	298	490

6. Personnel expenses

	2023 $'000	2022 $'000
Wages and salaries	632	588
Superannuation expenses	88	77
Increase in provision for employee benefits	37	8
	757	673

7. Other expenses

	2023 $'000	2022 $'000
Depreciation and amortisation	90	58
Operating lease rental expense	-	2
Computer system related expenses	421	278
Marketing expenses	22	11
Distribution expenses	400	373
Administration expenses	178	134
Professional fee expenses	161	138
Impairment	6	6
Other Expenses	84	81
	1,361	1,081

8. Income tax expense

	2023 $'000	2022 $'000
Current tax expense		
Current year	156	-
Under/(over) provision of previous year	(2)	-
	154	-
Deferred tax expense		
Origination and reversal of temporary differences	13	4
Under / (over) provision of previous year	(22)	-
Adjustment due to change in tax rate	-	1
Total income tax expense	145	5

Numerical reconciliation between tax expense and pre-tax accounting profit

	2023 $'000	2022 $'000
Profit before tax	593	309
Income tax using the Credit Union's statutory income tax rate of 25% (2022: 25%)	148	77
Tax effect on permanent differences:		
Add:		
Non-deductible expenses	-	1
Franking credits	-	-
Adjustment due to change in tax rate	-	1
Less:		
Franking credits	-	(61)
Tax losses recognised	-	(10)
(Under) / Over	(2)	-
Other differences in tax treatment	(1)	(1)
	145	5

For income tax purposes, Credit Unions are classified into 3 categories. Credit Unions with a notional taxable income of $150,000 and over are taxed at 25%. On this basis, for the year ended 30 June 2023, the Credit Union's taxable income is taxed at 25%.

9. Lease Liability

	2023	2022
Current		
Not later than 1 years	22	-
Non-current		
Later than 1 year	24	-

Extension options

The Credit Union includes options in leases to provide flexibility and certainty to the Credit Union's operations. The extensions are at the Credit Union's discretion. At commencement date and each subsequent reporting date, the Credit Union assess where it is reasonably certain that the extension options will be exercised.

9. Lease Liability (continued)

As at 20 June 2023, there are $nil in potential future lease payments which are not included in lease liabilities as the Credit Union has no extension options.

Income statement

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

	2023 $'000	2022 $'000
Interest expense on lease liabilities	2	1
Statement of cash flows		
Total cash outflow for leases	24	24

Exemptions applied

The Credit Union has applied the exemptions relating to short-term leases and leases of low-value assets. As at 30 June 2023, the Credit Union is not committed to any short-term leases (2022: Nil).

Key assumptions used in calculations

The calculation of the right-of-use assets and lease liabilities are dependent on the following critical accounting judgements:

Assessment of lease term – as discussed above, this includes consideration of extension options by lease basis. Determination of the appropriate rate to discount the leases in not known. The Credit Union's assessed incremental borrowing rate was determined based on consideration of reference rates for commercial lending, lease term and a lease specific adjustment considering the secured borrowing' element of the lease.

10. Cash and cash equivalents

	2023 $'000	2022 $'000
Bank balances	2,858	4,245
Cash deposits	3,591	3,291
Teller cash	41	123
Cash and cash equivalents in the statement of cash flows	6,490	7,659

The Credit Union's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 21.

Reconciliation of cash flows from operating activities

	2023 $'000	2022 $'000
Cash flows from operating activities		
Profit for the year	448	304
Adjustments for depreciation and amortisation	85	58
Provision for impairment	6	6
Loss on disposal of asset	8	-
Provision for employee entitlements	40	8
Changes in assets and liabilities		
(Increase) / decrease in other assets	11	(71)
(Increase) / decrease in deferred tax asset	(14)	5
Increase / (decrease) in income tax payable	71	-
Increase / (decrease) in trade and other payables	283	(232)
Net cash from revenue activities	938	78
Add / (deduct) non-revenue operations		
(Increase) / decrease in loans and advances	(9,525)	(104)
Increase / (decrease) in deposits	(2,686)	9,097
Net cash from / (used in) operating activities	(11,273	9,071

Bank overdraft facility
The Credit Union has access to an overdraft facility provided by Cuscal Limited ('Cuscal') to the extent of $500,000 (2022: $500,000) and incurs an interest rate of 4.60% (2022: 4.60%). This overdraft facility is secured by a separate security deposit with Cuscal for $500,000. As at 30 June 2023, this facility was unused (2022: facility unused).

11. Investment receivables

	2023 $'000	2022 $'000
Interest due from investments	175	60
	175	60

12. Loans and advances

	2023 $'000	2022 $'000
Overdrafts (including lines of credit)	698	1,214
Term loans (excluding lines of credit)	52,261	42,220
Gross loans and advances	52,959	43,434
Provision for impairment	(86)	(80)
Net loans and advances	52,873	43,354
(a) Loans by purpose		
Residential loans	50,676	40,660
Personal loans	2,283	2,775
	52,959	43,435
(b) Loans by security		
Secured by mortgage	50,676	40,660
Unsecured	2,283	2,775
	52,959	43,435
(c) Loans by interest rate type		
Variable rate loans	52,959	43,532
	52,959	43,532
(d) Loans by geographical location		
South Australia	52,580	43,423
Interstate	378	12
	52,959	43,435
(e) There are no non-accrual loans where interest has been suspended	-	-
(f) Balance of loans outstanding greater than 90 days on which interest is being charged (2023: No loan - 2022: No loan)	-	-
(g) The Statement of Financial Position does not take into account unused overdraft limits.	1,231	1,844
(h) Concentration of loans The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:		
South Australia	52,580	43,423
Aggregate value of individual loans which exceed 10% of Total Members Funds in aggregate	7,851	5,236

12. Loans and advances (continued)

	2023 $'000	2022 $'000
(i) Concentration of loans (continued)		
Number of such loans	12	9
(j) Impairment of loans and advances		
Total provision comprises of:		
Expected credit loss allowance	86	80
	86	80

Reconciliation of allowance for impairment

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

2023	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Movement category				
Balance as at 1 July 2022	80	-	-	80
Movement due to increase in loans & advances	6	-	-	-
Movement due to change in credit risk	-	-	-	-
Bad debts written off from provision	-	-	-	-
Changes in model / risk parameters	-	-	-	6
Total	**86**	**-**	**-**	**86**

During the 2023 financial year, there was no significant change to the gross carrying amount of financial instruments subject to the expected credit loss provision.

2022	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Movement category				
Balance as at 1 July 2021	74	-	-	74
Movement due to increase in loans & advances	-	-	-	-
Movement due to change in credit risk	-	-	-	-
Bad debts written off from provision	-	-	-	-
Changes in model / risk parameters	6	-	-	6
Total	**80**	**-**	**-**	**80**

13. Investments

	2023 $'000	2022 $'000
Interest earning deposits	27,119	37,372
Shares in unlisted companies		
- Other	20	20
	27,139	37,392

The Credit Union has elected to measure the investments in equity instruments at Fair value through other comprehensive income. The investment in equity instruments do not have a quoted market price in an active market and the Credit Union establishes fair value by using recent arm's length transactions. Investment securities are classified as level 3 in the fair value hierarchy.

The Credit Union's exposure to credit and interest rate risks related to other investments is disclosed in note 21.

14. Plant and equipment

	Right-of-use asset	Motor Vehicles	Office machines & furniture	Fixtures & fittings	Total
	$'000	$'000	$'000	$'000	$'000
Cost or deemed cost					
Balance at 1 July 2021	147	41	49	191	429
Disposals	-	-	-	-	-
Additions	-	-	-	-	-
Balance at 30 June 2022	147	41	49	191	429
Balance at 1 July 2022	147	41	49	191	429
Disposal	-	(41)	-	-	(41)
Additions	73	52	-	-	125
Balance at 30 June 2023	220	52	49	191	512
Depreciation and impairment losses					
Balance at 1 July 2021	128	24	49	114	315
Depreciation	19	10	-	13	42
Disposals	-	-	-	-	-
Balance at 30 June 2022	147	34	49	127	357
Balance at 1 July 2022	147	34	49	127	357
Depreciation	24	4	-	7	35
Disposal	-	(34)	-	-	(34)
Balance at 30 June 2023	171	4	49	134	358
Carrying amounts					
At 1 July 2021	19	17	-	77	114
At 30 June 2022	-	7	-	64	72
At 1 July 2022	-	7	-	64	72
At 30 June 2023	49	48	-	57	154

15. Intangible assets

	Software $'000	Website $'000	VISA License $'000	Total $'000
Cost				
Balance at 1 July 2021	225	38	76	339
Disposal	(3)	(38)	-	(41)
Addition	-	6	-	6
Balance at 30 June 2022	222	6	76	304
Balance at 1 July 2022	222	6	76	304
Addition	-	-	-	-
Balance at 30 June 2023	222	6	76	304
Amortisation and impairment losses				
Balance at 1 July 2021	115	38	76	229
Amortisation for the year	14	2	-	16
Disposals	(3)	(38)	-	(42)
Balance at 30 June 2022	126	2	76	204
Balance at 1 July 2022	126	2	76	204
Amortisation for the year	48	2	-	50
Balance at 30 June 2023	174	4	76	254
Carrying amounts				
At 1 July 2021	110	-	-	110
At 30 June 2022	96	4	-	100
At 1 July 2022	96	4	-	100
At 30 June 2023	48	2	-	50

	2023 $'000	2022 $'000

16. Deferred tax asset/liability

Deferred tax assets comprise:

	2023 $'000	2022 $'000
Employee benefits	60	51
Provision for doubtful debts	22	20
Property, plant and intangibles	(39)	(31)
Trade and other payables	-	6
Other assets	-	(10)
Lease Liability	7	-
	50	36

17. Members' deposits

	2023 $'000	2022 $'000
Call deposits	57,938	64,354
Term deposits	22,800	19,068
Members shares	35	38
	80,774	83,460

	2023 $'000	2022 $'000
Deposits by geographical locations		
South Australia	77,341	79,985
Interstate	3,245	3,235
Overseas	187	240
	80,773	83,460

Concentration of deposits

There are no members' deposits comprising major concentration of more than 10% of total liabilities. Due to the nature of the Credit Union's membership base there is significant concentration of deposits held by members of the South Australian Emergency Services.

18. Trade and other payables

	2023 $'000	2022 $'000
Accrued expenses	140	35
	140	35

19. Employee benefits

	2023 $'000	2022 $'000
Current		
Liability for annual leave	96	80
Liability for long service leave	143	115
Total employee benefits – current	239	195
Non-Current		
Liability for long service leave	5	9
Total employee benefits – non-current	5	9
Total employee benefits	**244**	**204**

20. Reserves

Redeemed preference share reserve

	2023 $'000	2022 $'000
Opening balance	31	30
Transfer from retained earnings	-	1
Closing balance	31	31

Under the *Corporations Act 2001*, redeemable preference shares (members' $10 shares) may only be redeemed out of the Credit Union's profit or through a new issue of shares for the purpose of the redemption. The Credit Union has therefore transferred the value of the member shares redeemed since 1st July 1999 (the date that the *Corporations Act 2001* applied to the Credit Union), by transferring the value of those shares from retained earnings to the redeemed preference share capital account.

General reserve for credit losses

	2023 $'000	2022 $'000
Opening balance	68	70
Transfer (to) from retained earnings	(68)	(2)
Closing balance	-	68

The general reserve for credit losses contained an additional allowance for impairment losses. The prudential requirement (*effective 1st January 2022*) for the reserve was replaced with the need to hold adequate provisions in accordance with Australian Accounting Standards. It was determined that the expected credit loss (ECL) amount was sufficient. As a result the balance of the Reserve has been transferred to retained earnings during the 2023 financial year.

21. Financial risk management and financial instruments

Overview

The Credit Union has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- interest rate risk; and
- operational risk.

This note presents information about the Credit Union's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Our approach to risk management is built on formal governance processes and relies on individual responsibility and reporting.

Risk management policies are established to identify and analyse the risks faced by the Credit Union, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Credit Union's activities. The Credit Union, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Credit Union if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Management of credit risk

In relation to loans and advances, the Credit Union has clearly defined credit policies for the approval and management of credit risk. Current credit risk policies incorporate an assessment of a counterparty's repayment capacity and security and specifies acceptable terms and conditions for all types of loan products.

Secured residential loans have a maximum loan-to-security valuation ratio of 80% unless mortgage protection insurance is purchased by the counterparty. Consumer and revolving credit is generally unsecured.

A proactive approach to the identification and control of loan impairment is maintained on a weekly basis and reported to the Board monthly.

Lending policies and limits are reviewed and approved annually by the Board. The Board ensures that any exposures to credit risk, and significant changes in policy remain within the overall risk exposure levels as agreed by the Board.

The Credit Union limits its exposure on its investments by only investing in funds with authorised deposit taking institutions (ADIs) which are regulated by APRA. All investments are held with institutions with a BBB- or higher credit rating. Some non-High Quality Liquid Asset (HQLA) are held with unrated ADIs.

APRA has also enforced concentration limits upon the Credit Union in respect of its lending and investment activities under the terms of the Credit Union's financial services licence.

Credit risk exposure

The maximum exposure to credit risk by class of recognised financial assets at balance date is equivalent to the carrying value and classification of those financial assets as presented in the statement of financial position, plus loans approved but not yet advanced and undrawn overdraft facilities.

21. Financial risk management and financial instruments (continued)

The table below shows the gross credit risk exposures to which the expected credit losses model is applied, grouped by financial asset type and credit risk rating grade. Loans and advances are internally rated based on a variety of factors, including past events, current conditions and forward-looking information at both an individual counterparty level and a collective and macroeconomic level. Debt securities are externally rated in accordance with credit rating grades provided by rating agencies.

2023	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL Not credit impaired $'000	Stage 3 Lifetime ECL Credit impaired $'000	Total $'000
Loans – Firefighters & other				
Low risk	52,959	-	-	52,959
Moderate risk	-	-	-	-
Higher risk	-	-	-	-
Total	**52,959**	**-**	**-**	**52,959**
Investments				
AAA to AA-	18,581	-	-	18,581
A+ to A-	5,452	-	-	5,452
BBB+ to BBB-	1,989	-	-	1,989
Not rated	7,550	-	-	7,550
Total	**33,572**	**-**	**-**	**33,572**

2022	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL Not credit impaired $'000	Stage 3 Lifetime ECL Credit impaired $'000	Total $'000
Loans – Firefighters & other				
Low risk	43,282	152	-	43,434
Moderate risk	-	-	-	-
Higher risk	-	-	-	-
Total	**43,282**	**152**	**-**	**43,434**
Investments				
AAA to AA-	21,384	-	-	21,384
A+ to A-	5,730	-	-	5,730
BBB+ to BBB-	4,196	-	-	4,196
Not rated	13,598	-	-	12,700
Total	**44,908**	**-**	**-**	**44,908**

21. Financial risk management and financial instruments (continued)

Exposure to credit risk

The carrying amount of the Credit Union's financial assets represents the maximum credit exposure. The Credit Union's maximum exposure to credit risk at the reporting date was:

	Note	2023 $'000	2022 $'000
Investments – interest earning deposits	13	27,119	37,372
Loans and receivables	12	52,959	43,434
Cash and cash equivalents	10	6,449	7,536
		86,527	**88,342**

Impairment losses

The ageing of the Credit Union's loans and advances at the reporting date was:

	2023 $'000	2022 $'000
Not past due	52,951	43,282
Past due 0 – 30 days	8	-
Past due above 30 days	-	152
	52,959	**43,434**

During 2023 the Credit Union wrote off loans totalling $nil (2022: $nil).

"Non-accrual loans" are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful and there is insufficient security. Unsecured loans are treated as non-accrual once they are 180 days in arrears. The category also includes any credit risk facility for which a specific provision for impairment has been raised.

"Restructured loans" arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms, and the revised terms are not comparable to new facilities. Loans with revised terms are included in non-accrual loans when impairment provisions are required or the collection and recovery of all interest and principal is considered to be reasonably doubtful. There were no restructured loans as at 30 June 2023 (2022: nil).

"Assets acquired through the enforcement of security" are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements. The recoverable value of such assets form part of the net value of loans and advances.

"Past due loans" are loans which the member fails to make a payment when it is contractually due. Full recovery of both principal and interest is expected. If an impairment provision is required or the collection and recovery of all interest and principal is considered to be reasonably doubtful, the loan is included in non-accrual loans.

There was no impairment loss recognised with respect to investments during the year (2022: nil).

21. Financial risk management and financial instruments (continued)

Liquidity risk

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

The Credit Union ensures that obligations are met day to day in normal market conditions at the lowest costs. Protection against an unexpected outflow of funds is provided for within the liquidity management process and from a stock of High Quality Liquid Assets (HQLA)

The liquidity shortfall could be caused by many factors including:

- The withdrawal of customer deposits; and
- The drawdown of members' borrowings and growth of non-liquid assets.

Management of liquidity risk

Liquidity risk management within the Credit Union considers both the overall Statement of Financial Position and the projected daily liquidity requirements, measuring the combined effects of assets and liability maturity mismatches and the undrawn commitments. It considers the time periods over which the liquidity demands are most strong and financial markets. The Credit Union has a policy to maintain a liquidity ratio of 16% (2022: 16%). The day to day management of liquidity is the responsibility of the management of the Credit Union, and reporting is undertaken weekly to the management and is reported monthly to the Board.

Liquidity policy is approved by the Board and is always in excess of the regulatory guidelines. "APRA requires the Credit Union to maintain a minimum holding of 9% of its liabilities in specified high quality liquid assets at all times".

	2023	2022
Liquidity	28.05%	32.20%

	Note	Carrying amount $'000	Contractual cash flows $'000	12 months or less $'000	1-5 years $'000	More than 5 years $'000	At Call Deposits $'000
30 June 2023							
Non-derivative financial liabilities							
Members' deposits	17	80,773	80,773	22,793	7	-	57,973
Trade & other payables	18	140	140	140	-	-	-
Lease liability	9	50	48	24	24	-	-
		80,963	80,961	22,957	31	-	57,973
30 June 2022							
Non-derivative financial liabilities							
Members' deposits	17	83,460	83,460	19,063	5	-	64,392
Trade and other payables	18	35	35	35	-	-	-
Lease liability	9	-	-	-	-	-	-
		83,495	83,495	19,098	5	-	64,392

21. Financial risk management and financial instruments (continued)

Market risk management

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

Interest rate risk management

The management of net interest rate risk is primarily through monitoring the sensitivity of the Credit Union's financial assets and liabilities to standard and non-standard interest rates offered on loans and deposits.

Profile of interest rate risk

At the reporting date the interest rate profile of the Credit Union's interest-bearing financial instruments was:

	Note	2023 $'000	2022 $'000
Fixed rate instruments			
Financial assets		13,022	22,279
Financial liabilities	17	22,800	19,068
Variable rate instruments			
Financial assets		73,508	66,145
Financial liabilities	17	57,973	64,354

A change of 1% in interest rates at the reporting date would have increased / (decreased) equity and profit and loss by the amounts shown below.

	Profit or loss		Equity	
	1% Increase $'000	1% Decrease $'000	1% Increase $'000	1% Decrease $'000
30 June 2023				
Financial assets	735	(735)	735	(735)
Financial liabilities	(579)	579	(579)	579
	156	(156)	156	(156)
30 June 2022				
Financial assets	661	(661)	661	(661)
Financial liabilities	(644)	644	(644)	644
	17	(17)	17	(17)

21. Financial risk management and financial instruments (continued)

Operational risk

Operational risk is the potential risk of financial loss or impairment to reputation resulting from inadequate or failed internal processes and systems, from the actions of people or from external events.

Major sources of operational risk include:

- outsourcing of operations;
- key person risk;
- dependence on key suppliers;
- IT security;
- internal and external fraud;
- implementation of strategy change;
- regulatory non-compliance; and
- process errors and external threats such as the loss of a critical site.

The Credit Union's Chief Executive Officer manages this risk through implementing appropriate controls and loss mitigation actions including insurance. These actions include a balance of policies, procedures and internal controls to ensure compliance with laws and regulations. Risk and control assurance is facilitated by the Chief Executive Officer and reported quarterly to the Board Audit Committee and on an annual basis to the Board.

The Credit Union has a Business Continuity Plan and a process in place to recognise, assess, and report risk if needed.

Capital adequacy

The primary objectives of the Credit Union's capital management are to ensure that the Credit Union complies with externally imposed capital requirements, maintains capital ratios to support the business and to cover risks inherent to its activities.

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

Effective management of capital risk involves the maintenance of adequate levels of capital. This means having a level suitable for the activities it undertakes.

The Board has a duty to ensure that the Credit Union maintains an appropriate level and quality of capital commensurate with the level and extent of risks to which the Credit Union is exposed from its activities. It does have an Internal Capital Adequacy Assessment Process (ICAAP) and capital management plan.

The Credit Union's capital will have the following characteristics:

(a) provide a permanent and unrestricted commitment of funds;

(b) be freely available to absorb losses;

(c) not impose any unavoidable servicing charge against earnings; and

(d) rank behind the claims of depositors and other creditors in the event of winding up.

21. Financial risk management and financial instruments (continued)

Capital adequacy (continued)

For capital adequacy purposes the Credit Union's capital is assessed in two tiers:

(a) Tier 1 capital comprises the highest quality component of capital that fully satisfies all the essential characteristics as above.

(b) Tier 2 capital includes other elements which to varying degrees, fall short of the quality of Tier 1 capital but none the less contribute to the overall strength of the Credit Union as a going concern.

The Capital Adequacy ratio has been calculated on a different basis for the 2023 financial year – reflecting the revised requirements of the new APRA Capital Framework effective from 1st January 2023

The Credit Union's capital base (the numerator of the capital ratio) is defined as the sum of eligible Tier 1 capital and Tier 2 capital net of all specified deductions and amortisation, subject to the limits that apply under APS 110.

The Credit Union has complied with APRA requirements.

The capital management position is set out by the Board annually and reported monthly.

The Credit Union's capital position as at 30 June 2023 was as follows:

	2023 %	2022 %
Capital Adequacy Ratio	19.83%	16.46%

Capital	2023 $'000	2022 $'000
Retained Earnings	5,843	5,328
Reserves	31	31
Common Equity Tier 1 Capital	**5,874**	**5,359**
Deferred Tax Assets	(50)	(36)
Intangible assets	(50)	(100)
Investments in banking and financial entities	(20)	(20)
Regulatory Adjustment to Common Equity Tier 1 Capital	**(120)**	**(156)**
Tier 1 Capital	**5,754**	**5,203**
General Reserve for Credit Losses	-	68
Tier 2 Capital	**-**	**68**
Total Capital	**5,754**	**5,271**

21. Financial risk management and financial instruments (continued)

Repricing analysis

The Credit Union's repricing analysis as at 30 June 2023 was as follows:

	Balance Sheet Total $'000	Floating interest rate $'000	0-3 months $'000	3-12 months $'000	1-5 years $'000	Over 5 years $'000	Non-interest bearing $'000
2023							
Assets							
Cash and cash equivalents	6,490	6,449	-	-	-	-	41
Interest earning deposits	27,119	14,096	8,539	1,000	3,484	-	-
Investment Receivables	175	-	-	-	-	-	175
Loans and advances	52,959	52,959	-	-	-	-	-
Other investments	20	-	-	-	-	-	20
	86,763	73,504	8,539	1,000	3,484	-	236
Liabilities							
Member deposits	80,773	57,938	7,463	15,330	7	-	35
Other liabilities	140	-	-	-	-	-	140
	80,913	57,938	7,463	15,330	7	-	175
2022							
Assets							
Cash and cash equivalents	7,659	7,536	-	-	-	-	123
Interest earning deposits	37,372	15,094	16,795	1,000	4,484	-	-
Investment Receivables	60	-	-	-	-	-	60
Loans and advances	43,434	43,434	-	-	-	-	-
Other investments	20	-	-	-	-	-	20
	88,545	66,064	16,795	1,000	4,484	-	203
Liabilities							
Member deposits	83,460	64,354	9,465	9,598	5	-	38
Other liabilities	35	-	-	-	-	-	35
	83,495	64,354	9,465	9,598	5	-	73

21. Financial risk management and financial instruments (continued)

Fair values

The following methods and assumptions are used to determine the fair values of financial assets and liabilities based on the assumptions in the summary of significant accounting policies at Note 3.

The different levels have been defined as follows:

• **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities (the Credit Union has no such financial instruments)
• **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
• **Level 3:** inputs for the asset or liability that are not based on observable market data.

The fair value hierarchy applied to each category of financial asset and liability is noted below.

The carrying amount of financial assets and financial liabilities are reasonable approximation of their fair value.

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

(i) Cash and cash equivalents (Level 1)

The carrying values of cash and cash equivalents approximate their net fair value as they are either physically held as cash or they are short term in nature or are receivable on demand.

(ii) Receivables and other assets and investment receivables (Level 2)

The carrying values of trade debtors and other receivables is estimated to approximate fair value.

(iii) Loans and advances (Level 3)

The carrying value of loans, advances and other receivables is net of specific provisions for impairment and interest/fees reserved.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of net fair value.

(iv) Investments – interest earning deposits (Level 2)

The carrying values of interest earning deposits have been deemed to be representative of net fair value. The assets will either be held to maturity, cannot be redeemed, or are not interest rate sensitive.

(v) Investments – shares in unlisted companies (Level 3)

Equity investments are not held for trading and the Credit Union has irrevocably elected to designate at fair value through other comprehensive income. Fair value has been measured via reference to recent market transaction prices where available, and where not available a range of high level values were determined using various valuation methodologies based on underlying cash flow assumptions for these entities.

vi) Member deposits (Level 2)

The net fair value, which includes the value of non-interest-bearing, call and variable rate deposits repricing within 12 months. The carrying value as at balance date approximates their net fair value as they are either physically held as cash or they are short term in nature or are receivable on demand.

(vii) All other financial liabilities (Level 2)

The carrying value of financial liabilities has been deemed to be representative of their net fair market value.

21. Financial risk management and financial instruments (continued)

Financial instruments not measured at fair value	Note	Carrying amount $'000	Fair values $'000	Fair value hierarchy $
		30 June 2023		
Financial assets				
Cash and cash equivalents	10	6,490	6,490	Level 1
Receivables and other assets		83	83	Level 2
Investment receivables	11	175	174	Level 2
Loans and advances	12	52,873	52,873	Level 3
Investments	13	27,139	27,137	Level 2
Total financial assets		**86,757**	**86,757**	
Financial liabilities				
Members' deposits	17	80,774	80,773	Level 2
Trade and other payables	18	140	140	Level 2
Total financial liabilities		**80,913**	**80,913**	

Financial instruments not measured at fair value	Note	Carrying amount $	Fair values $	Fair value hierarchy $
		30 June 2022		
Financial assets				
Cash and cash equivalents	10	7,659	7,659	Level 1
Receivables and other assets		60	60	Level 2
Investment receivables	11	60	2660	Level 2
Loans and advances	12	43,354	43,354	Level 3
Investments	13	37,372	37,372	Level 2
Total financial assets		**88,505**	**88,505**	
Financial liabilities				
Members' deposits	17	83,460	83,460	Level 2
Trade and other payables	18	35	35	Level 2
Total financial liabilities		**83,495**	**83,495**	

22. Capital and other commitments

Capital expenditure commitments

The Credit Union has no capital expenditure commitments at 30 June 2023 (2022: nil).

	2023 $'000	2022 $'000
Loans pending settlement		
Loans approved yet to be disbursed	1,490	-

Commitments to expenditure on banking system

The Credit Union signed a 5 year contract in 2010 with Data Action for the provision of computer bureau services and computer support. The contract includes a clause agreeing to annual increase of the greater of a 3%p.a. or CPI. This contract continues on a rolling basis with twelve months' notice.
Based on the most recent financial information provided by Data Action, the bureau fees are likely to be:

	2023 $'000	2022 $'000
Within one year	321	300
One year or later and no later than 2 years	-	-
Later than 2 years	-	-
	321	300

23. Contingencies

Details of contingent liabilities and contingent assets where the probability of future payments/receipts is not considered remote are set out below, as well as details of contingent liabilities and contingent assets, which although considered remote, the directors consider should be disclosed.

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required, or the amount is not capable of reliable measurement.

Credit Union Financial Support System (CUFSS)

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

As a member of CUFSS, the Credit Union:

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

No such direction has, at balance date, been given to the Credit Union.

24. Related parties

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any Director of the Credit Union.

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

Mr P Fletcher – Chair Mr A Karapetian – Director Mr E Holzbauer – Director Mr J Swann – Deputy Chair Mr G Northcott – Director Ms E Lew - Director	Mr N Johnson – Director Mr A Waller - Director Mrs T Ireland – Chief Executive Officer/ Company Secretary Ms J Driscoll – Chief Financial Officer Mrs K Plunkett – Risk & Compliance Manager

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 6) are as follows:

	2023 $	2022 $
Short-term employee benefits	298,098	290,326
Post-employee benefits	44,983	40,336
Long service leave	16,365	3,468
	359,446	334,130

Loans to key management personnel

The following loan facilities were conducted by Directors at normal member rates during the year:

Principal and interest loans	1,039,126	571,956
Lines of credit	16,620	4,630
Balance outstanding	1,055,746	576,586

The aggregate amount of loans made during the year were:

Principal and interest loans	1,044,284	171,383
Lines of credit	30,790	8,013
	1,075,074	179,396

The aggregate amount of loans made during the year includes amount redrawn from existing loans.

The aggregate amount of loan repayments received this year were:

Principal and interest loans	611,976	188,138
Lines of credit	19,424	6,848
	631,400	194,986

Interest charges made during the year were:

Principal and interest loans	35,570	16,212
Lines of credit	623	504
	36,193	16,716

The key management personnel of the Credit Union and their families conduct loans, savings and investments with the Credit Union at normal member rates and conditions. No conditions were breached during the financial year.

24. Related Parties (continued)

Other key management personnel transactions with the Credit Union

Apart from the details disclosed above, no key management personnel have entered into a material contract with the Credit Union since the end of the previous financial year and there were no material contracts involving Directors' interests existing at the year end.

Each Director holds one share in the Credit Union in their capacity as a member.

25. Dividend franking account

The Credit Union has generated franking credits from the payment of income tax since the 1996 financial year. The total of franking credits adjusted for credits which will arise from the payment of income tax provided for in the financial statements is $1,937,380 (2022: $1,691,112).

However, the ability of the Credit Union to utilise these credits is restricted by the rules of the Credit Union, which do not permit the Credit Union to pay dividends. The Credit Union is prevented from distributing the balance of the franking credits.

26. Auditor's remuneration

	2023 $	2022 $
Audit services		
Auditors of the Company		
Crowe Audit Australia		
Audit of financial report and other assurance services	54,200	51,800
Other regulatory audit services	10,500	9,500
KPMG Australia		
Audit of financial report and other assurance services	-	11,385
	64,700	72,685
Crowe Audit Australia		
Taxation services	2,650	2,500
	2,650	2,500

27. Subsequent Events

There have been no events subsequent to reporting date which would have a material impact on the Credit Union's 30 June 2023 financial statements.

Directors' declaration

In the opinion of the directors of Fire Service Credit Union Ltd ('the Credit Union'):

(a) the financial statements and notes that are set out on pages 10 to 46, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Credit Union's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and

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

Signed in accordance with a resolution of directors.

Mr Paul Fletcher Deputy Chief Officer SAMFS, MLshipMgmt , G.I.Fire E.
Chair

Dated at Adelaide this 21st September 2023

Crowe Audit Australia
ABN 13 969 921 386

491 Smollett Street
Albury NSW 2640 Australia

PO Box 500
Albury NSW 2640 Australia

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

Fire Service Credit Union Ltd

Independent Auditor's Report to the Members of Fire Service Credit Union Ltd

Opinion

We have audited the financial report of Fire Service Credit Union Ltd ('the Credit Union'), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Fire Service Credit Union Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Credit Union's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

Other Information

The directors are responsible for the other information. The other information comprises the directors' report information contained in the Credit Union's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

CROWE AUDIT AUSTRALIA

BRADLEY D BOHUN
Partner

22 September 2023
Albury